

# captive insurance times

The primary source of global captive insurance news and analysis

Issue 160 31 October 2018

# OPTIONS

## MARTIN EVELEIGH BREAKS DOWN GROUP CAPTIVES

# CAPTIVE

## RISK AND PRAGMATISM THE GUERNSEY INSURANCE FORUM IN FULL

Captives are a Key Part of Your Risk Management.

Do you have the right key people?

You need an insurance - experienced team for your captive.

To learn more about ACM, contact  
[mmckahan@activecaptive.com](mailto:mmckahan@activecaptive.com).

Visit us online [www.activecaptive.com](http://www.activecaptive.com)



# What financial challenges does your captive have?

LIMITED COLLATERAL OPTIONS ▾

OFFSHORE AND ONSHORE SOLUTIONS

TREASURY MANAGEMENT OPTIONS

SOLUTIONS IN ALL MAJOR DOMICILES

Want a  
little advice?  
**Ask the  
Leading Bank  
for Business.\***

If you don't think a bank can help your captive insurance company navigate through captive solutions, maybe it's time to **bank differently**.

At Comerica, we've become the Leading Bank for Business by providing more than just banking basics, because we're not just business bankers. We're business advisors, here to help plan, guide and consult.

As one of the few banks with a dedicated captive insurance banking team, our advisors are here to help businesses lower their costs by owning their own insurance company.

To protect your bottom line, move beyond basic banking.

Learn how, with the Leading Bank for Business at [comerica.com/captive](https://comerica.com/captive).

**Comerica Bank**

RAISE YOUR EXPECTATIONS.

MEMBER FDIC. EQUAL OPPORTUNITY LENDER.

\*Comerica ranks first nationally among the top 25 U.S. financial holding companies, based on commercial and industrial loans outstanding as a percentage of assets, as of March 31, 2018. Data provided by S&P Global Market Intelligence.

CB-67921-05 05/18

# Bedell Cristin merges with Cayman firm Solomon Harris

International law firm Bedell Cristin has completed its merger with Cayman Islands-based firm Soloman Harris.

In July, the two firms agreed a deal for the merger, which will see Soloman Harris rebrand as Bedell Cristin at a later date.

The merger will enable Bedell Cristin to broaden its range of legal services to include Cayman legal advice and to extend its international presence through the Soloman Harris practice on the island.

The experienced team of Cayman lawyers at Soloman Harris will add increased expertise to Bedell Cristin's international clients, particularly those based in the Middle East and East Asia where Cayman structures are particularly popular.

David Cadin, managing partner at Bedell Cristin, said the firm is delighted to have finalised the merger.

Cadin commented: "We are in the process of fully integrating the two businesses, and we will invest in our Cayman office to further strengthen the offering."

"I am excited about the benefits this merger will bring to our clients."



# Our reputation protects your reputation.

The Gold Standard is more than our promise, it's what our reputation is built on. It's our dedication to protecting your business as it navigates the complex captive insurance environment.

The result—captives that are sensible, secure, and supported.

Connect with us and see why Vermont sets **THE GOLD STANDARD.**

**captive**insurancetimes

Editor: Becky Butcher

beckybutcher@blackknightmedialtd.com

+44 (0)203 750 6019

Deputy Editor: Barney Dixon

barneydixon@blackknightmedialtd.com

+44 (0)203 750 6026

Reporter: Ned Holmes

nedholmes@blackknightmedialtd.com

+44 (0)203 750 6022

Contributors: Jenna Lomax and Maddie Saghir

Associate Publisher/Designer: John Savage

johnsavage@captiveinsurancetimes.com

+44 (0)203 750 6021

Publisher: Justin Lawson

justinlawson@captiveinsurancetimes.com

+44 (0)203 750 6028

Office Manager: Chelsea Bowles

accounts@securitieslendingtimes.com

+44 (0)203 750 6020

Published by Black Knight Media Ltd

Company reg: 0719464

Copyright © 2018 Black Knight Media Ltd

All rights reserved



**News Round-Up**

ILS is an established asset class that is continuing its momentum, according to a survey by Willis Towers Watson

page 06



**News Round-Up**

Marsh and McLennan Companies has received approval from the FTC for the acquisition of JLT

page 08



**Conference Report**

The Guernsey Insurance Forum welcomed 168 attendees to London, where its main focus was captive insurance

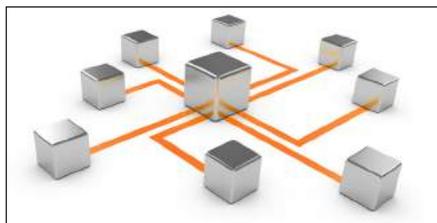
page 14



**Emerging Talent**

Lucinda Hodgkinson, client insurance manager at Artex Risk Solutions, features in this edition of Emerging Talent

page 18



**Captive Options**

Martin Eveleigh, chairman of Atlas Insurance, breaks down group captives

page 20



**Industry Appointments**

Comings and goings at Goodwill, York Insurance and more

page 24

**captive**insurancetimes

The primary source of global captive insurance news and analysis

www.captiveinsurancetimes.com





## ILS continues momentum despite catastrophe events in 2017

Insurance-linked securities (ILS) is an established asset class that continues its momentum despite the challenges of the catastrophe events in 2017, according to Willis Towers Watson.

In Willis's global ILS market survey, which included responses from end investors, ILS funds, and buyers—the three active groups in ILS—was conducted more than six months after the major 2017 losses and responses are therefore informed by the crystallisation of ILS funds' performance.

According to the survey, all three participating groups have weathered recent loss activity with their enthusiasm for ILS intact.

The high level of natural catastrophe losses in 2017 has not reduced this positive market sentiment, and the overriding conclusion of the survey remains that ILS has become increasingly mainstream.

The survey revealed that cedants and funds believe that ILS will continue its growth, through increased usage and an increase in covering risks outside property catastrophe, such as property per-risk, cyber, and marine.

