captive insurance times
The primary source of global captive insurance news and analysis
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A CAPTIVE TRANSFORMER

Sean Rider from Willis Towers Watson discusses Captive Quantified

SCHOLAR PROGRAMME

Three students discuss the SRS's captive scholar programme

EMERGING TALENT

We hear from WTW's Monica Birchmore

'Innovative' Bermuda remains global ILS issuance leader

Bermuda remains the global leading jurisdiction for the issuance of insurance-linked securities (ILS), according to the Bermuda Monetary Authority (BMA)'s Q1 report.

The 'Bermuda ILS Market Report' for Q1 2018 revealed that ILS issued from the domicile represented 74.5 percent ($24.8 billion of $33.3 billion) of total outstanding capacity at the end of the quarter.

The report also showed that Q1 2018 was the strongest quarter in terms of issuance since 2009, with 17 new bonds issued globally, totalling $4.3 billion.

The BMA said this showed an acceleration in issuance activity of 53.6 percent year-over-year.

The average deal size for transactions in Q1 also grew in 2018, up to $253.4 million from $185.4 million last year.

North American perils account for the majority (60.2 percent / $20.1 billion) of total outstanding ILS volume globally, while Asian perils account for 13.4 percent ($4.5 billion) and multi-regional perils account for 10 percent ($3.3 billion).

More than half (50.8 percent) of total coverage for all perils ($16.9 billion of $33.3 billion) is sponsored by primary insurers, while 21.9 percent are sponsored by reinsurers, and the remainder sponsored by other types and unknown sponsors including private placement deals.

Despite its growth in Q1, the ILS market remains small in comparison to traditional reinsurance business. The $33.3 billion of risk covering by ILS represents 5.5 percent of global reinsurer capital, which is estimated at $605 billion.

BMA stated: "A sophisticated legal system, a strong regulatory framework, a developed infrastructure, as well as the local availability of highly-skilled human capital, underpin Bermuda's reputation as a quality jurisdiction and domicile of choice for insurance, reinsurance and financial services' companies."

"Bermuda is known for its innovative reinsurance industry."

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UC launches new PCC

The University of California (UC) has formed a protected cell company as part of its growth plan to cover employee/employer paid life insurance.

Eureka, UC's fourth captive to date, will be a non-risk bearing entity, which will then sponsor additional incorporated cell captives (ICCs).

Eureka will, as with all UC's captives, be domiciled in Washington DC.

The first of these ICCs, Eureka One, will house the life insurance risk fronted and administered by Prudential Life Insurance Company.

Eureka One is expected to be authorised at UC's October board meeting and will be licensed in November at the latest.

The California State University system, a sister system to UC, has expressed interest in following UC's lead in more efficiently financing some of its risks through a captive.

A second ICC will be sponsored by UC but owned and controlled by the California State University system.

Additional ICCs can be added in the future as needed.

Courtney Claflin, executive director of captive programmes at the UC Office of the President, explained the motivation behind launching the new captive structure.

He said: "When I got to UC Office of the President a little over three years ago I laid out a plan to my board to grow our $25 million premium captive."

"As part of that growth plan, I said that self-insuring employee/employer paid life insurance was a captive arrangement that may be an opportunity depending on the outcome of a deep analysis into the existing plan."

"With Willis Towers Watson lead consultant (for this type of arrangement) Kathleen Waslov, we did a feasibility study on the existing life insurance plan that is approximately $60 million annually in premium."

"Our analysis showed significant savings opportunity for us to self-insure this risk."

According to Claflin, to ensure UC remained Internal Revenue Service compliant, another captive needed to be built to house this additional risk.

He commented: "Our first captive, Fiat Lux, is our largest and is a not for profit 501c3 tax-exempt captive and the IRS will only allow you so much third party business in this captive."

"So, another captive would have to be built to house this (life insurance) third party risk."

"When considering what type of structure to build I presented to the board the concept of putting up a cell captive structure so we could prop up as many new, additional captives as we would need to support this (life) initiative as well as numerous third party initiatives we have in our pipeline."

Greenlight Re invests in healthcare TPA Sana Benefits

Greenlight Re Innovations, part of the Cayman Islands-based reinsurance company Greenlight Capital Re, has invested in Sana Benefits, a third party administrator (TPA) focused on the US health self-insurance market.

The Austin-based TPA began providing administrative services on 1 September 2018 and has developed a technology-enabled platform to allow small-to-medium sized businesses better access to quality benefit plans and the potential to achieve significant savings by self-insuring their employees.

Greenlight Re Innovations was launched in March 2018 to seek technology and innovation opportunities relating to the reinsurance and insurance markets.

The transaction is Greenlight Re Innovation's second investment after it announced its strategic investment in Galileo Platforms, a Hong Kong-based insurance and reinsurance Platform as a Service business, on 28 September.

Sana is led by co-founders Will Young and Nathan Hackley, who have previous experience with Google, Barrel, and tech-enabled benefits firm, Justworks.

Simon Burton, Greenlight Re CEO, said the company is pleased to support Young, Hackley, and the growing Sana team "as they apply their expertise in employee benefits, customer experience and software development to address the needs of an underserved market".

Burton added: "Sana is one example of a great opportunity to use tech to transform the customer experience and we're delighted to be partnering with them."

Young and Hackley commented: "We are delighted that Greenlight Re is leading our seed round."

"Small group stop-loss insurance is broken on so many levels; underwriting, administration, distribution, member experience."

RMC Group relocates headquarters

RMC Group, an international provider of insurance, risk management, retirement, and actuarial consulting services, has relocated its headquarters to Bonita Springs, Florida, to help grow its business.

The group, which involves over 25 companies under the RMC brand, was previously headquartered in Naples, Florida.

The move was effective 1 October.

RMC offers captive insurance services covering a range of risks, including amongst others cyber liability, pollution/environmental hazards, reputation risk, regulatory changes, and general liabilities, across multiple industries.

The group was established in Chicago more than 45 years ago and expanded its international insurance and reinsurance markets by forming RMC Reinsurance Company in the British Virgin Islands in 1998, and opening an office in London in 2017.

Raymond Ankner, RMC president and CEO, commented: "We are very excited about our new office and the wonderful opportunity it gives us as we continue to grow our business."

HyreCar launches ridesharing captive venture

HyreCar has launched a new venture focused on creating a captive insurance solution for carsharing in the ridesharing space.

HyreCar will collaborate with Dave Haley, CEO of American Business Insurance Services, and Peter Foley, CEO of LILCHA Holdings, on the enterprise.

