



BMA gives green light for Butler student captive

The Bermuda Monetary Authority has granted licensing approval for the MJ Student-Run Insurance Company, the first captive to be developed and implemented by Butler University College of Business students.

The student-run captive, managed by Aon, will insure the university's mascot and bomb sniffing dog, as well as provide \$150,000 primary blanket limit for its planetarium, telescope, fine arts collection and musical instruments.

The captive will also provide the first \$50,000 of commercial general liability cover for the university's student-run businesses.

The aim of the captive is to give students hands-on experience and prepare them for an industry that is anticipated to need tens of thousands of new employees over the next seven years.

The university's original aim was to launch the captive at the beginning of the 2019-2020 academic year. Zach Finn, clinical professor and director of the Davey Risk Management and Insurance Programme, said the early launch was down to the \$250,000 gift from MJ Insurance and its CEO, Michael Bill. The money was used to cover the minimum amount of capital needed to fund the captive.

Kevin Thompson was also hired to teach the programme.



THE RELATIONSHIP BETWEEN A CAPTIVE AND ITS MANAGER CAN DETERMINE A CAPTIVE'S SUCCESS.



**ACTIVE
CAPTIVE
MANAGEMENT**

To request a risk analysis, visit us online at:
www.activecaptive.com or call 800-921-0155

Ian Davis replaces Towle as director of financial services

Ian Davis is set to replace Dan Towle as the new director of financial services in Vermont.

Towle, who served in the position for 17 years, stepped down from the role to become the new president of the Captive Insurance Companies Association, effective 24 April.

Davis will be responsible for the marketing and business development for Vermont's captive insurance industry.

Previously, Davis served as policy specialist for the commerce and community development agency.

Davis said of his new job: "I am both honoured and excited to be representing Vermont as the leading onshore captive insurance domicile. The captive insurance industry creates clean, high-paying jobs and employs over 1,600 Vermonters. It also generates significant tax revenue and tourist activity. It is one of Vermont's best success stories of economic development."

Cayman captives experience 'buoyant start' to beginning of 2017

The Cayman Islands has signed off on eight new insurer licences issued in Q1 2017.

At the end of Q1, total premiums written for the sector stood at \$14.6 billion, with total assets held of \$60 billion.

Linda Haddleton, the new chair of the Insurance Managers Association of Cayman (IMAC), said a number of additional licence applications are also "planned or underway".

Haddleton said: "This is rewarding news for the jurisdiction, demonstrating the confidence of markets in the regulatory framework and the advanced infrastructure of the Cayman Islands."

Inside captive **insurance** times



News Round-Up
The US House of Representatives has passed the Self-Insurance Protection Act in a 400 to 16 vote
page 4

CICA President
Dan Towle aims to continue supporting CICA's efforts to grow its membership and increase advocacy as president
page 10

Micro Captives
EY breaks down the controversial Notice 2016-66 as the 1 May deadline for reporting rapidly approaches
page 6

Industry Appointments
Crawford & Company, QBE North America, Maxis GBN, Aon, Airmic and more feature
page 14

Haddleton went on to discuss the success of captive insurance and its rise in popularity as a mechanism of alternative risk transfer.

She said: "Captives have been mainstream for some time now as successful alternative risk financing instruments, and nothing demonstrates this more than the proliferation of jurisdictions now competing to host captives."

"There remains much opportunity for a mature captive jurisdiction in both traditional and new markets, and the Cayman Islands offers a tried and tested, innovative environment in which to create alternative risk financing solutions, clearly continuing to attract new captives."

Sorford Surety withdraws from ratings

Sorford Surety Insurance Company, the wholly-owned subsidiary of IBT Group, which is a subsidiary of Eurofinsa, has requested to withdraw from A.M. Best's ratings process.

Sorford Surety requested to no longer participate after A.M. Best downgraded the captive's financial strength rating to "B- (Fair)" and the long-term issuer credit rating to "bb-".

A.M. Best originally placed the captive "under review with negative implications" in February last year after concerns around the implementation and execution risk of its

MANAGING RISK WORLDWIDE

DELIVERING SOLUTIONS FOR BUSINESSES AND INSURERS WORLDWIDE

To find out more, please contact :

<p>Life Company Management Jeffrey More +44 1624 683602 Jeffrey.More@ctplc.com</p>	<p>Captive Management William Wood +1 441 278 7709 William.Wood@ctplc.com</p>
<p>Risk Management Chris Moss +1 972 447 2053 Christopher.Moss@ctplc.com</p>	



www.ctplc.com



GENERALI

Employee Benefits Network

Employee benefits. We have the solutions.

A comprehensive range of Employee Benefits solutions, including Life, Disability, Accident, Health and Pension plans, for both local and mobile employees.

A Network of over 120 world-class local insurance partners, covering more than 100 countries and territories around the globe.

A high-degree of flexibility to meet the group insurance and pension needs of multinational corporations wherever they operate.

A multicultural team of professionals providing customised service, risk evaluation, full technical support, central coordination and quality reporting thanks to the most advanced IT tools.

The security and stability of the Generali Group, one of the world's leading insurance and financial players.

Along with the traditional multinational pooling options, the GEB Network is leader in Reinsurance to Captive and offers innovative, cost-efficient multinational pension solutions.

business plan and uncertainty as to the final outcome of its ratings.

However, the ratings agency said Sorford's risk-adjusted capitalisation, which is adequate for its rating level, led to concerns associated with the company's "lack of sustainable business volume since its inception in 2010 and the related deterioration of capital and surplus due to administrative expenses".

A.M. Best said: "The negative rating outlooks reflect the uncertainty of the company's fundamental business strategies, ongoing concern about implementation and execution risk, as well as management's lack of communication and silence relating to the interactive rating process."