End investors confirmed that they see reinsurance as an established asset class, opposing some observations that rising asset yields would deter new capital inflows to ILS.

Carl Hess, head of investment, risk, and reinsurance at Willis Towers Watson, said the company cooperated across the components of Willis Towers Watson's investment, risk and reinsurance segment, allowing it to "access to all the relevant market participants".

Hess added: "That allowed us to execute the most comprehensive survey yet of the ILS market."

"It's the same connected, integrated approach we use daily to develop and deliver ILS advice and solutions for our clients."

Willis Re global CEO James Kent commented: "The industry has widely reported the growth in the ILS market and this comprehensive survey further supports the development of ILS as an asset class despite the challenges of the catastrophe events in 2017."

"From a Willis Re perspective we see a divergence in the intent of reinsurers to utilise ILS capacity largely driven by client type."

He continued: "For growth to continue, ILS investors will need to demonstrate the ability to innovate and provide optimal solutions to meet clients' evolving needs."

"Furthermore the trust language, where used, will need to reflect a closer alignment with clients' expectations."

## QBE North America launches integrated healthcare unit

QBE North America has launched QBE Integrated Advantage for Healthcare, a new dedicated unit comprised of healthcare professionals in underwriting, claims, risk solutions, and product.

The unit, led by Cindy Oard, senior vice president, underwriting leader—healthcare, delivers specialised solutions for hospitals, physician groups, medical facilities, and managed care organisations.

QBE has integrated one team to provide a multi-line solution, including management liability, medical malpractice, and property, auto and workers compensation coverage.

The integrated team will provide customers with easy access to products and services.

Oard stated: "By integrating a single specialised team, dedicated to the healthcare market, we provide integrated solutions for our customers."

"And through our specialisation, we are responsive in applying our expertise and coverages to create the best solution possible."

Russell Johnston, CEO of QBE North America, added: "Healthcare is arguably one the largest parts of the US economy, it's growing faster than almost any other segment in the US economy and in order to service this segment well, it requires a level of applied expertise that most companies don't deliver."

"At QBE, we're enhancing the way we do business with our Healthcare customers and delivering on our strategy as an integrated specialist insurer."

## Marubeni 'Excellent' captive ratings affirmed

Marble Reinsurance Corporation, the captive insurer of Marubeni Corporation, has had its financial strength rating of A-

(Excellent) and its long-term issuer credit rating of “a” affirmed by A.M. Best.

The outlook for these ratings is stable.

The ratings are reflective of Marble Re’s balance sheet strength, categorised as “strong”, in addition to its strong operating performance, neutral business profile, and appropriate enterprise risk management.

The balance sheet assessment primarily mirrors the captive’s modest capital size, low underwriting leverage, and conservative investment portfolio.

The volume of risks that Marble Re writes and retains means the capital required to support its current book of business is relatively modest.

The captive’s underwriting results over the last five years have been consistently

positive, contributing to an average combined ratio of under 60 percent.

The key operating metrics’ volatility has also been relatively stable, owing largely to a conservative reinsurance programme that helped to reduce volatility in its underwriting results.

In its role as a single-parent captive, the company only insures and reinsures the risks of affiliated and related companies within the Marubeni group, which is one of the largest trading companies in Japan.

The types of business written expose Marble Re’s performance to high-severity, low-frequency losses, however, the captive has managed this risk through prudent underwriting guideline and a robust reinsurance programme with conservative retention levels and limits, including the presence of stop-loss covers for each line of business.

The ratings’ stable outlook is due to A.M. Best’s expectation that Marble Re’s operating performance will remain at a strong level, underpinned mainly by favourable claims experience and an expense ratio that should remain stable over time.

A material increase in risk appetite, which potentially undermines Marble Re’s profitability and capitalisation, and a significant deterioration in Marubeni’s credit profile could cause negative ratings to occur.

**Sooner Insurance has ratings upgraded**

A.M. Best has upgraded the long-term issuer credit from “a” to “a+” and affirmed the financial strength rating of A (Excellent) of Sooner Insurance Company.

The outlook of the ratings of the Burlington-based captive is stable.

**Captive Insurance**

**Cook Islands**

**Ideal Location.**

**Exceptional Service.**

**Trusted Providers.**

**Cook Islands**  
Financial Services Development Authority

[www.cookislandsfinance.com](http://www.cookislandsfinance.com)  
[enquiries@fsda.gov.ck](mailto:enquiries@fsda.gov.ck)



### Marsh & McLennan granted US antitrust approval for JLT acquisition

Marsh and McLennan Companies (MMC) has received approval from the Federal Trade Commission (FTC) for the acquisition of Jardine Lloyd Thompson Group (JLT).

In September, MMC agreed a deal to acquire JLT worth \$5.6 billion.

On 10 October, the FTC granted an early termination of the waiting period under the Hart-Scott-Rodino Act.

This concluded the competition review of both the FTC and Department of Justice, and satisfying a vital condition

on the closing of the acquisition. The acquisition remains subject to additional required antitrust and regulatory approvals, and to the approval of JLT shareholders.

MMC and JLT published a scheme document for JLT shareholders on 15 October, containing the full terms and conditions of the acquisition.

JLT shareholders will meet for a general meeting in London on 7 November to obtain shareholder approval of the scheme document under Part 26 of the UK Companies Act 2006.

The ratings are reflective of Sooner's balance sheet strength, categorised as "very strong", in addition to its strong operating performance, limited business profile, and appropriate enterprise risk management (ERM).

The upgrade in ratings reflects the captive's consistent capital and surplus growth, fortified by operating results.

Sooner's balance sheet strength is underpinned by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio, consistently favourable loss reserve development, and low underwriting leverage.

The majority of Sooner's capital is loaned to its ultimate parent, ConocoPhillips, however, it is considered to have relatively low risk due to this affiliation, as well as the parent's strong balance sheet and history of positive earnings.

The captive's operating performance has been consistently strong over the past 10 years, driven by solid underwriting profits, with most return metrics outperforming the industry composite and modest investment returns.