The venture is designed to allow HyreCar flexibility to reduce insurance risk, increase profit margins, and provide tailored insurance solutions to the on-demand economy.

Joe Furnari, CEO of HyreCar, commented: "Peter Foley and Dave Haley have been with HyreCar from the beginning, and this announcement cements our relationship with two of the most well-respected industry veterans in the commercial auto insurance business."

"This collaboration confirms HyreCar's continued commitment to the ridesharing industry and providing scalable InsurTech solutions for users on the platform."

Foley said he was "thrilled" to be working with Furnair and Haley in a "new and exciting sector".

A.M. Best report: Majority of global insurers recognise innovation as critical

The majority of global insurers recognise that innovation is critical to their organisations' success, according to a report from A.M. Best.

More than 80 percent of the 459 insurers across 48 markets that provided responses for A.M. Best's 2018 special report on innovation believe that innovation is moderately to extremely critical to the success of their organisation.

A.M. Best believes innovation is becoming more and more critical to the success and long-term financial strength of an insurer and that innovation may play a more direct role in its ratings process in the future.

A.M. Best wrote: "Historically, A.M. Best has captured innovation indirectly through the building blocks of its rating process."

"However, A.M. Best will be reviewing its Best's Credit Rating Methodology to consider including innovation explicitly in the rating process."

The report showed that 22 percent of respondents felt that addressing customer needs was the primary reason innovation is important to their organisation, while 21 percent said it was to gain a competitive advantage and 16 percent said it was to realise operational efficiencies.

The majority of insurers (61 percent) suggested that the lack of human capital or specialised talent is the biggest challenge to innovation.

The report noted that as technology evolves, "insurers will need to create a culture that motivates younger people to join and help them innovate and create new products to address changing demographics".

According to A.M. Best, the needs of insureds are changing and insurers will have to continue to adapt and innovate to remain relevant.

The ratings agency commented: "Technology is the driving force behind many innovative developments."

"Advances in the Internet of Things, blockchain, machine learning, artificial intelligence, and big data are playing increasingly significant roles in insurance."

"Regulation also has its role to play, not just in establishing ground rules that protect both insurers and consumers, but in encouraging innovation as well."

The report concluded: "Given the accelerating pace and diversity of technological and societal changes, it's critical that all stakeholders–insurers, consumers, and regulators–keep abreast of developments."

"A deeper understanding of these changes will allow all of us to reap the myriad benefits of innovation."

He added: "After more than 35 years in the insurance industry, I am excited to be a part of some new and exciting opportunities that will drive innovation for HyreCar and ridesharing."

Haley concluded: "We've seen a lot of changes in the livery (for-hire) services over the last few years."

"HyreCar seems well positioned to take advantage of the trends we see emerging in the industry."

Guernsey can provide unique offer to Chinese market

Guernsey can offer Chinese companies looking for insurance solutions "something no other jurisdiction can" to help them "achieve their goals", according to Kate Clouston, Guernsey Finance deputy chief executive.

Clouston was speaking at Guernsey Finance's Shanghai Masterclass, an insurance-focused event held on 26 September alongside a number of members of the Guernsey and Chinese financial services industries.

The event advised attendees on how all types of insurance-linked securities (ILS) structures, including catastrophe bonds, sidecars, collateralised reinsurance, and rated reinsurance, can be managed from Guernsey.

Additionally, a panel discussion explained how to set up captive structures, discussed the benefits of having a well-developed finance centre, reasons to securitise catastrophe bond risk, and the development of the relationship between captives and ILS.

There were also discussions on investment in ILS, economies of scale and therefore a better yield for investors, Guernsey's specific rules on special purpose insurance, and the island's attraction for countries such as Japan, and large institutional investors and fund managers who only deal with rated entities.

Clouston suggested that Guernsey had taken significant steps in China and was taking advantage of opportunities in the captive and ILS markets.

She commented: “There is a growing interest from companies in China looking for insurance solutions, whether that be risk management or the internationalisation of their business.”

“Guernsey is in a unique position to offer them something no other jurisdiction can to achieve their goals.”

“Having Guernsey practitioners present with experience of working in China was a real benefit as delegates could hear direct from the experts.”

One of the speakers, ARM managing director Charles Scott, said the masterclass covered all the important topics related to starting Chinese owned captives and stated that he was impressed by the turnout.

He said: “Particularly pleasing was the turnout of more than 100 insurance professionals, many of whom I have already met on other business trips.”

“It shows there is a real appetite both to learn more about captive operations and their promotion within China.”

“This type of seminar helps cement Guernsey as the top domicile for the emerging Chinese captive market.”

Another of the speakers, Mark Elliott, Aon director of ILS, added: “We are looking forward to building on the great network that Guernsey Finance has developed in recent years in China, along with supporting our Aon COFCO colleagues in China, to help promote captive, ILS and reinsurance growth.”

Ratings of Chinese shipping captive stay afloat

The Cosco Shipping Captive Insurance Company (Cosco Shipping Captive) has had its financial strength rating of A (Excellent) and a long-term issuer credit rating of “a” affirmed by A.M. Best.

The outlook assigned to the ratings of the China-based captive is stable.

A newly incorporated single-parent captive of China Cosco Shipping Corporation (Cosco Shipping), Cosco Shipping Captive was incorporated in February 2017, is headquartered in Shanghai and mainly underwrites marine business for the group and its affiliates, as well as other risks stemming from Cosco Shipping’s operations including liability, property, cargo, and group accident and health.

Texas proposes captive regulation amendments

The Texas Department of Insurance (DoI) has proposed amendments to its captive insurance regulations which would implement changes passed into law by the Texas legislature in 2015 and 2017.

The proposed amendments to captive insurance, under Insurance Code Chapter 964, are necessary to implement changes passed into law by the Texas legislature–HB 1944, passed into law in 2017, and SB 667, passed into law in 2015.

HB 1994 enacted provisions allowing a captive insurance company to be formed as a captive exchange and authorising the Secretary of State to form a captive insurance company prior to receiving DoI approval of the captive's formation documents.

Additionally, it allows the Commissioner to waive the actuarial opinion required with the annual report for a captive insurance company that has less than $1 million of net written premium or reinsurance assumed or has been in operation for less than six months, allows the DoI to approve distributions for policyholders of the captive insurance company, and provides a procedure for determining acceptable qualified jurisdictions and rating agencies for reinsurance transactions under Insurance Code §964.052(f).

SB 677, which would also be implemented by the amendments, allows the DoI to approve dividends and distributions to holders of equity interest in a captive insurance company.