Self-insurance legislation passes House

The US House of Representatives has passed the Self-Insurance Protection Act in a 400 to 16 vote, paving the way for the introduction of legislation that will protect the right of group health plans to provide stop-loss insurance.

The Self-Insurance Protection Act ensures that small- and mid-sized private sector employers, as well as smaller Taft-Hartley plans and public sector entities, are able to continue to provide health benefits to their workers and members through self-insured group health plans.

The bill clarifies existing law to ensure that federal regulators cannot re-define stop-loss insurance as traditional health insurance.

According to the Self-Insurance Institute of America (SIIA), this regulatory threat surfaced during the prior administration.

SIIA said: "It is important to codify this protection now to head off any similar regulatory threats in the future."

The Self-Insurance Protection Act still needs to be considered in the Senate before it can be passed to the president to be signed into law.

Ikano captive acquired by DARAG

DARAG, a European run-off insurer, has signed a share purchase agreement to acquire all shares of Ikano Försäkring, the Stockholm-based Swedish captive owned by Ikano Group.

Ikano Group, which was originally a part of IKEA, became an independent group of companies in 1988 and now focuses on areas such as finance, insurance, real estate and retail in Asia, with a head office in Luxembourg.

DARAG will now file an application with Finansinspektionen, Sweden's Financial

Supervisory Authority, which has up to 60 working days to process the ownership and management approval filing.

Ikano expects the transaction with DARAG to close during Q3 this year.

Zsolt Szalkai, group chief liability officer at DARAG, commented: "We firmly believe that the legacy market in Europe will reach new heights in 2017, as the reinsurance and insurance industry continues to acknowledge run-off solutions as a natural element of the insurance lifecycle, one that helps them reduce costs, manage volatility and achieve capital efficiencies."

In addition, Euro Accident, a Swedish health insurance company, is set to acquire Ikano Livförsäkring, Ikano Group's second insurance company.

Hanover Stone Partners opens new workers' compensation practice

Hanover Stone Partners (HSP) has created WorkersComp Guard, a national practice group to help employers manage workers' compensation costs.

The new practice group, led by Barry Thompson, will work in collaboration with employers on solutions to reduce costs and improve claim outcomes.

It will also provide strategies and methods to assess employer safety culture and practices, evaluate risk financing options, implement best claims management practices, and leverage data for programme measurement and more effective resource deployment.

John Kelly, managing director of HSP, commented: "For employers throughout the US, workers' compensation represents the largest component of their overall casualty cost of risk, and has become a growing source of pain due to a number of variables that has resulted in double-digit increases in many jurisdictions."

"Under Barry Thompson's leadership, the new practice will leverage the diverse and specialised expertise of our risk advisors and partner firms throughout the US to help clients manage complex workers' compensation issues and control costs."

Thompson added: "In an operating environment marked by thin margins, C-level management is realising that a measurable impact on workers' compensation costs can improve overall financial performance."

In addition to leading the new practice group, Thompson is president of Risk Acuity,

a consulting firm specialising in workers' compensation, which he founded in 2002.

Cawdery plays down political tensions between Spain and UK over Gibraltar

Rising political tensions between the UK and Spain over the sovereignty of Gibraltar have been dismissed as a storm in a teacup and a distraction from real post-Brexit issues.

Following the activation of Article 50 of the Lisbon Treaty on 29 March, drafts of the EU's negotiating position paper have circulated. They said no post-Brexit agreement between the EU and the UK may apply to Gibraltar without Spain's consent, which some in both Madrid and London have suggested is a renewed attempt by Spain to claim sovereignty of the British overseas territory.

This led some UK politicians and media outlets to suggest Gibraltar might have to be protected with military force, a claim that Shaun Cawdery, client lead at Robus Risk Services in Gibraltar, dismissed as nonsense.

Cawdery said: "In my opinion, there is absolutely no chance of any degree of Spanish sovereignty over Gibraltar within any reasonable timeframe—given this, talk of the potential for such in some areas of the UK press seems misguided."

He added: "There is no political will in Gibraltar to explore joint sovereignty (even at the cost of losing access to EU passporting), and subsequent governments here have expressed that to the UK government and, following the referendum in 2002, secured the 'double lock' over this issue."

Cawdery said the key issue is the extent to which any UK/EU deal will apply to Gibraltar.

He commented: "In this, I don't see that there will be much change in the consideration boards are currently giving to the issue. There also remains concern over the border between Gibraltar and Spain and whether this will remain open and fluid, but again, the EU's stance on the Brexit negotiations does little in my opinion to allay or compound those concerns."

"What may change is the relationship with the UK, which is our core market and perhaps highlighting difficulties early on in the negotiations may go some way to strengthen that relationship further still."

"It is very encouraging that UK lawmakers and the press are supportive of the British people in Gibraltar. I do fear that there will be both winners and losers—here, in the UK and in the EU—but I consider this as a wider Brexit concern that recent events do not change."

Is your Manager listening?

THE RELATIONSHIP BETWEEN A CAPTIVE AND ITS MANAGER CAN DETERMINE A CAPTIVE'S SUCCESS.

Active Captive Management provides the following services:

- Captive consultation and risk analysis
- Feasibility studies
- Domicile recommendation
- Capital and collateral evaluation
- Access to national service provider network
- Company licensing and formation
- Underwriting and policy administration
- Captive financial reporting
- Claims administration
- Annual compliance and regulatory management
- Annual underwriting review



To request a risk analysis, visit us online at:
www.activecaptive.com or call 800-921-0155

Active Captive Management provides management services in the onshore domiciles of: Alabama, Delaware, District of Columbia, Florida, Hawaii, Montana, Missouri, Nevada, New Jersey, North Carolina, Oregon, Oklahoma, South Carolina, Tennessee, and Utah. Off-shore domiciles include: Nevis.