For over a decade, the company's loss experience has remained favourable, due in part to strong risk management programmes at ConocoPhillips, whose management views Sooner as a core element in its overall corporate risk management programme.

Sooner's business profile assessment reflects its position as the captive insurer for its ultimate parent.

The captive's underwriting risks consist largely of providing property damage, business interruption, and general liability coverage to ConocoPhillips and its subsidiaries, including joint ventures around the world.

With regard to the captive's ERM, A.M. Best noted: "ConocoPhillips'



THE BAHAMAS  
**clearchoice**

INNOVATION  
EXPERTISE  
LOCATION

Like its translucent waters The Bahamas is the  
**Clear Choice for captive insurance.**

Located just off the coast of Florida, The Bahamas captures everything that captive owners are looking for --- expertise that nurtures innovation to meet market needs and an idyllic environment to meet, live and do business.

Go to [www.bfsb-bahamas.com](http://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](mailto:info@bfsb-bahamas.com)



corporate insurance and health, safety, and environmental groups have a culture of risk awareness and a framework to identify and manage various different types of risks, such as periodic reviews of their potential loss exposures through a specialist in industrial risks, a process A.M. Best views as appropriate for its risk profile.”

Additionally, the ratings reflect the implicit support of ConocoPhillips and the critical role the captive plays in its ERM programme.

### RRGs remain financially stable in Q2 2018

Risk retention groups (RRGs) remained financially stable in the second quarter of 2018, despite political and economic uncertainty, according to a report by Douglas Powell, senior financial analyst at Demotech.

Powell’s report, which analysed RRGs in Q2 2018, revealed that RRGs are continuing to collectively provide specialised coverage to their insureds while remaining financially stable.

The report showed that, as in Q1 this year, RRGs were collectively unprofitable through Q2, reporting an aggregate underwriting loss of \$37.1 million—due to a reported net investment gain of \$127.3 million and a net income of \$78.7 million.

Powell commented: “RRGs have collectively reported a net income at each year-end since 1996.”

The loss ratio for RRGs was 78.5 percent, while the expense ratio was 18.2 and the combined ratio was 96.7 percent.

Powell suggested that the ratios relating to income statement analysis “appear to be

appropriate ... moreover, these ratios have remained within a profitable range”.

Cash and invested assets (2.9 percent), total admitted assets (2.3 percent), and total liabilities (0.6 percent) have all increased since Q2 2017.

Over the same period, RRGs collectively increased policyholders’ surplus by 4.9 percent, representing an addition of nearly \$228 million.

These results suggest that RRGs are adequately capitalised in aggregate and are able to remain solvent if faced with adverse economic conditions or increased losses.

According to Powell, the level of policyholders’ surplus “becomes increasingly important in times of difficult economic conditions by allowing an

# MAXIMIZING CAPTIVE PERFORMANCE

Brown Smith Wallace offers comprehensive tax, insurance and audit services that maximize return on investment for captive insurers. Our integrated approach includes ongoing operational reviews, tax consulting and regulatory audits.

Let our team’s industry leading expertise enhance the performance of your captive program. Contact us today.

**BROWN  
SMITH  
WALLACE**  
THE FIRM FOR GROWTH

Toll free 1.888.279.2792  
brownsmithwallace.com

An A.M. Best Top Ranked  
U.S. Insurance Audit Firm

**INSIDE**  
PUBLIC ACCOUNTING  
**TOP 100  
FIRMS**  
2017



## AGCS to reshape alternative risk management business to aid growth

Allianz Global Corporate and Specialty (AGCS) will reshape its alternative risk transfer (ART) business as part of the company's growth strategy in the alternative risk market.

Effective from 1 November, ART business will be split into two new specialist teams.

The Insurance-Linked Markets team will become a standalone line of business, known as Capital Solutions and led by, Richard Boyd, who is currently ART chief underwriting officer.

The other ART practice groups, which provide corporate solutions, reinsurance, and climate solutions, will continue under the existing name of ART, led by Michael Hohmann who will transfer from his current position as global head of liability at AGCS.

ART contributed €1.34 billion of gross written premiums in 2017 and has become a major line of business for AGCS globally, with larger multinational businesses increasingly looking for customised solutions to their more complex risks that can't be adequately covered by traditional insurance.

The bespoke approach of the new ART line of business, which combines ART and AGCS products and serves for a

tailor-made solution, and specialises in services such as fronting for captive insurance programmes for large corporate customers and specialist reinsurance and bespoke weather insurance solutions.

AGCS has also seen a rise in the demand for insurance-linked securities products.

Due to its diverse portfolio, is ideally placed to source insurance risks that can then be structured by the Capital Solutions team into a form that is acceptable to capital market investors.

Hartmut Mai, AGCS board member and chief underwriting officer corporate, commented: "Large companies are increasingly seeking to assume more control over their risk management beyond traditional insurance products in property or liability."

Mai remarked: "With our two new lines of business, we can respond to these needs by designing multi-line, multi-year, parametric or capital-market solutions to protect our clients from earnings and cash flow risks."

He added: "Our new structure and leadership team will help AGCS to evolve and grow this important segment of our business."

insurer to remain solvent when facing uncertain economic conditions".

"Regarding RRGs collectively, the ratios pertaining to the balance sheet appear to be appropriate and conservative."

He added: "Based on reported financial information, RRGs have a great deal of financial stability and remain committed to maintaining adequate capital to handle losses."

"It is important to note again that while RRGs have reported net income, they have also continued to maintain adequate loss reserves while increasing policyholders' surplus written year-over-year."

### Greenlight continues investment streak

Greenlight Re Innovations, part of the Cayman Islands-based reinsurance company Greenlight Capital Re, has invested in South Africa-based digital insurance platform, Click2Sure.

The investment in Click2Sure is Greenlight Re Innovations third investment since it launched in March 2018 with the purpose of seeking technology and innovation opportunities relating to the reinsurance and insurance markets.

The company invested in healthcare-focused third-party administrator Sana Benefits earlier this month and in reinsurance platform Galileo Platforms in September.