The amendments also adopt by reference alterations to the annual report and amend the sections that reflect current department style guidelines.

The DoI will consider any public comments on the proposal up until 22 October 2018.

The ratings are reflective of the captive's balance sheet strength, which A.M. Best categorised as very strong, as well as its adequate operating performance, neutral business profile, and appropriate enterprise risk management.

Additionally, the ratings reflect the implicit and explicit support Cosco Shipping Captive receives from its parent company, who A.M. Best perceives to benefit from strong government support.

The captive's very strong balance street strength is supported by a large injection of RMB 2 billion ($307 million) in start-up capital, and risk-adjusted capitalisation is expected to remain at the strongest level, according to its business plan.

The very low underwriting leverage relative to its peers and its conservative, highly liquid investment portfolio is in further support of this.

The ratings agency expects "Cosco Shipping Captive's overall operating performance to remain adequate, mainly supported by low distribution costs and a stable stream of investment income that is significant in size compared with its net earned premium".

Cosco Shipping Captive plays a strategically important role to the development of both Cosco Shipping and China's insurance industry.

This is due to its position as the first shipping captive in China and the first financial license within Cosco Shipping group.

It is well-integrated within the group in terms of operations and risk management and receives various support from its parent in terms of capitalisation, business development, managerial and research funding.

Factors that offset the ratings include the captive's high-severity, low-frequency product risk profile and small net premium base, exposing it to potential volatility in its underwriting result.

Cosco Shipping Captive also faces execution risk in achieving its business plan, as well as an additional layer of pricing and reserving due to lack of operating history.

A.M. Best predicts rating actions are unlikely in the near term but does suggest that negative rating actions could occur as a result of significant adverse deviation in the company's operating performance from its business plan, or if there is material decline in its risk-adjusted capitalisation due to major losses or much faster-than-expected new business growth.

A reduced level of support from Cosco Shipping or a significant deterioration in the parent company's financial strength or credit profile could also lead to negative rating actions.

R&Q acquires Coffey Group's Irish-based captive WCIC

Randall and Quilter Investment Holdings (R&Q) has agreed to acquire Coffey Group's Ireland-based captive, Western Captive Insurance Company Designated Activity Company (WCIC).

The acquisition is subject to regulatory approval from the Central Bank of Ireland.

Between 2007 and 2011, WCIC underwrote general liability and employers' liability insurance covering various members of the Coffey Group.

Subject to regulatory and Irish court approval, R&Q intends to transfer the business to its Maltese rated company, Accredited Insurance (Europe).

Ken Randall, chairman and CEO of R&Q, said he was delighted that the company had agreed the acquisition of WCIC, following other successful deals in Ireland.

He explained: "A continued soft market, pressures on capital from Solvency II and forthcoming challenges from Brexit and base erosion and profit shifting are providing increasing opportunities for R&Q to provide either complete finality or partial relief through removal of defined portfolios."

"We are also especially pleased to transact with an Irish domiciled company where we are aware of further opportunities."

He remarked: "The acquisition continues to demonstrate the ability of R&Q to provide exit solutions for end of life captive insurance companies."

He concluded: "We remain excited about our legacy acquisition pipeline."

A.M. Best downgrades ratings of Nestle captive to 'aa-'

Nestle's captive reinsurer, Intercona Re, has had its long-term issuer credit rating (long-term ICR) downgraded from "aa" to "aa-" and its financial strength rating (FSR) of A+ (Superior) affirmed by A.M. Best.

The outlook for the ratings of the Switzerland-based captive is stable.

The rating downgrade reflects Nestle's weakened financial strength, following the changes to the leading food and beverage company's capital structure.

The captive's ratings reflect its importance to the parent company and its high level of integration with the group's risk management function.

The ratings are reflective of Intercona's balance sheet strength, categorised by A.M. Best as strongest, in addition to its strong operating performance, neutral business profile, and appropriate enterprise risk management.

The balance sheet strength is underpinned by the strongest level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio, and benefits from a positive assessment of the holding company, reflecting Nestle's stronger captive profile.

Intercona's adequate liquidity and capital buffers built up through a five-year average (2013-2017) combined ratio of 90 percent.

The captive's disciplined underwriting enabled the company to report pre-tax profits of CHF 77.1 million ($77.71 million) in 2017, following a financial year loss of CHF 49.2 million ($49.59 million) in 2016, primarily driven by a natural catastrophe loss.
Intercona's business profile assessment reflects its role as the captive reinsurer of Nestle.

The captive is a key part of its parent's overall risk management framework, assisting with the mitigation of risk exposures and loss prevention, and providing the first layer of reinsurance protection on group's insurance programme, providing a diverse underwriting portfolio by geography and product.

UC captive assets hold worth as total assets grow by $8.9 billion

The University of California's (UC) captive insurance assets remained at $0.9 billion as of 30 June 2018, despite its total assets under management growing to $118.7 billion, up $8.9 billion over a year ago.

The $118.7 billion is spread across six different financial products, the endowment ended the year at $12.3 billion (up $1.5 billion), the pension at $66.8 billion (up $5.2 billion), working capital at $14.4 billion (up $0.2 billion), the retirement savings programme at $24.3 billion (up $2 billion), and captive insurance at $0.9 billion (no change).

UC CIO Jagdeep Singh Bachher said that the university has taken a "conservative and defensive risk positioning while seeking a wider range of investment opportunities".

He added: "The team and I have focused on deepening our 100 active partner relationships with every facet of the university and beyond."

"A culture of collaboration is our ultimate competitive advantage."

Chair of the investments committee, Richard Sherman, said UC's returns were solid this year.

Sherman commented: "Returns were positively impacted by the global equity markets and we continue to have a pretty sizable exposure."

"We ended the year with a significant amount of cash, and though it was higher than our long-term allocation target, it effectively acts as a hedge on an equity market that was very long in the rally."

UC president Janet Napolitano said: "The UC investments office has kept a close eye on costs while continuing to deliver the strong investment results we seek."

Ameriprise captive's 'Excellent' ratings affirmed

A.M. Best has affirmed the financial strength rating (FSR) of A (Excellent) and the long-term issuer credit rating (ICR) of "a+" of Ameriprise Captive Insurance Company (ACIC).

Concurrently, the ratings agency has affirmed the FSR of A+ (Superior) and long-term ICR of "aa-" of Riversource Life Insurance Company's and its wholly owned subsidiary, Riversource Life Insurance Company of New York–the two companies represent the key life/health insurance subsidiaries of Ameriprise and are collectively known at Ameriprise Financial Group.