**ACTIVE
CAPTIVE**
MANAGEMENT

Notice 2016-66: Is the IRS repeating the mistakes of the past or learning from them?

Mikhail Raybshteyn, Ann Cammack and Paul H Phillips III of EY break down the controversial notice as the 1 May deadline for reporting the latest transaction of interest rapidly approaches

The Internal Revenue Service (IRS) issued Notice 2016-66 on 1 November 2016, classifying micro captive arrangements as transactions of interest. These arrangements involve captive insurers that have made an election under Internal Revenue Code (IRC) Section 831(b), to be treated as a small insurance company, and hence, subject to tax solely on their investment income, rather than on their investment and underwriting income.

The purpose of the notice is to identify situations in which the IRS perceives there may be some form of abuse of the election. It seeks to accomplish this by imposing detailed disclosure requirements on electing companies.

In the last two decades, the US Treasury and the IRS have issued significant guidance regarding the tax treatment of captive insurance arrangements. Some of this guidance is designed to address questions about various captive insurance fact patterns, including questions involving brother-sister arrangements and coverage of third-party risk. Other guidance, such as Notice 2002-70, sought to curb what the IRS perceived as the use of captives for purposes other than to provide insurance coverage. The results of such efforts, however, have been

mixed. As a result of this history, there are significant questions about whether the IRS's latest effort through Notice 2016-66 to address a perceived abuse will be accomplish the intended goal.

Prior guidance efforts

In 2002, the IRS designated certain insurance arrangements as abusive via issuing Notice 2002-70, which dealt with producer-owned reinsurance companies (PORCs), including them among other listed transactions that were subject to heightened reporting requirements. The IRS and Treasury were concerned that these arrangements were not being used for legitimate insurance and risk management purposes but as investment vehicles. In issuing Notice 2002-70, the IRS and Treasury cast a wide net across the entire insurance industry. This wide net had the effect of subjecting some traditional insurance carriers, not just PORCs, to the disclosure requirements. This occurred because of a broad definition of "substantially similar" transactions that resulted in many common, long-accepted insurance arrangements getting caught up in the rules. The notice met strong resistance from the industry, including a large number of negative comments from a highly diverse group of taxpayers.

Ultimately, the IRS issued Notice 2004-65, which removed PORCs from the listed transactions. According to the IRS: “[E]xaminations have revealed fewer abusive transactions than anticipated.” Since the experience with Notice 2002-70, the IRS and Treasury have sought to find ways to address concerns surrounding specific captive insurance transactions without casting a similarly wide net that would cause the effort to be easily attacked as overly broad.

It is against this backdrop that the IRS has turned its attention to the use of micro captives for purposes beyond traditional risk management. The IRS is concerned that these companies are being used, for example, as wealth transfer instruments, not as risk transfer and management entities. During tax filing season, the IRS typically issues the list of “dirty dozen” abusive tax transactions that it is concerned with, including this perceived misuse of micro captives. In addition, the IRS is currently challenging a micro captive arrangement in court. Congress even got into the act in 2015, when it modified Section 831(b), in part to curb the use of this provision for non-insurance risk transfer purposes by related parties as part of the Protecting Americans from Tax Hikes Act.

Issuance of Notice 2016-66

Despite the fact that Congress has already stepped in to address this, the IRS issued Notice 2016-66, which established Section 831(b) micro captives as a “transaction of interest”. There are two things significant about Notice 2016-66 that differ from Notice 2002-70. First, the transaction is not a “listed transaction”, but rather, a “transaction of interest” that the IRS is looking to learn more about through the required disclosure process. Second, the IRS limited the inquiry to parties involved in transactions that specifically involved captives that made the election to be treated as a small company under Section 831(b). Moreover, the IRS acknowledged that there are micro captives that are truly legitimate insurance companies and that those companies will have a reporting requirement even though they are not the companies the IRS is concerned with. The IRS and Treasury appear to be trying to address some of the concerns raised in response to Notice 2002-70. The outstanding question is whether they have achieved the desired result.

It should be no surprise that the reaction from the industry, particularly those working with micro captives, was swift and negative. The sentiment by some in the industry was that the IRS has neither articulated what its precise concerns with micro captives are, nor provided taxpayers and the captive insurance industry with substantive guidance that would enable industry participants to distinguish between those types of transactions the IRS would perceive as abusive and those it would respect as being legitimate.

To the contrary, because the informal guidance offered to date implicates legitimate micro captives within its grasp, the notice continues to provide a clouded view of what the IRS would consider to be legitimate and improper structures.

Regardless of the opinions surrounding Notice 2016-66, the additional disclosure requirements for micro captive transactions are already resulting in significant administrative burdens on small businesses. Because Notice 2016-66 designates the transaction as a “transaction of interest”, taxpayers face additional paperwork and must contend with uncertainty surrounding which taxpayers are subject to reporting. Also, as originally issued, Notice 2016-66 required all of the above to happen by 31 January 2017, an almost impossible deadline given that the notice was issued in November 2016. In response to multiple comments, the IRS and Treasury issued Notice 2017-08, extending the disclosure date by 90 days to 1 May 2017.

Many in the industry are experiencing a sense of history repeating itself, as they view Notice 2016-66 as casting a broad net, subjecting legitimate transactions to its reporting requirements. Many wonder if this notice will suffer the same fate as Notice 2002-70, with it being revoked by the IRS and Treasury in a few years due to a similar type of ineffectiveness in identifying perceived abuses. In the meantime, taxpayers will have spent countless hours and resources complying with the notice.