Click2Sure has developed a comprehensive digital platform for distributing, managing, and purchasing insurance at the point of sale, with an innovative API-first approach.

Daniel Guasco and Jacques Van Niekerk, Click2Sure founders, commented: "We are delighted by the financial investment, but more so by the endorsement of our unique full-stack, multiple digital platform capability, and potential."

“This partnership has brought global recognition to a South African business and we welcome the insights that Greenlight Re Innovations will introduce to the platform.”

Simon Burton, Greenlight Re Innovations CEO, said: “We are pleased to be partnering with Click2Sure and support Daniel Guasco and Jacques Van Niekerk as they develop new ways for companies to engage and provide value to their customers.”

“The Click2Sure platform enables a radical transformation of the customer experience and a cost-effective way to deliver insurance products to underserved marketplaces.”

## A.M. Best affirms Eni Insurance ratings

Eni Insurance Designated Activity Company (EID), Eni S.p.A.’s captive,

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

The outlook of the Irish captive’s credit ratings are stable.

The ratings are reflective of EID’s balance sheet strength, which A.M. Best categorises as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

EID’s risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio is categorised as strongest, with the expectation that it will remain at this level over the medium term.

One offsetting rating factor in the balance sheet assessment was EID’s exposure to peripheral European sovereign bonds, which accounted for around 22 percent of

its fixed-income portfolio in 2017, down from 30 percent in 2016.

A.M. Best said EID has a track record of strong operating profits, as evidenced by its five-year average combined ratio of approximately 56 percent (2013 to 2017).

The captive is also “well integrated” within Eni Group’s risk management framework and has an active role in overseeing and containing the group’s insurance costs.

**captive insurance times**

Do you have a story you think we should cover?

Contact us via:

[nedholmes@blackknightmedialtd.com](mailto:nedholmes@blackknightmedialtd.com)

# WE ARE INNOVATION

During the years he lived and worked in Guernsey, Victor Hugo was inspired by the island, completing ‘Les Miserables’ as well as decorating his house with a plethora of unique materials.

Guernsey is still inspiring innovation today - none more so than in our insurance industry

INSURANCE

INVESTMENT FUNDS

TRUST & COMPANY | PENSIONS

INVESTMENT MANAGEMENT

BANKING

E: [info@weareguernsey.com](mailto:info@weareguernsey.com)  
T: +44 (0)1481 720071

[WEAREGUERNSEY.COM](http://WEAREGUERNSEY.COM)





How is Rives working out for you?

How can I contact them?

Best decision we ever made!!

Visit [RivesCPA.com](http://RivesCPA.com)

## MORE OF A PARTNER THAN A VENDOR

Simply put, we provide competent service and build solid relationships. With more than 50 years of combined experience in the insurance accounting field, our professionals understand the impact on the insured company and how to properly establish and monitor performance.

[RivesCPA.com](http://RivesCPA.com)



Rives & Associates, LLP  
Certified Public Accountants

**CAPTIVE INSURANCE SERVICES GROUP**  
**THRIVING ON BEING DIFFERENT**

### GREENSBORO

629 Green Valley Rd  
Suite 201  
Greensboro, NC 27408  
336-481-0167

### LEXINGTON

212 West Center Street  
Lexington, NC 27292  
336-248-8281

### CHARLOTTE

1023 West Morehead St  
Suite 100  
Charlotte, NC 28208  
704-372-0960

### RALEIGH

4515 Falls of Neuse RD  
Suite 450  
Raleigh, NC 27609  
919-832-6848



# Risk and pragmatism

The Guernsey Insurance Forum welcomed 168 attendees to London, where its main focus was captive insurance



Ned Holmes reports

Banking Hall in London, a stone's throw away from where the London Insurance market was formed 300 years ago—to borrow a fact from Aon CEO Karl Hennessy's keynote speech — welcomed 168 attendees on Thursday 11 October for the 2018 Guernsey Insurance Forum.

For the first time at the event, the focus this year was on captive insurance, with much of the emphasis on dealing with the current and upcoming challenges the industry is facing.

“We are in the business of risk,” said Dominic Wheatley, chief executive of Guernsey Finance, in his opening speech.

“When you are dealing with risk it involves a great deal of pragmatism. Necessity is the mother of innovation and if you standstill you die in the modern environment.”

Wheatley was optimistic about the captive industry moving forward, despite the challenges ahead. He noted: “The adaptability of captive technology makes me very confident of the future of insurance and the captive industry.”

An industry of substance?

One of the challenges faced by captive insurance is the negative reputation often attributed to it due to the fact that it is closely associated with offshore locations. During the session on ‘substance in the insurance industry’, Paul Owens, managing director of Willis Towers Watson’s Global Captive Practice, suggested this misguided reputation came from a lack of understanding.

He said: “The captive industry is traditionally offshore and being offshore has a specific reputation. Many people just don’t understand it. If the captive industry is not there where would that risk be insured?”

The Organisation for Economic Cooperation and Development (OECD) and tax authorities held such views, and the panel argued that the industry needed to educate the OECD and the tax authorities so they have a better understanding of captive insurance.

Jenny Coletta, insurance tax partner, international tax and transfer pricing, at EY, suggested the OECD’s current view of captives, particularly in low tax domiciles, is “quite negative”.

She added: “If you look at lots of the work that has come out to do with [the base erosion and profit shifting (BEPS)] project, clearly the industry would never stand by that. We need to make our voice heard and we need to educate the OECD to educate tax authorities.”

“There was a recent consultation which the OECD put out to the public and they received nearly 1,500 pages, a lot of which talk about the value of captives, why they are so important and that they are not just there for tax reasons, they’re there for valid commercial purposes.”

“We need to better educate tax authorities in my view.”

John English, CEO of Aon Captive and Insurance Management, suggested that “far more” interaction and dialogue was necessary with the OECD.

He said: “I think it is a question of dialogue and getting the point across, which I think we have failed to do so far.”