Additionally, Ameriprise Financial had its FSR of "aa-" and its existing long-term issue credit ratings.

The outlook for all of these ratings is stable.

ACIC's ratings reflect its balance sheet strength, categorised as "strongest", as well as its strong operating performance, limited business profile and appropriate enterprise risk management.

A little less conversation, a little more action

There has been lots of discussion about the 'talent crisis' facing the industry this year, but SRS turned talk into action with their captive scholar programme. Three of the students who took part discuss their experiences and suggest where the industry could go next

Ned Holmes reports

The industry 'talent crisis' and the need to attract a new generation of professionals into the captive insurance industry is hardly a new topic. This year there have been discussions about what should and can be done at almost every industry event, with speakers ranging from company executives to college students. A commonly suggested solution from these discussions seems to be an increased industry outreach to communicate to students what captives are and why they should want to work with them.

Ahead of the 2018 Vermont Captive Insurance Association (VCIA) in August, Strategic Risk Solutions (SRS) turned those ideas in action and launched their Collegiate Captive Scholar Programme. The programme, which aims to provide underwriting students with learning opportunities in the captive insurance industry, was piloted at VCIA.

Three students, Christian Ferrara of Appalachian State University, Marissa Cesa of Bowling Green State University, and Brent Musgrove of Georgia State University, were selected by SRS who, in collaboration with the VCIA, covered the cost of sending them to the 2018 conference in Burlington.

The idea was to give the students the chance to attend educational sessions, network with industry professionals, and gain a basic understanding of what a career in captive insurance is like. Derick White, managing director of governance, risk, and compliance practice at SRS, says he is proud that amongst much discussion in the industry, SRS are taking action.

"Several speakers at the VCIA conference mentioned that the industry must do more to let students know we are here and hiring," comments White. "However, I'm glad to say that SRS is actually proactively reaching out."

"Brady Young, CEO of SRS, came up with the captive scholar programme idea and quickly instituted it for the VCIA conference. It wasn't easy to gather students during the summer but it was done."

White adds: "I think that the next round of conferences will see many more interested students, we are gathering cooperation from other associations for 2019 and have also contacted and been contacted by various universities and colleges with risk management programmes."

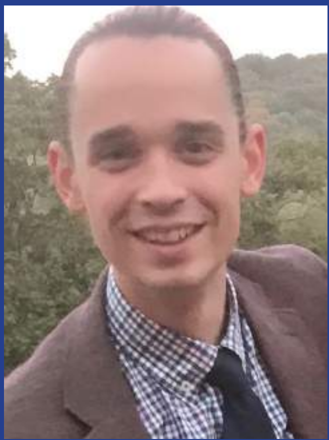
Rich Smith, president of the VCIA, echoes the comments made by White about future plans and hopes more companies will follow in SRS's footsteps moving forward.

"SRS brought students from risk management programmes from across the country to the conference this year," explains Smith, "and that is something we are looking to expand over the next few years."

"We are hoping to get other captive managers involved in hosting students at future conferences. We are hoping that these young people will be ambassadors for the industry and go back to their programmes to make more people aware of the captive industry."

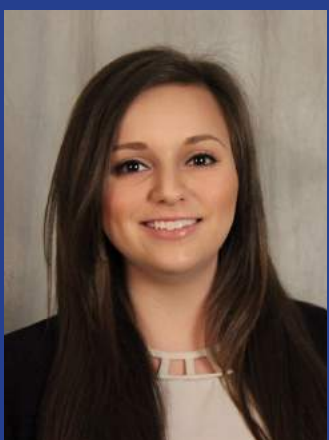
Smith and White's reflections on the programme's maiden voyage give an interesting insight into the industry's stance on what they need to do to solve the talent crisis but the students themselves can provide a vital resource on how to attract the next generation of captive professionals and counteract the 'talent crisis'.

Captive Insurance Times spoke to the three students, Musgrove, Cesa, and Ferrara, about their experiences, careers in captive insurance, and what needs to be done to appeal to more young professionals.



Brent Musgrove

Christian Ferrara



Marissa Cesa

How did you find your experience at VCIA 2018?

Brent Musgrove: “I felt both welcomed and honoured to be at VCIA 2018. Burlington is an excellent place for a student to visit, as well as to host a conference. I learned a lot and made new friends in the insurance industry.”

Christian Ferrara: “My experience at the 2018 VCIA conference was nothing short of amazing. The entire trip exceeded my expectations in the best way possible and I look forward to hopefully attending another VCIA conference in the future.”

Marissa Cesa: “It was awesome! Those who attended were some of the friendliest people I’ve ever met. I was immediately welcomed to Vermont and the conference. I really enjoyed the setup of the conference–you can choose which events you want to go to. The presentations were focused more on industry workers sharing their experiences, rather than talking ‘at’ you and trying to put a lot of information in your head at once.”

What advice would you give to future students attending conferences?

Musgrove: “My advice to future students would be simple, go to the conference with an open mind and a good attitude. You are going to learn more than you thought possible, laugh with some new friends, and if you are not careful you may never want to leave Burlington.”

Ferrara: “The best piece of advice that I could offer other students is to not be afraid to step out of your comfort zone. It can be easy to stick to yourself and not meet new people, but the purpose of most conferences is to both educate and allow people to network with one another. The only way to truly get the most out of any conference is to talk with as many people as you can because you never know who you will meet or what you will learn.”

Cesa: “I would tell future students to enjoy themselves and try to learn as much as possible. Another important piece of advice is to try to network as often as they can. I met people from all over the country, and even other countries, and everyone has a story to tell. But most importantly, have fun!”

Did it inspire you to consider a career in captive insurance?

Musgrove: “I will certainly be considering captive insurance as a career option moving forward.”

Ferrara: “Yes, my attendance at this conference did open the door for me to consider a career in captive insurance. Previously, I had very little knowledge of the industry as a whole and thought of it more as a specialised branch of insurance, not a field that someone could just walk into after college.”

Cesa: “Captives are definitely something I would consider for my career in the future. I am interested in all aspects of insurance. I don’t think it’s where I will start, but it may be where I end up.”

Do you think more needs to be done to advertise captive insurance to students?

Ferrara: “Currently, there is little being done to market or encourage students to pursue a career in captive insurance. From my own experience, hardly anything is taught about captive insurance within university curriculums and most students are never exposed to it at all.”