Practical challenges of compliance

Reporting

Overall, the notice requires identified parties to file a reportable transaction disclosure statement, Form 8886, with sufficient details of the transaction so that the IRS can understand the transaction steps and details needed to determine if the transaction raises any concerns. The disclosure also must identify all parties involved in the transaction. As noted above, the notice is broad, and there is ambiguity about who should or should not report (including possibly third-party fronting commercial carriers), and what constitutes a “substantially similar” transaction.

Disclosure is required for the lesser of the most recent five taxable years of the captive, or the period for which the captive has been in existence. If the captive has been in existence for less than five years and is a successor to one or more captives created or availed of in connection with the notice, then taxable years of the predecessor entities are treated as taxable years of the captive for purposes of the disclosure.

Persons entering into these transactions on or after 2 November 2006 must disclose the transaction as required by the IRC and the accompanying regulations. This includes material advisers who make a tax statement on or after 2 November 2006, with respect to transactions entered into on or after 2 November 2006.

Reporting persons

Reporting persons are the participants in the transaction and are defined in the notice as: (i) “A” (for example, the owner of a captive, either direct or indirect), (ii) an insured, (iii) the micro captive, and, if applicable, (iv) “Company C” (for example, a third-party fronting commercial carrier). All of these are required to prepare a statement for each year in which their respective tax returns reflect tax consequences or a tax strategy of the micro captive transaction of interest. Participants must file Form 8886 with a description of the transaction in sufficient detail, stating when and how the taxpayer became aware of the transaction.

Reporting persons face a number of questions as they develop their description of the transaction. For example, what constitutes the reflection of tax consequences or a tax strategy of the micro captive transaction? Similarly, although loans may not be reportable on the participant’s tax returns, will the failure to report loan proceeds as dividends (if the participant is in the ownership chain) be considered a tax consequence or a tax strategy? What is the consequence for a participant that is outside of the ownership chain and has received a portion of the captive’s capital in a manner that the notice indicates may give rise to a reporting requirement? Are individuals more vulnerable to reporting errors because they may not have reflected (or failed to reflect) tax consequences of a financial arrangement with a micro captive?

Is a dividend payment a “tax consequence”? For example, in the case of a dividend paid by the micro captive to the shareholders of an offshore micro captive that elected to be treated as a US

History of Notice 2016-66

1 November 2016

The IRS issued Notice 2016-66, designating a new transaction of interest relating to certain captive insurance companies that make the election under 831(b) to be taxed only on taxable investment income (micro captive). Notice 2016-66 applies retroactively to transactions entered into on or after 2 November 2006. Under the notice, taxpayers who have participated in the transaction for any return year with an open statute of limitations would have to disclose participation by 30 January 2017. Material advisers to such transactions were required to disclose them by 31 January 2017.

28 December 2016

CIC Services, a captive manager, filed a lawsuit seeking an injunction from the federal district court that would prohibit the IRS from enforcing Notice 2016-66. The lawsuit contended that the notice is a “legislative-type rule” that was not in compliance with the Administrative Procedures Act (APA). CIC complained that the Treasury and the IRS did not provide proper notice to the public or an opportunity for public comment.

3 January 2017

CIC temporarily withdrew its lawsuit, as the captive manager was hoping that the IRS would consider withdrawing the notice once the new presidential administration took office. CIC said it will consider reinstating the lawsuit before 1 May if the notice is not withdrawn.

17 November 2016

The Self-Insurance Institute of America (SIIA) sent a formal request to the IRS, Treasury, and Congress, asking for modifications and a reporting extension for the notice. SIIA commented that the requirements set forth in the notice are “too broad, resulting in little useful new information versus the tremendous cost of compliance to the taxpayers and loss of revenue to states”. SIIA met with the IRS in December 2016 to discuss these concerns.

29 December 2016

The IRS issued Notice 2017-08, revising Notice 2016-66, by extending the original deadline for filing required disclosures to 1 May 2017, for both participants and material advisers. This extension includes certain disclosure statements required to be filed with respect to micro captive insurance transactions after 1 November 2016, and prior to 1 May 2017. In addition, for purposes of disclosure of transactions in which a captive enters into a contract with the insured, the 90-day period provided in Treasury regulations was extended to 180 days.

27 March 2017

CIC, joined by Ryan, followed through on its prior commitment to litigate the issue and filed its second lawsuit concerning the implementation of Notice 2016-66 with the US District Court for the Eastern District of Tennessee. In addition to the lawsuit, CIC and Ryan are planning to set a date for a hearing with attorneys of the Captive Insurance Defense Coalition in Washington DC.

insurance company, shareholders may have reflected the dividend on their returns, but shareholders of domestic micro captives may not. As a result, US shareholders receiving distributions may be identically taxed regardless of whether the arrangement is taxable under section 11(a), 831(a), or 831(b), depending on whether the micro-captive is still treated as a corporation under the tax law.

Is the receipt of fees, commissions or other taxable income that arises as a result of the implementation or ongoing activities of the transaction considered to be a tax consequence? The notice does not exempt a taxpayer from reporting because its taxable income increased through participation.

Accordingly, the intermediary companies, such as fronting arrangements and, potentially, captive managers, may need to consider whether they are pulled into the disclosure requirements. Material advisers are subject to the same reporting thresholds that apply for listed transactions.