# Conference Report

According to Coletta, the OECD is “genuinely open to having these dialogues”.

Owens was in agreement and suggested that he was optimistic that dialogues with the OECD could be successful.

He said: “There is optimism that the OECD will regroup and understand what we do.”

Owens was also optimistic at the role captives could play in the “new world” following a “fourth industrial revolution”. Responding to a question from a delegate about the impact of artificial intelligence and emerging technology Owens’ said “the problem is we don’t know what we don’t know”.

He explained: “There is going to be a massive shift. I am a strong believer in the fourth industrial revolution and it is coming down the track pretty quickly.”

Owens continued: “There is a completely different economy exploding underneath the traditional one. This is where the traditional insurance market and captives can come together to write solutions. The dynamic is changing to a new world of shared economies and shared driving and the captive world can be part of that.”

According to Owens, advancing technology will “make things easier to process and transact”, which will “allow the industry to shift into more focus on brain power”.

## The ‘B’ word

It would have been impossible to host a conference in London without at least touching on Brexit, the British government’s painful attempt to stumble out of the EU.

However, the Guernsey Insurance Forum’s panel session on the topic provided one of the most insightful breakdowns of the issue and its possible impacts that I have witnessed.

One panellist, Theo Leonard, director of government relations at Barclays, explained that it would be five to 10 years before we know what the future agreement will look like for the UK, as the current negotiations just deal with the transition period and have not scratched the surface in terms of future relationship.

Fellow panelist Suzy Awford, head of regulatory and government affairs, AIG Europe, was in accordance with Leonard and added that there was currently little interest from the European side in talking about the future relationship.



She added that all the focus was on the withdrawal agreement and with so many issues needing to be grappled first “there was little focus on financial services in the minds of those discussing Brexit”.

The feeling was apparently mutual from the captive industry’s perspective, as according to Will Thomas-Ferrand, another of the panellists and the international practice leader at Marsh Captive Solutions, Brexit is not top of the agenda for captive insurance.

Leonard emphasised that despite the current uncertainty surrounding Brexit “business need[s] to plan for the eventuality that the UK ceases to be part of the EU next March.”

Thomas-Ferrand suggested that there was still time for captives to begin preparing a strategy to deal with the possible issues caused by Brexit.

“Captives are there as a servant of the client and therefore the effect of Brexit will very much be driven by its effect on the client”.

**Guernsey**

Turning focus to Guernsey itself, Wheatley commented: “The reality is that the Guernsey insurance industry is thriving and responding to challenge and change with innovation, and seeing a lot of opportunity.”

According to Wheatley, the island remains “a centre for significant excellence, that has a lot of experience”.

“We have seen a lot of these issues before and we are good at dealing with new and emerging issues.”

“I think this is a specialist centre of excellence and it is the equivalent of Silicon Valley for captives and offshore insurance.”

**In closing**

Addressing the debate over whether or not captives were in decline, Thomas-Ferrand referred to Willis Towers Watson’s statistics on captives.

According to the statistics, the premium going into captives has grown by 25 percent compared to the previous year and by about 55 percent compared to four years ago.

He commented: “So, captives are obviously being used and I would challenge that they’re in decline.”

In his concluding comments, Wheatley said Thomas-Ferrand’s statistics showed the level of captive growth in recent years was “extraordinary” and that it was clear and resounding evidence that captives were not in decline.

Wheatley said he took heart from the fact that Brexit was not on top the agenda for captives.

He explained: “I would be depressed if Brexit was at the top of the agenda for captive boards. I think we should be getting on with business, and indeed we are.”

He noted that the greatest impact of Brexit on captives would likely be its effect on their parent companies.

“Captives are there as a servant of the client,” said Wheatley.

“Therefore, the effect of Brexit will very much be driven by its effect on the client”.



He explained: “Assuming the captive will have a post-Brexit issue, which some may not, I don’t think it is too late. Fronting can be arranged fairly quickly, that is not a lengthy process.”

“It does take some time to look at all the options but we have got five months until March 2019, when the UK is scheduled to leave the EU, which is plenty of time to look at the different options.”

“Enactment of such a plan may not necessarily need to happen until after the transition period, [which is scheduled to close at the end 2020] although there is uncertainty surrounding that.”

Thomas-Ferrand also noted that he had seen “an incredibly small amount” of captives redomiciling ahead of Brexit. Wheatley said:

# Emerging Talent

## Showcasing the new generation of captive professionals

Lucinda Hodgkinson, client insurance manager, Artex Risk Solutions

### Personal bio

I am from South Africa and moved to Guernsey in 2006 for a gap year, with the original intention of returning to attend university. Outside of work I enjoy listening to music, reading, yoga, playing squash, and walking our dog along the beautiful coastline of the island.

### Professional profile

I started my career with what is now Artex in 2006 and have been working on a broad range of clients from small single-line entities to larger captives with sophisticated insurance placements for multinational companies. I am a Chartered Insurance Practitioner and ACII qualified.

### How did you end up in the captive industry?

I was looking for a job while living in Guernsey where I could gain some experience and take on a new challenge. The captive insurance industry sounded interesting and different from other roles available in the finance sector. From the start the company was very supportive and, as time progressed, my one-year plan has turned into a career that I thoroughly enjoy.

### What has been your highlight in the captive industry so far?

The variety in the job and, of course, the people. Working in the captive industry means dealing with a wide range of clients and you have the opportunity to not only learn more from these clients, but also help provide them with innovative solutions to their insurance needs. No two days are the same and the challenges vary from one client to another. The people I have worked with over the years have always been supportive and as a result, I have never been too scared to ask questions, challenge ideas or to speak up. This has given me the confidence to progress and to learn wherever possible.

### What is your impression of the industry?

The captive industry is professional, innovative and interesting. Captives have faced a number of challenges over time, particularly over the past few years, and it will be interesting to see how these will be overcome by way of innovation and transformation. The Guernsey captive industry in particular is very supportive of the younger generation of professionals.