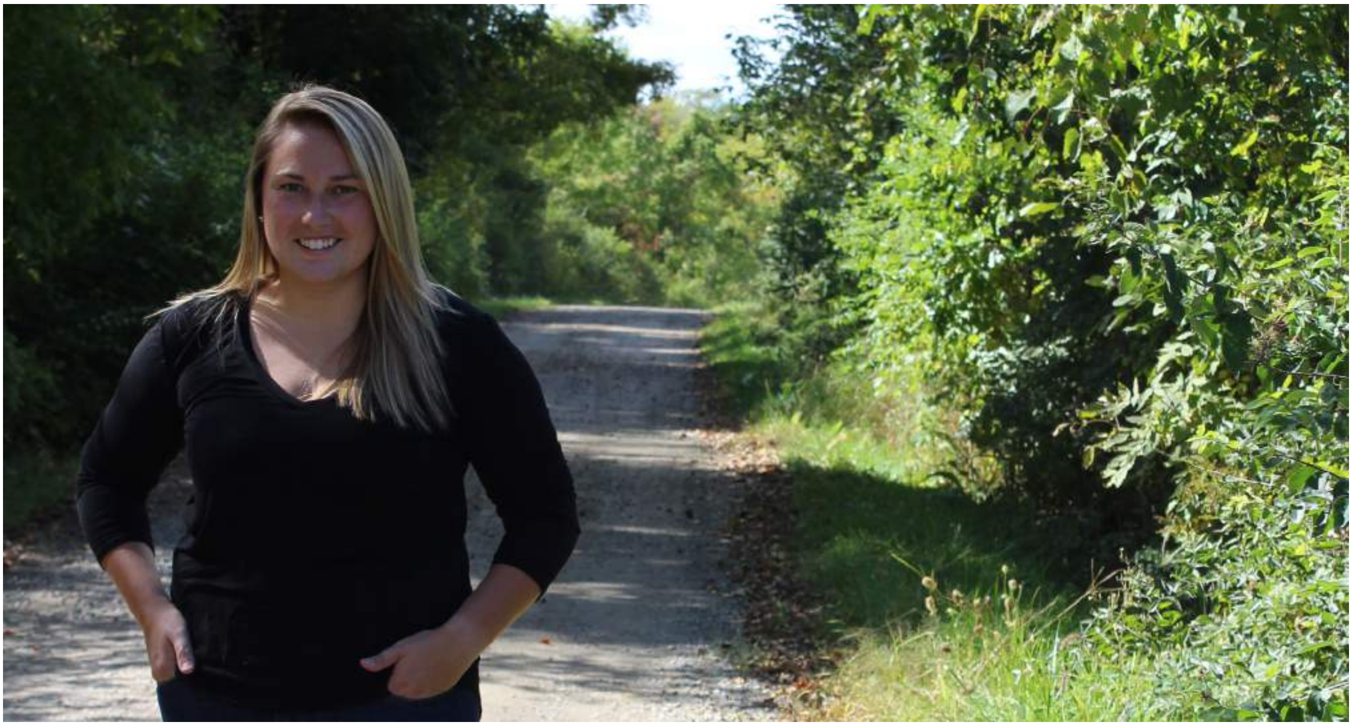
Cesa: “I absolutely think more needs to be done to advertise captive insurance to students. Some schools only have time to touch on the basics, so it is important to create that spark of interest and help it continue to grow.”

What can the industry do to encourage more students to consider a career in captives?

Musgrove: “Personally, I believe more can be done to encourage students to explore the captive world. A small informational seminar traveling to schools and/or major cities could prove quite useful in this regard. VCIA puts a veritable ‘face’ with the name ‘captive insurance’ that a student may have previously learned about and not truly understood.”

Ferrara: “As previously stated, there is little being done by the industry to attract college students. The only exception to this is the SRS Captive Scholar Programme, which is designed to give students exposure into the industry. I think the best way for the industry to appeal to students is for them to build upon what SRS has started and continue to form programmes that are designed to educate students on captive insurance.”

Cesa: “I think guest speakers and company visits would be a good start. I noticed the friendships at VCIA between people at every single company, and I know that’s something students my age care about. If they get closer to the industry, they will realise that it’s not just a special field to work in, it’s one where everyone knows each other.” CIT



Emerging Talent

Showcasing the new generation of captive professionals

Monica Birchmore, assistant client services specialist, Willis Towers Watson Management

Personal bio

I am 23 years old, born and raised in Vermont. Growing up in the country, I've been lucky enough to enjoy the outdoors–hiking, fishing, and kayaking with friends and my four brothers.

Although I enjoy my small town, my adventurous side has led me to experiences around the world, from bungee jumping in New Zealand to scuba-diving on the Great Barrier Reef.

Professional profile

In 2016, I graduated from Champlain College in Burlington, Vermont, receiving a Bachelor's of Science degree in accounting with a minor in finance. During my college career, I was exposed to multiple aspects of the accounting industry through internships at an accounting firm at a small local business, and finally at Willis Towers Watson within the captive management team.

After completing my undergraduate degree, I joined Willis Towers Watson full time and now serve as an assistant client services specialist where I am responsible for accounting, regulatory compliance, monthly reporting and daily captive operations. I have also been studying to become a certified public accountant and recently received the designation.

Monica Birchmore

How did you end up in the captive industry?

On an hour-long flight to Florida, I found myself discussing the captive insurance industry and my education background with the passenger to my left, who happened to be traveling on business for Willis Towers Watson. Little did I know, this would be the start of my professional career. Before parting ways we exchanged information and a couple of months later, I received an email inquiring about my interest in joining the Vermont captive management team. During the third year of my undergraduate programme I started an internship and was grateful to have it turn into a full time position upon graduating. I thought coincidences like this only happened in movies.

What are your aspirations for your career in the captive industry?

My goal is to continue learning the ins and outs of captive insurance to become a resource for companies navigating an ever-changing business landscape. Additionally, I look forward to contributing a level of creativity through fresh ideas and seeing where this industry takes me.

What is your impression of the industry?