With regard to not-for-profit entities, other grey areas exist. Generally, no tax benefit would be derived from a micro captive transaction by a not-for-profit owner and/or insured. Does any participant in such case, including the micro captive, even have a reporting requirement? A plain reading could suggest ‘no’. But the language of the notice

is silent on the subject and so gives no indication on how the notice should be interpreted by taxpayers having such structures, especially considering that the notice uses terms “consequence” and “strategy” rather than “benefit”.

Penalties

Failure to comply with the notice could result in significant penalties. For example, a participant that fails to properly disclose the transaction may be subject to a penalty of 75 percent of the tax benefits, with a maximum of \$50,000 for entities and \$10,000 for individuals. The minimum for entities would be \$10,000, while individuals would face a minimum of \$5,000. In addition, the IRS may impose other penalties on participants in these transactions. A material adviser failing to report may also be subject to a penalty, and failure to provide the required list of advisees to the IRS when requested may result in an additional penalty.

Small businesses

A common concern of small businesses is that the notice attempts to undermine important public policies set forth by Congress by perhaps unwittingly targeting small businesses. Some have argued that the process employed by the IRS in issuing the notice in a way

appears to effectively administratively repeal section 831(b). This is somewhat of a common argument mentioned in multiple publicly disclosed comment letters issued on the subject, both in the small-business community and outside of it.

At this point, however, the 1 May 2017 extension remains effective until further notice, which may be a rather last-minute event, leaving taxpayers with the administrative burden already undertaken. While all affected taxpayers are preparing the required disclosures, small businesses continue to face the most significant challenges. Not having the internal resources to analyse and potentially prepare the required disclosure requires such entities to spend more on using outside advisers than larger businesses that have in-house capabilities.

Moreover, recordkeeping challenges may result in significantly more time lost by a small business in gathering the required information than by a larger organisation that has more on-site storage and more modern technology to manage information.

IRS audits

The IRS has included micro captives described in Notice 2016-66 among its most recently announced audit campaigns: “The IRS will be specifically looking for micro captive transactions in which a taxpayer attempts to reduce aggregate taxable income using contracts treated as insurance contracts and a related company that the parties treat as a captive insurance company. Each entity that the parties treat as an insured entity under the contracts claims deductions for insurance premiums. The manner in which the contracts are interpreted, administered and applied is inconsistent with arm’s-length transactions and sound business practices. LB&I [the large business and international division of the IRS] has developed a training strategy for this campaign. The treatment stream for this campaign will be issue-based examinations.”

Multiple comment letters noted that the information document requests issued in these nationally coordinated audits are extraordinarily broad and essentially demand every single record related to the micro captive from the time the micro captive transaction was first discussed or considered until the present.

Next steps

The notice outlines possible next steps after the Treasury and the IRS have gathered enough information regarding potentially abusive 831(b) arrangements. The IRS and the Treasury may take one or more actions, including removing the transaction from the transactions of interest category in published guidance, designating the transaction as a “listed transaction”, or providing a new category of reportable transaction. In the interim, the IRS may challenge a position taken as part of a transaction that is the same as, or substantially similar to, the transaction described in Section 2.01 of the notice under other provisions of the IRC or judicial doctrines such as sham transaction, substance over form, or economic substance.

The IRS clearly intends to pursue micro captive transactions that it believes to be abusive both through the audit process and through litigation. The captive industry has also made it clear that it will pursue all avenues to repeal the notice, including litigation and seeking legislative changes.

The IRS and Treasury tried to thread a needle with the issuance of Notice 2016-66 by targeting micro captives specifically and

designating the arrangements as transactions of interest instead of listed transactions. But the broad scope of the notice and the potential reach to unsuspecting and uninformed third parties, as well as the lack of details to clarify whether to report, and what to include in the report, raise serious questions about whether the government will be successful in its current effort, or whether Notice 2016-66 will ultimately go the way of Notice 2002-70. **CIT**



Mikhail Raybshteyn
Tax senior manager in the financial services organisation insurance sector and member of the US captive services leadership team
EY



Ann Cammack
Tax principal in the national tax department
EY



Paul H Phillips III
Tax partner in the financial services organisation insurance sector
EY

The views expressed are those of the authors and do not necessarily reflect the views of any member firm of the global EY organisation.

New beginnings

As the new president of CICA, Dan Towle aims to continue supporting the association's efforts to grow its membership, increase advocacy, and ensure the smoothest of transitions

What attracted you to CICA?

The Captive Insurance Companies Association (CICA) president job is one that I have watched quietly for some time. I always felt it had a lot of similarities to what I enjoyed most about my job at the State of Vermont and that it would be a good fit. When Dennis Harwick announced his retirement, I knew that this job opportunity was one that I could not pass up.

I have been involved with CICA throughout my entire career and have known it as the leading independent voice for the captive insurance industry. I have valued its important work in advocating for captive insurance and viewed it as an excellent resource for unbiased, domicile-neutral information.

CICA has been a strong partner for Vermont and I have admired the job Harwick and the board of directors have done in representing the global industry.

In my role at Vermont, I enjoyed advocating for captives and educating the marketplace about the benefits of captive insurance companies. Working for CICA will provide me an opportunity to do this on a much larger scale on behalf of our global membership.

The advocacy piece was also very attractive to me. Our industry has no shortage of threats, and I have been advocating for Vermont's broad clientele, but it pales in comparison to CICA's diverse membership across all domiciles. I will be able to advocate with a more credible, domicile-neutral voice. It will be exciting to undertake a new set of challenges.

What will you miss most about your work in Vermont (apart from David Provost's jokes)?

I will miss Dave's jokes, but I don't think they will stop. Not only have we worked closely together for years, but we have built a solid friendship as well, and I expect we will continue to have opportunities to work together.



Committed.

Competitive.