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

I would like to set a good example for younger people following in my footsteps one day—an example that would inspire others to join the captive industry for its values and professionalism.

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

Be prepared to master a challenging wide variety of subjects, and to adapt to whatever the working day may throw at you—no day is ever the same as the day before. **CIT**



“

Lucinda Hodgkinson has always been dedicated, thoughtful and innovative in the way that she goes about providing top quality service to our captive clients.

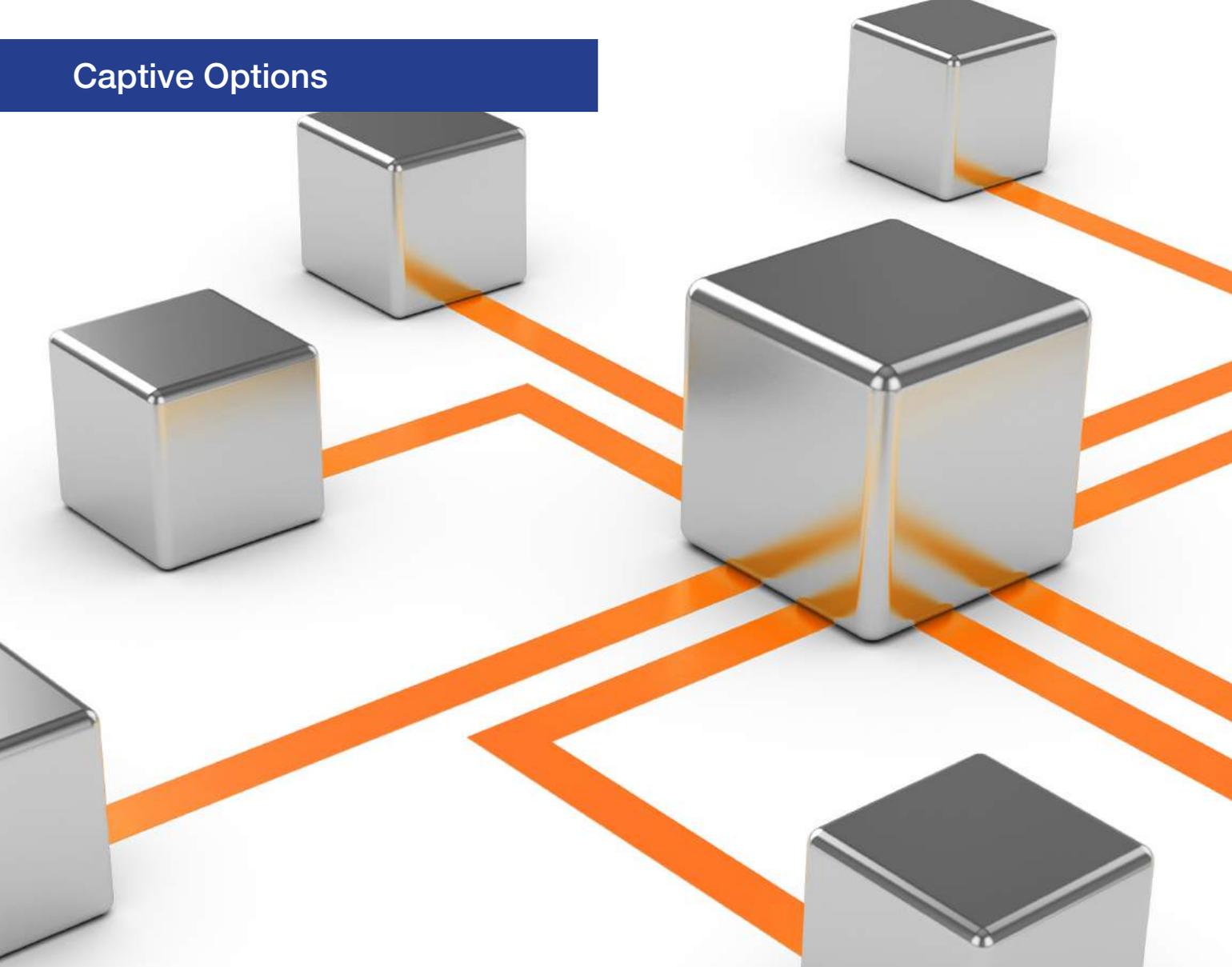
She was the first recipient of the Chris Le Conte Award for her work on the establishment of one of the world's largest captive employee benefits programmes, and will undoubtedly be one of our industry's future leaders.

”

Peter Child, managing director,  
Artex Risk Solutions (Guernsey)