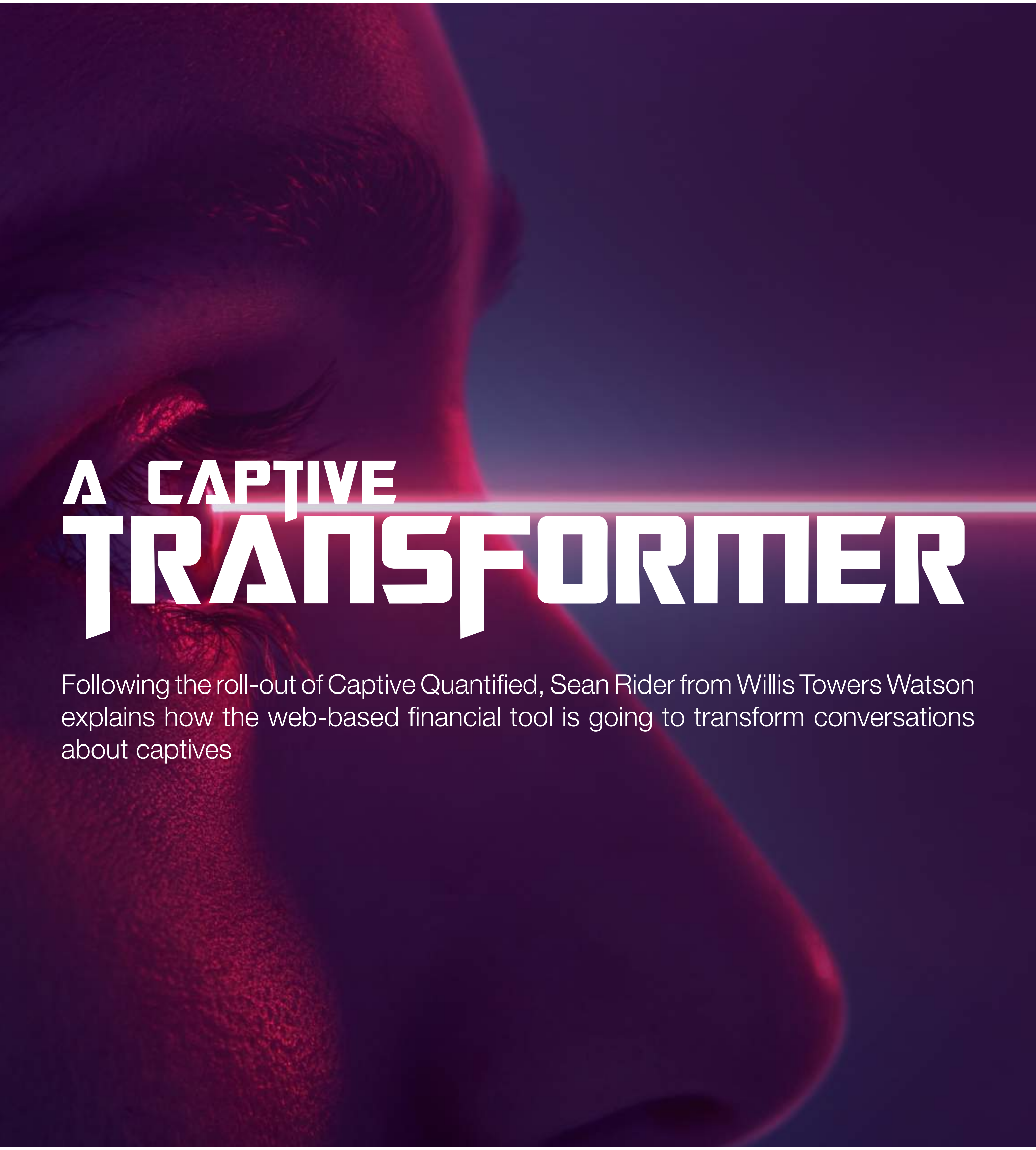
Captive insurance is flexible, challenging, impactful, and full of opportunity. It's rewarding to know that we, as captive managers, play an important role in the financial success of our clients.

What advice do you have for someone considering a role in the industry?

Jump in with both feet and explore the many ways in which the captive industry can be a part of progressing your career. Ask as many questions as you can and never hesitate to bring your ideas to the table. **CIT**

> "Monica Birchmore possesses a great combination of technical skills and drive for success that is helping to fuel her professional trajectory. Impressively, she has taken everything that has been thrown at her as a challenge to learn and understand the captive insurance business.
>
> Her strong potential early on, and willingness to take on any challenge, made Birchmore our top candidate for a full-time role upon graduation. We are proud of her success and understanding of the industry thus far at such a young age and so early in her career."

Jason Palmer, director, global captive practice, Willis Towers Watson Management (Vermont)



A CAPTIVE TRANSFORMER

Following the roll-out of Captive Quantified, Sean Rider from Willis Towers Watson explains how the web-based financial tool is going to transform conversations about captives

Ned Holmes reports

What is Captive Quantified?

Captive Quantified is a dynamic and web-based tool to help organisations analyse financial feasibility and future profitability of their captive insurance strategies. We're excited to introduce this to the marketplace because it really stands apart as the only digitally-enabled tool to perform stochastic financial analysis.

Part of the assessment includes helping organisations choose the best domicile for their individual needs and preferences. The domicile scorecard module draws upon our view of domiciles, where we were able to leverage a range of expertise across Willis Towers Watson to rate each domicile on a variety of important features. Whether it is the quality of the regulatory framework or the appetite for certain lines and types of business, overall, there are 39 different individual metrics bundled into eight to 10 categories.

The financial statements that we have been producing for the past 40 years are all static because the maths is too hard. You need a powerful engine to drive the 150,000 iterations of outcomes associated with the distribution curve of losses, multiple lines of business over multiple years, and this is what we have with Captive Quantified. It allows for distribution curve inputs for the loss component of the financials and as a result it outputs a stochastic articulation of financial performance. Meaning your retained earnings in 15 years are going to be somewhere in this distribution.

Imagine a world where you could produce stochastic forward looking financial statements that produces a range of outcomes and give confidence to financial results for a captive insurance company on the basis of the volatility and dynamics of the underlying losses–that is what we have done.

Imagine a world where you can click on or off a line of business at a certain period of time and see how that impacts the financial results and see what that looks like on the distribution curve.

This enables us to have a dynamic conversation with clients to truly understand what is important, and we can then draw on that broad expertise to make well-validated, well-documented, rationalised domicile recommendations. Alternatively, it may help us to understand that all things being equal, maybe the outcome is neutral between domicile and we can let preference prevail.

The financial analysis component of Captive Quantified is the part that is completely transformative. This module is a unique platform that makes scenario testing instant and straightforward so organisations can see how the full range of potential utilisation would affect their captive. Prior to this tool, the industry was limited to producing forward looking financial statements for feasibility studies and strategic reviews on an excel-based platform, that relied upon static inputs.