Without the *red tape.*



 **North Carolina**
DEPARTMENT OF INSURANCE
Captive Insurers

North Carolina has a state-of-the-art law that provides for a low cost of formation and operation for captive insurance companies, a commitment to sensible pro-business captive insurer regulation, and a dedicated, knowledgeable and experienced team of professionals who provide prudent regulation and outstanding customer service.

Visit www.nccaptives.com to learn more and discover why North Carolina is the best domicile choice for your captive insurance company. For more information, contact Debbie Walker at 919-807-6165 or debbie.walker@ncdoi.gov.

I enjoyed my job at the State of Vermont for a quite some time, and I felt very fortunate to have worked for four different governors and alongside legends of the industry like Len Crouse and Dave Provost.

I have had an opportunity to work with many of the best thought leaders of our global industry and I owe a great deal to all who have affected my perspectives and knowledge.

I will certainly miss working closely with the great group of people at the Department of Financial Regulation. They are committed, passionate and dedicated to their work. It is amazing what you can accomplish when you work with so many like-minded people.

I have often said the reason we were successful in Vermont was that we all considered ourselves stakeholders with a personal interest in our success. That is something I look forward to continuing with CICA's membership, as well as working on increasing the number of stakeholders.

What did you learn during your time in Vermont that will stand you in good stead as CICA president?

First and foremost, this is a relationship industry. I built a good reputation in Vermont as an advocate for our industry. I have many friends in multiple domiciles, and have always understood we are in this industry together. I have been invited to, and have spoken at, other domiciles' conferences and I think this is an excellent example of the mutual respect between many colleagues in other jurisdictions.

The strong relationships I established during my tenure in Vermont will continue to serve me well as president of CICA. My role will change, but the professional relationships will remain intact.

I should also mention that CICA has acknowledged the mutually beneficial relationship between the Vermont Captive Insurance Association, The State of Vermont and CICA. This strong relationship will continue to serve us well. My goal is to duplicate that strong working relationship with multiple domiciles around the globe. We are only as strong as our membership, and it is important we represent them well.

Now that you are assuming a more domicile-neutral role, what are the issues in captive insurance that you would like to tackle?

One of the things I think we struggle with as an industry is that we are often misunderstood. Captives are often characterised with a negative perspective by mainstream media and by governmental entities. We often find ourselves frustrated by how others outside the captive industry do not understand the valid business reasons and risk management benefits captive insurance can bring to a company. But, we have done very little as an industry to change those perceptions.

Our industry needs to collectively tell the story about why we form captives and how they benefit the parent company by being an important risk management tool.

We need to share the business case for putting together a risk-financing vehicle that can help us better manage our risk.

Captives are often formed to help contain and prevent losses and those dollars can be reinvested in preventing future losses. If we all told this story, there would be less mystery and undoubtedly less negative perception issues. I hope to work with our members to better tell this story.

On a broader level, there certainly isn't a shortage of threats to the captive insurance industry and with CICA being an international organisation the threats are compounded even more.

I look forward to meeting with the full board of directors to better understand what they consider the primary threats to be, and how we can best prioritise and address them.

I also look forward to outlining my ideas and vision, working with our directors to align our priorities and determine the best use of resources as we move forward, on behalf of our members.

As the new CICA president, what are your initial plans?

In the short term, I don't expect any major changes. I am fortunate to be a successor of an organisation that is very strong. I expect to be doing more fine tuning than introducing any bold initiatives during this initial time.

I am grateful to take over an organisation that has been well run and led by the strong efforts of Harwick and the board of directors. I look forward to learning as much as I can from Harwick in his time before his well-deserved retirement.

I am eager to hear from many of our members and I plan to launch an outreach campaign to many of them once I begin in my position on 24 April.

I certainly plan to continue to support CICA's efforts to grow membership and to increase the advocacy of our members, and I plan to make sure this a very smooth transition.

I do have many ideas that I plan to share with the full board of directors. The challenges and threats facing our industry are abundant. However, our industry was born from being innovative and developing solutions to challenging problems.