# Lucinda

# Hodgkinson



# The group captive: a custom option for managing risks and costs

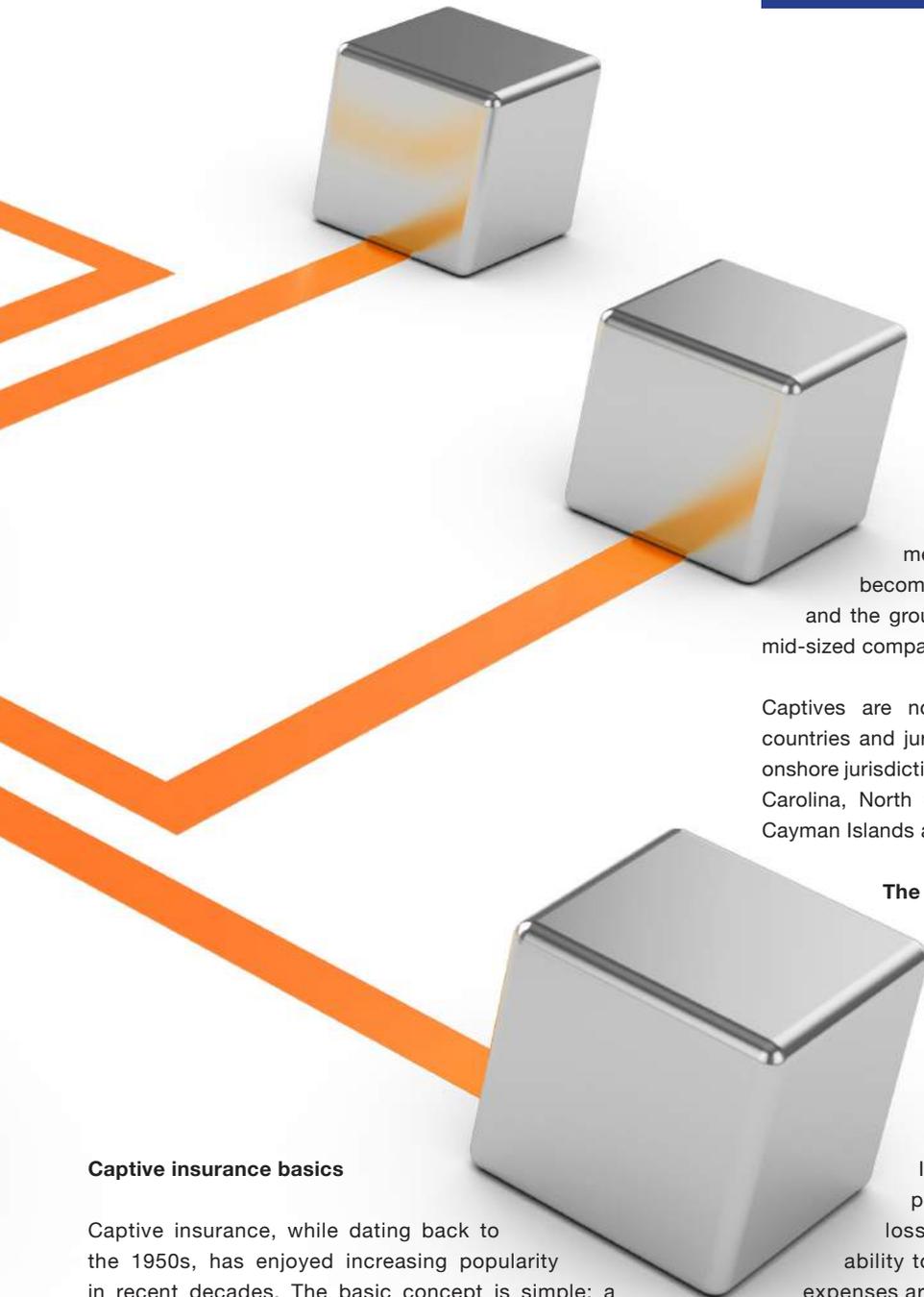
**Martin Eveleigh, chairman of Atlas Insurance, breaks down group captives and maps out why they're good news for mid-sized companies**

There is at least one effect of a business environment characterised by uncertainty and volatility that can always be counted on: that is the initiative, especially among mid-sized and smaller companies, to search for innovative and effective ways to control costs over the longer term.

These pressures to identify and control expenses, coupled with greater awareness and understanding of the group captive

insurance model, have prompted many to realise that the benefits of captive insurance are now just as viable for mid-sized companies as they are for larger corporations. As a result, group captives have become an increasingly attractive alternative to standard insurance for such insureds.

However, before surveying the specifics of group captives, let's briefly revisit the concept of captive insurance and what makes it attractive.



measurable way, the captive insurance strategy has become an enormously powerful business planning tool and the group captive model extends this important tool to mid-sized companies.

Captives are now recognised internationally, with numerous countries and jurisdictions welcoming formations. These include onshore jurisdictions in the continental US such as Vermont, South Carolina, North Carolina—as well as offshore domiciles in the Cayman Islands and Bermuda amongst others.

### The ins and outs of group captives

A group captive is an insurance company owned by several individuals or member companies, which insures the risks of its members. It exists primarily to provide greater long-term cost stability than the traditional market allows.

In other words, each group member's captive premium is based upon that member's own loss experience, which the member has the ability to control. In addition, group captive operating expenses are typically lower than those experienced in the open market.

Group captives may be either homogeneous or heterogeneous. That is to say, they may either be all from the same industry or representative of different industries.

Homogeneous captives have the added advantage of pooling the risks of like-minded members who are familiar with the types of risks and loss experiences being insured.

Heterogeneous captives typically involve member companies similar in size but representing different industries. Either way, economies of scale are attained through aggregating risk

### Captive insurance basics

Captive insurance, while dating back to the 1950s, has enjoyed increasing popularity in recent decades. The basic concept is simple: a captive insurance company is wholly owned and controlled by those it insures. Its primary purpose is to insure the risks of its owners. Because the owners are also the insureds, they are able to exert much greater control, especially in regard to the types of risks insured and the decision process surrounding underwriting, as well as loss control, operations, and management.

Once organised, a captive provides the same functions privately that a standard commercial insurer does on a more public basis. Namely, it issues policies, collects premiums, and pays claims, although it is regulated specifically as a captive. Because it manages specific, agreed-upon risks in a controlled and

exposures across the membership and often by demonstrating a better than industry average historical loss experience.

There's another potential bonus. Group captives typically offer terms and conditions—for example, premiums and coverages—that are comparable to those available in the standard market. However, group captives may have provisions that allow for a distribution in the form of a dividend from the captive in the event a member shows favorable loss exposure.

Essentially, this is a way to turn 'best in class' performance into pricing commensurate with one's exposure. In some instances, participating in a group captive may even allow companies to obtain coverage that would be deemed too expensive individually or indeed simply unavailable in the standard market.

## How a group captive benefits you

Perhaps the most obvious advantage of joining a group captive is the ability to insulate oneself from insurance cycles over the long term by controlling one's own risk exposure and insurance costs.

A closely related benefit is the provision for greater loss prevention and risk management. With a group captive, a certain portion of each member's premium is allocated to loss prevention and claims management.

Thus, a member may apply this allocation on the basis of its specific historical loss prevention needs. This type of benefit is common whenever a company is able to manage its own risks.