If you really think about what component of an insurance companies' financials drive the outcome, it is the losses. Are they going to be $500 thousand, $1 million, $10 million? The answer to that question is going to be what drives financial outcomes. So, when you do an excel-based financial projection and you input the projected losses, if we are looking at multiple lines of business over multiple years, that exact outcome is one of 150,000 potential outcomes because it's on a distribution curve. It is a distribution of what is likely to happen, what is unlikely to happen, what is very unlikely to happen–both adverse and favourable.

That gives us meaningful data to describe captive strategy and we can now look at the distribution curve of results, where the CFO has tolerance for risk, relative to their capital contribution and figure out where we can maximise the use of the captive and its value while not blowing up the risk tolerance against core or contributed capital and surplus and retained earnings from the finance buyers perspective, and that is a powerful discussion that no one else is able to have because they don't have the underlying analytic. This analysis becomes the centrepiece for a conversation around captive strategy.

How did the idea come about/has it been in development long?

The idea of improving the financial analysis component of our feasibility work has been in the works for years. I think it is safe to say that everyone wishes they were moving away from excel into something more powerful. At Willis Towers Watson we have been dedicated to this effort for the past year.

Captive Quantified did not happen in a vacuum and it does not standalone. It is an integral part to how we deliver on our promise to be the analytical broker and risk advisor. This is just the latest in a suite of interconnected tools and quantification models that can be used in combination with other tools to support an organisation's broader risk mana gement strategy.

> We imagine and expect that our clients will see the incredible value Captive Quantified delivers and they'll experience the pivot in the boardroom that allows them to focus on strategy

What impact has it had so far? What do you think the future impact will be?

Captive Quantified has been rolled out using US accounting, and in short order it will be rolled out with international accounting, which will give it an applicability to captives domiciled anywhere in the world. We are positioning Captive Quantified as a central tool for delivering analysis across a range of scenarios–captive development, captive feasibility work, captive strategy, mergers and acquisitions, so it will be deeply embedded as a core component of our captive work with clients.

We imagine and expect that our clients will see the incredible value it delivers and they'll experience the pivot in the boardroom that allows them to focus on strategy. They will see the appeal and the importance from a governance perspective and also from an engagement and connectivity perspective.

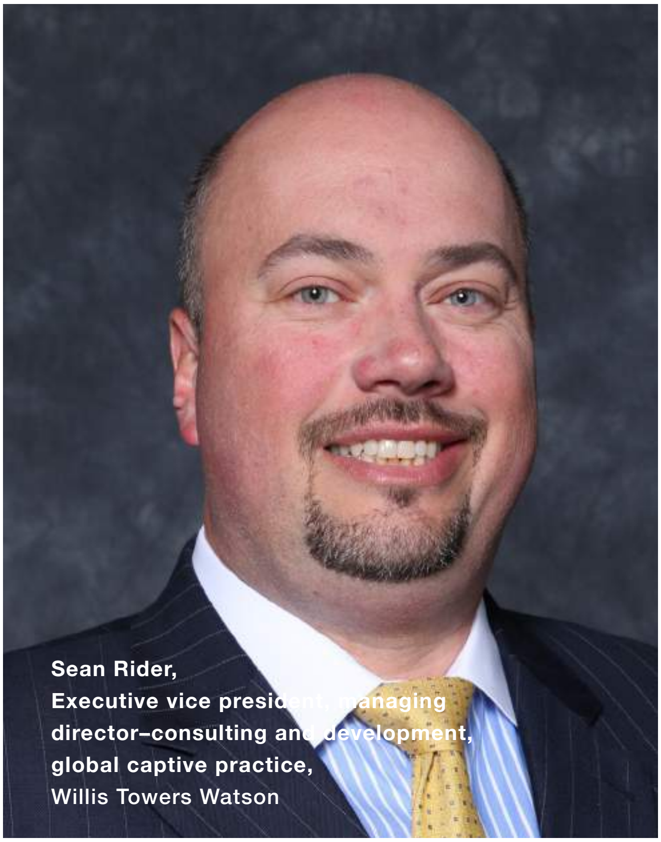
Interest has been tremendous. We did our reveal at VCIA and the feedback was absolutely amazing. I really don't think that I am exaggerating when I say that for the entire time that exhibiting hours were active at VCIA, our team was running demos and the crowd around the booth was two or three people deep. It was just phenomenal, the noise, the buzz, and the interest. It was really, really powerful and very exciting for us. And from it, opportunity has flooded.

Do you see the rest of the market?

I could imagine them hoping to catch up. But, of course, our model is not going to be static and it will continue to evolve and advance and we expect to lead the industry. Building this type of a platform takes resource and dedication, it takes a programming capability, a development capability and it takes the technical expertise. At Willis Towers Watson those things have come together, where there is an appetite for building, a commitment to analytics as our fundamentals. Really we have a five-year head start on risk management data and technology and in the captive space, through Captive Quantified, we are intending to fully capitalise on that.

Any final thoughts on Captive Quantified?

I personally am extraordinarily excited about Captive Quantified and what it means in terms of transforming our conversations with clients as to the value of the captive that they have, its prospects for the future and the notion of new captives–and it is the kind of conversation no one else is going to be able to touch, because you can't just run 150,000 financial iterations in Excel. You need to have a super powerful engine behind it and I don't really know that anyone else is that committed to this space across the board as Willis Towers Watson and that is a complement to the development of Captive Quantified. **CIT**



Sean Rider,
Executive vice president, managing director–consulting and development,
global captive practice,
Willis Towers Watson