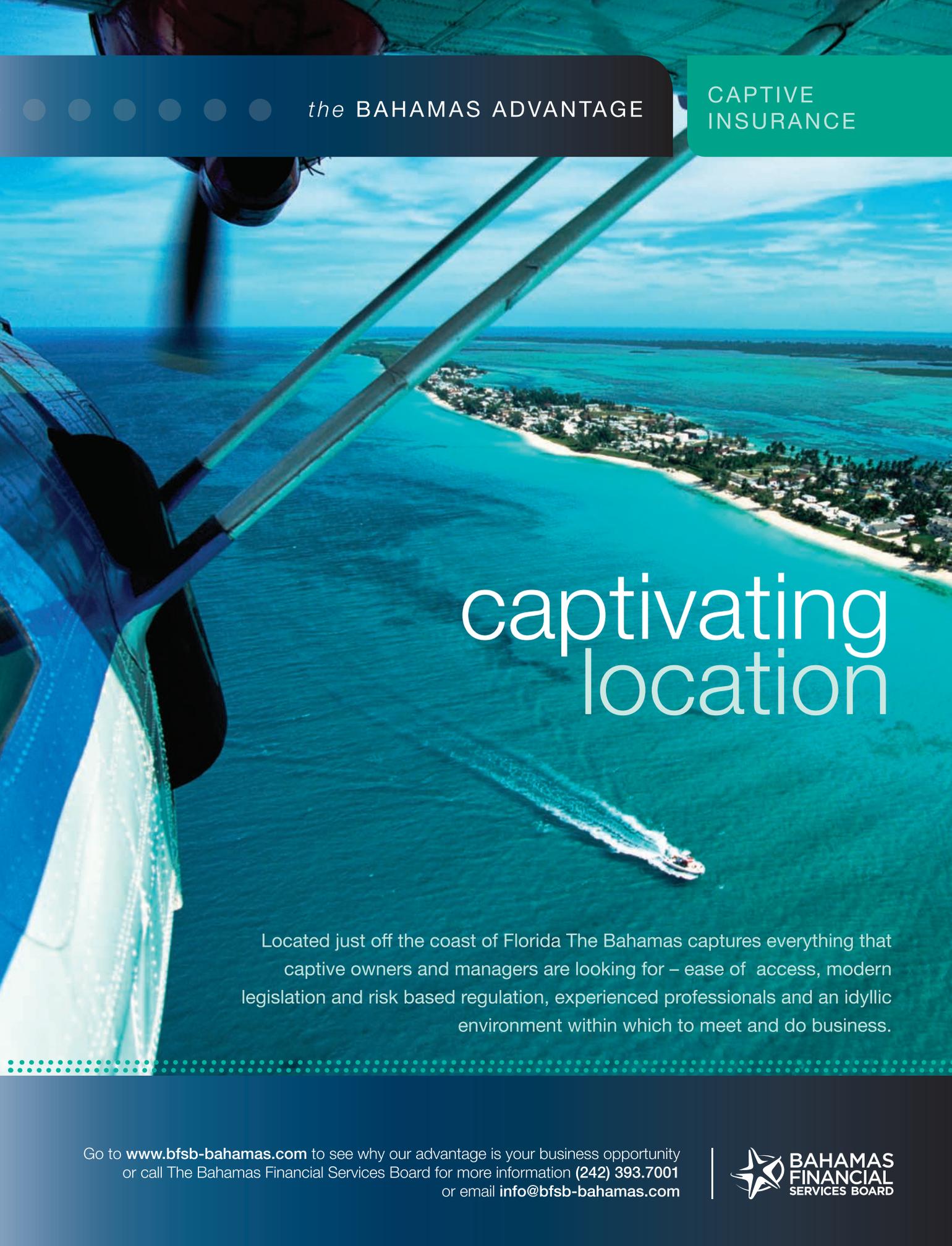
I am certain our industry will continue to innovate and to develop solutions to handle the changing needs and challenges of the marketplace.

CICA can be a catalyst in cultivating that innovation by bringing people together and fostering new solutions.

I won't officially be able to meet with the full board of directors until early June. This meeting will be my first chance to interact with them, compare visions and decide how best to utilise our resources. I am excited to commence my new chapter with CICA. **CIT**



Dan Towle
President
CICA



● ● ● ● ● ● ●

the BAHAMAS ADVANTAGE

CAPTIVE
INSURANCE

captivating location

Located just off the coast of Florida The Bahamas captures everything that captive owners and managers are looking for – ease of access, modern legislation and risk based regulation, experienced professionals and an idyllic environment within which to meet and do business.

Go to www.bfsb-bahamas.com to see why our advantage is your business opportunity or call The Bahamas Financial Services Board for more information (242) 393.7001 or email info@bfsb-bahamas.com



Crawford & Company, QBE North America, Maxis GBN, Aon, Airmic and more feature

Crawford & Company has promoted Kieran Rigby to president of international, from CEO of Europe and Latin America.

In his new role, Rigby will be responsible for the UK and Europe, plus the Asia Pacific and Latin American regions. He will also serve as a member of the company's global executive management team.

Rigby, who will be based in London, will report to Andrew Robinson, global COO of Crawford & Company.

Commenting on his promotion, Rigby said: "This is an exciting time for Crawford & Company. It is also a time to critically examine all parts of our operations to grow our revenue and presence in the marketplace—a marketplace that is rapidly changing and requiring our constant innovation."

Harsha Agadi, president and CEO at Crawford & Company, said: "I'm confident Kieran Rigby is the right person for this role. His character promotes both innovation and inspiration, and with his proven track record of leadership and success, I believe he'll continue to grow our company and build for the future."

Rigby's appointment follows the departure of Ian Muress, who served as CEO of international business.

Agadi said: "We would like to thank Ian Muress for the contribution he has made to the business and for his commitment to our clients. We wish him well as he moves to the next stage of his career."

QBE North America has appointed John Beckman as chief underwriting officer, based in the company's New York office.

Beckman, who will report to Russell Johnston, CEO of QBE North America, will be responsible for leading the company's efforts to enhance its existing underwriting practices and processes, including product development, technical leadership and risk appetites.

He will also serve as a member of the QBE North America executive management board and chair of the North America Underwriting Committee.

Johnston said: "John Beckman's proven ability to lead strong underwriting, actuarial and transformation initiatives will be a valuable asset in QBE North America's integrated specialist insurer strategy."

Maxis Global Benefits Network (GBN), the joint venture between MetLife and AXA, has confirmed its new global leadership team.

As part of the new structure, Mauro Dugulin will serve as CEO, Andrew Stocker as head of business development, and Matthias Hembold as head of technical and services.

Maxis GBN has also recruited Jerome Picon, who will serve as its head of finance and operations, while Patsy Langridge has been promoted to global director of marketing and communications.

Leena Johns has been promoted to head of health and wellness, in addition to her existing role at MetLife's global healthcare team.

According to Maxis GBN, the completion of the leadership structure is the "final element of a major investment programme in staff, technology, branding and product development".

In February, Maxis GBN opened its new global headquarters in London and revealed the launch of its new IT platform, Bridge.

After gaining 50 new clients last year, the company is targeting 20 percent growth in overall volume of premiums in 2017.

According to Maxis GBN, the new company will look to increase its global market share, particularly with existing clients, as well as building on relationships with employee benefit consultants.