Captive industry dates for your diary

Hawaii Captive Insurance Council Annual Forum

Hawaii

October

15-18

hawaiicaptives.com

The European Insurance Forum

Ireland

October

24

www.europeaninsuranceforum.com/

Captive Insurance Council of DC Annual Conference

Washington, DC

October

24-25

dccaptives.org

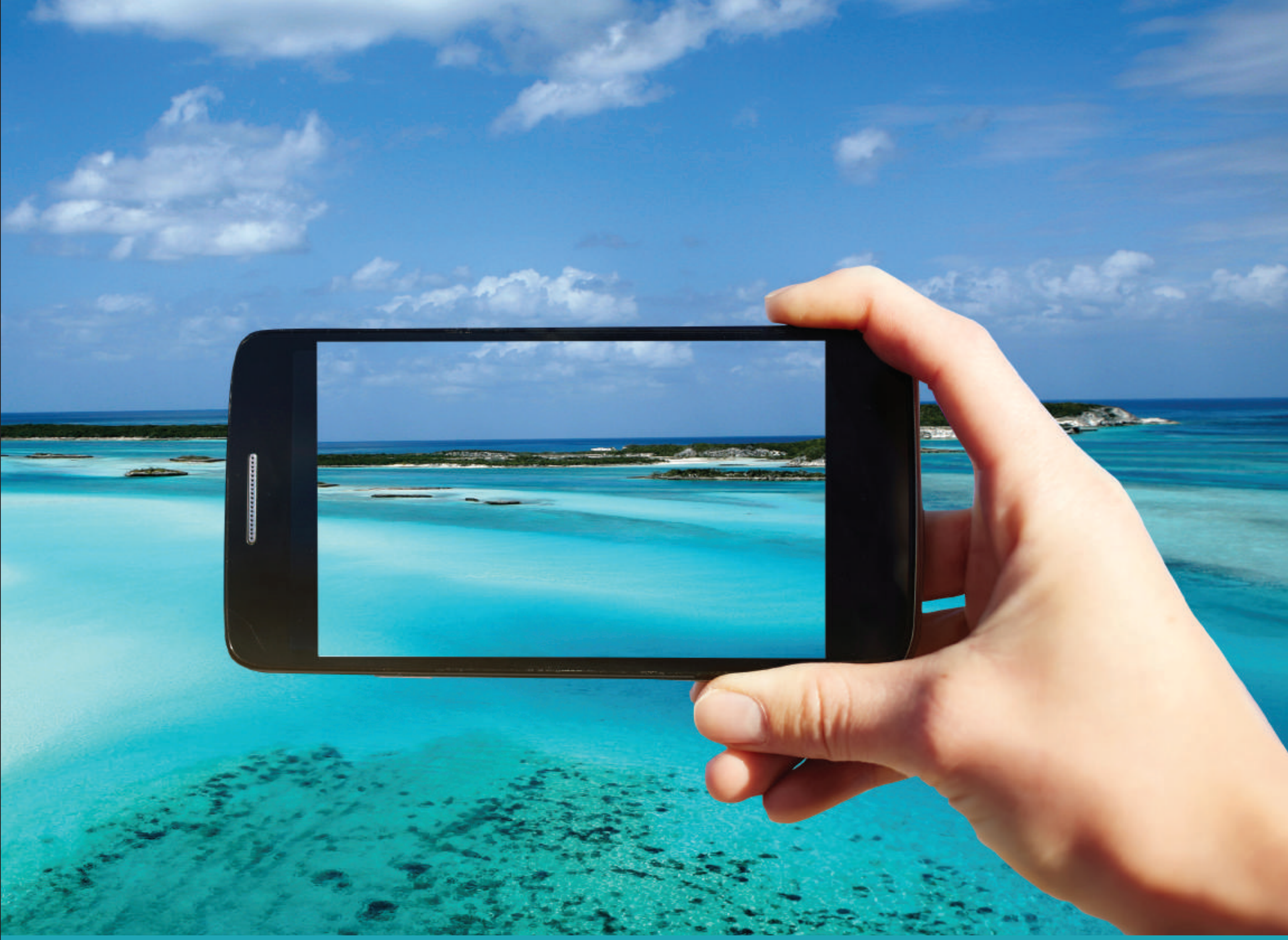
Cyber Risk Management Conference Bermuda

Bermuda

December

06-07

www.bermuda.icrmc.com/



Comings and goings at Guernsey Finance, Crowe, and FiscalReps

Kate Clouston will leave her role as deputy CEO at Guernsey Finance, the island's promotional agency, in early 2019.

Clouston, who joined Guernsey Finance as director of international business development in 2015 and was promoted to deputy CEO in 2017, will take up the role of global relationship manager with offshore law firm, Collas Crill.

Although Clouston joined the agency with a non-financial services background, she has played a vital role in helping Guernsey make significant process in the Asian and US markets.

A significant part of her work has been on the road with Guernsey Finance, particularly in Asia, where her ability to speak Mandarin has been widely respected.

Dominic Wheatley, CEO of Guernsey Finance, hailed Clouston's "tremendous impact" during her time with the agency.

He expanded: "In particular she has helped to transform the success of our efforts in China and Hong Kong, and I know her work has been well respected by the local industry."

"I am delighted for Kate Clouston to have this new opportunity and wish her well for the future."

Wheatley added: "Clouston has been a 'face' of Guernsey Finance internationally and now it is time for someone else to take on that mantle. I am proud of the role that we have been able to play in her development."

"We will now look to recruit a replacement for Clouston, specialising in global business development, and look to build on her good work. She will be a hard act to follow."

Clouston commented: "I'd like to thank Guernsey Finance for this amazing opportunity over the past four years."

"I have gained a thorough insight into how the industry works in Guernsey and it has been an honour to promote the Guernsey finance industry, particularly when the work done on the island is of such a high standard and respected internationally."

Crowe has hired Lawrence Kemp as a new audit assistant manager for its Cayman Islands practice.

Kemp will begin the role on 1 October, with a focus on auditing captive insurance companies.

He will oversee all aspects of the audit process, supervising, training and mentoring staff, and will have an involvement in business development to assist in furthering the growth of the insurance practice.

Kemp previously held roles with PWC Cayman Islands and PWC Guernsey, specialising on the auditing of captive insurers in both.

Neil Maynard, partner at Crowe Horwath, said the addition is evidence of the significant growth in Crowe since it launched its Cayman captive practice around two years ago.

He added: "Lawrence Kemp brings further Cayman captive insurance expertise to our growing practice."

"We are delighted to welcome him to Crowe and look forward to introducing him to our clients and prospects."

Mike Stalley has left his role as CEO at FiscalReps, nearly 15 years after he founded it.

In a post on LinkedIn, Stalley said the company had grown beyond his wildest dreams but it was time for him to leave and let the new owners and remaining team "pick up the baton and run with it".

He added: "Importantly there is still plenty more room and opportunity for growth left in the tank."

"It has been one hell of a journey with definitely more highs than lows but more importantly a lot of fun along the way."

"To my colleagues, coworkers, friends, clients, suppliers, supporters, advocates, and family I want to say a huge thank you for your effort, enthusiasm, diligence, support, and belief in helping me bring my business plan to life–there are too many of you to name individually but you know who you are."

FiscalReps was acquired by Sovos, a tax compliance, and reporting software firm, a year ago.

The acquisition allowed Sovos to add FiscalReps' indirect tax solution to its Intelligence Compliance Cloud and expand its current team to support the increased demand for tax and reporting automation.

Prior to forming the company in 2003, Stalley spent four years as finance director and company secretary at Paragon International Insurance Brokers. **CIT**