The company is planning to target markets including the US, France, Germany, the UK, the Netherlands and Switzerland.

Michael O'Halloran is set to retire from his role as executive chairman of Aon Benfield and senior executive vice president of Aon.

During his time at Aon, O'Halloran led Aon's reinsurance division from its inception in 1987, and held several senior operating positions.

He will remain in his current role until 1 May and will then offer strategic counsel to the firm on an ongoing basis.

Greg Case, president and CEO of Aon, commented: "Mike O'Halloran leaves a lasting legacy as a founder, business builder, client advisor and mentor at Aon. He helped the firm and its clients navigate through tough market cycles and catastrophic events, while constantly keeping a keen eye on opportunities for growth and expansion."

O'Halloran said it has been an "absolute privilege to serve Aon over the last 37 years".

He added: "At every turn, I have always been amazed at the resilience of our clients, markets and communities as we have navigated natural catastrophes, adapted to the rise of alternative capital and kept pace with the demands of our evolving industry. We have withstood these challenges and emerged stronger, while helping to raise awareness of new global exposures in the hope that future generations will be better prepared to deal with these emerging risks."

Aidan Kelly has taken on the role of associate director of risk finance and captive consulting at Aon Global Risk Consulting.

Based in Aon's Atlanta office, Kelly will focus on consulting with clients to evaluate and develop unique solutions using alternative financing methods.

Since January 2003, Kelly has served at Willis Towers Watson in various roles including senior vice president, COO and compliance officer, and finally as executive vice president.

He becomes the latest to leave a senior position at Willis. In November, Anne Marie Towle left her role as senior captive consultant and senior vice president to join JLT Insurance Management as executive vice president and captive consulting practice leader.

THINGS TO COME

RISK IN TRANSFORMATION

AIRMIC 2017
12-14 JUNE
ICC BIRMINGHAM

www.AirmicConference2017.com

Airmic has revealed that John Ludlow will be the new CEO of the association, effective 13 June.

Ludlow, who has 15 years of experience in senior risk management roles, has been a director at Airmic since 2012.

In January, Airmic announced that John Hurrell would step down as CEO after nine years in the role, but would remain until a successor was appointed.

Clive Clarke, chair of Airmic, commented: "Having worked closely with Airmic for years, [Ludlow] not only understands the needs of our members, but also has the experience and vision to continue the excellent progress made under John Hurrell's pioneering leadership."

He added: "The role of the risk manager is undergoing transformation, and Ludlow is the right person to support and promote our members in these fast-changing times."

Ludlow, said he is "delighted" to be offered the opportunity, adding: "Airmic plays a vital and hugely influential leadership role in the risk management profession and wider insurance market and it will be an absolute honour to represent and serve its members in what are both challenging and exciting times."

Hurrell said: "Ludlow is an outstanding professional who is passionate about risk management. Airmic will be in very good hands."

Ludlow will officially start in the role after Airmic's annual general meeting at its conference in Birmingham in June.

Stephen Catlin, executive deputy chairman of XL Catlin, is set to retire at the end of this year.

As part of his retirement plans, Catlin has notified the company he is not standing for re-election to the board of directors at the upcoming annual general meeting on 19 May.

Catlin will remain in his role until 15 May. From then, he will act as a special advisor to XL's CEO Mike McGavick until 31 December.

Catlin has also agreed to continue serving as chairman of the Insurance Development Forum, launched in 2016 by leaders of the insurance industry, the UN and the World Bank, and will also work on other related projects.

According to XL Catlin, to "ensure continuity", Catlin will act as a consultant for XL on these matters from 1 January to 30 September 2018.

Catlin said: "When Mike McGavick and I first discussed combining XL and Catlin, we knew we could create a truly special company. Now, nearly two years after the business combination, with the integration largely completed and XL Catlin running at full steam, it is an appropriate time for me to take the opportunity to step back from an active leadership role within the company".

He added: "I'm enormously proud of what we have achieved, and I wish McGavick and the XL Catlin team every success with their future endeavours."

McGavick added: "We are eternally grateful for [Catlin's] selfless leadership, which was essential to the success of the XL and Catlin combination. I look forward to continuing to work with Stephen Catlin in his new capacity, first as special advisor to me and then as a consultant to the company in relation to the very important work of the Insurance Development Forum." **CIT**

captiveinsurancetimes

Editor: Mark Dugdale
markdugdale@captiveinsurancetimes.com
+44 (0)203 750 6017

Deputy Editor: Stephanie Palmer
stephaniepalmer@blackknightmedialtd.com
+44 (0)203 750 6019

Reporter: Becky Butcher
beckybutcher@blackknightmedialtd.com
+44 (0)203 750 6018

Contributors: Barney Dixon, Drew Nicol

Associate Publisher/Designer: John Savage
johnsavage@captiveinsurancetimes.com
+44 (0)203 750 6021

Publisher: Justin Lawson
justinlawson@captiveinsurancetimes.com
+44 (0)203 750 6028

Marketing Director: Steve Lafferty
design@securitieslendingtimes.com
+44 (0)203 750 6021

Office Manager: Chelsea Bowles
accounts@securitieslendingtimes.com
+44 (0)203 750 6020

Office fax: +44 (0)20 8711 5985

Published by Black Knight Media Ltd

Black Knight Media Ltd
Provident House
6-20 Burrell Row
Beckenham
BR3 1AT, UK

Company reg: 0719464
Copyright © 2017 Black Knight Media Ltd
All rights reserved

Stay connected with Captive Insurance Times on Twitter, Facebook and LinkedIn

www.captiveinsurancetimes.com