Group captives may also exert greater control over their programme expenses, as well as make changes to services offered with lower cost or disruption. In addition, as a group they may access more favorable reinsurance pricing. In short, these types of benefits have always accrued to those able to withstand the higher premium levels paid by single-parent captives but have been unavailable to

owners of smaller businesses or those requiring less coverage from their captive insurance structure.

The group captive model makes similar benefits available to them.

The most common types of insurance covered by a group captive include traditional property and casualty lines such as general liability, workers' compensation, automobile liability and physical damage, and product liability coverages.

Those groups adding more complex coverages, including medical liability, are becoming increasingly popular.

More generally, group captives offer greater transparency for those seeking greater loss control, as well as a far more collaborative process.

The success of a group captive depends in large part upon ensuring that the participants' loss controls and risk management are both rigorous and sophisticated.

It is critically important to be sure that the group captive programme is well designed and that the underwriting of new insureds is thorough.

A group captive thrives on growth. And that growth ultimately depends upon maintaining both a favourable risk profile and the right mixture of insureds within the group over the long term.

Keeping those objectives in balance requires not only a deft hand at the wheel, but also executives with both the willingness and ability to maintain the captive's course over the long haul.

The principals would be well advised to seek an adept captive manager to assist them in their responsibility to be attentive to the needs of the participants and the captive itself. **CIT**

“

The benefits of captive insurance are now just as viable for mid-sized companies

”

Martin Eveleigh, chairman, Atlas Insurance Management





COMMITTED  
COMPETITIVE  
WITHOUT THE **RED TAPE**



Discover why North Carolina is the best domicile choice for your captive insurance company. Visit [www.nccaptives.com](http://www.nccaptives.com) or contact Debbie Walker at **919.807.6165** or [debbie.walker@ncdoi.gov](mailto:debbie.walker@ncdoi.gov) to learn more about the North Carolina captive program.



## Comings and goings at Goodwill, York Insurance and more

**Hawaii law firm Goodwill Anderson Quinn and Stifel has launched its new captive insurance team, which includes the addition of four new captive insurance attorneys.**

Gerald Yoshida, Paul Shimomoto, Asako Shimazu and Arik Look joined the firm on 1 October 2018.

The captive team will provide a range of services, including captive formations, conversions, mergers, liquidations, redemptions, coverage matters, policy drafting, and reinsurance trusts.

Additionally, they will assist corporate transactions, corporate governance, best practice issues, and other general insurance regulatory matters to ensure that clients' captives comply with the applicable law and regulations.

A captive industry veteran with more than 30 years of experience, Yoshida, who joins as partner, was instrumental in licensing the first captive in Hawaii.

Also joining as partner, Shimoto has been representing clients in the captive and insurance regulatory space since 2000.

Asako joins the firm as counsel and is a member of the the State Bar of California, Hawai'i State Bar Association and American Bar Association.

Arik holds multiple advanced degrees, including Master of Accounting from University of Hawai'i Shidler College of Business, Master of Business Administration from Chaminade University of Honolulu and Juris Doctor from University of Hawai'i William S. Richardson School of Law, and joins the firm as an associate.

**York Insurance has appointed Tom Hebson as general manager of its client segment.**

In his new role, he will be responsible for serving the company's insurance carrier and managing general agent clients, determining ideal solutions for them for holistic risk management and to ensure quality in everyday operations.

Hebson will oversee York's Alternate Risk Solutions business, succeeding the retiring Rick Stasi, and the programmes and risk control business.

An industry veteran with more than 30 years insurance experience, Hebson was most recently vice president for large guaranteed cost workers' compensation and captive services at Safety National Casualty Corporation.

He has also held leadership positions at Midwest Employers and AIG and was a Self-Insurance Institute of America committee member between 2002 and 2014.

Hebson will report Thomas Warsop, CEO of York.

Warsop commented: "Tom Hebson's significant industry experience and fresh perspective at York is ideal to lead our insurance client segment and help our clients holistically manage risk."

Hebson stated: "York has extensive partnerships with carriers, brokers, captives, and industry experts along with the ability to partner in risk sharing with eligible clients, and I'm looking forward to building on these partnerships for continued success."

**William Dalziel has retired from his position as partner at London & Capital.**

Dalziel, who has been with the company for 12 years, was responsible for setting up the company's institutional division and building it into the successful team it is today, with over \$1 billion in assets under management.

In October 2017, Kate Miller was brought in by Dalziel to succeed him as head of institutional business. Miller has been working closely with Dalziel over the past year to ensure the team continues to develop its expertise while maintaining the high standards of investment management and client servicing.

Dalziel will remain on hand as a senior adviser to the business.

# BUSINESS INSURANCE®

# WORLD CAPTIVE FORUM

**JANUARY 30 - FEBRUARY 1, 2019**  
TURNBERRY ISLE | MIAMI, FLORIDA

Celebrating its 28<sup>TH</sup> year, the **2019 World Captive Forum** will address new and emerging risks facing companies and organizations worldwide, demonstrating how captives can offer solutions that may not be available in the traditional insurance marketplace. A domicile-neutral conference, the **World Captive Forum** provides in-depth, high-caliber educational content to risk managers, benefit managers and financial executives whose organizations have risks insured by a captive or who are exploring the formation of one. The meeting also draws leading providers of captive services, including captive management, legal, accounting, actuarial, claims, asset management, fronting and many other services, as well as numerous regulators and representatives from major domiciles. Additionally, delegates to the WCF enjoy unparalleled networking and business opportunities.

## WHO SHOULD ATTEND?

- Captive owners and those interested in forming a captive
- Captive managers
- Service providers
- Investment managers
- Reinsurers
- Domicile regulators and officials
- Brokers



## OPENING KEYNOTE

### JEFF CARR

President and Senior Economist  
Economic & Policy Resources, Inc.



## SPONSORS

### DIAMOND



### GOLD



### SILVER



REGISTER, VIEW FULL AGENDA & MORE:  
[BusinessInsurance.com/conference/wcf](http://BusinessInsurance.com/conference/wcf)

Miller said she is privileged to have had the opportunity to work alongside Dalziel.

She added: "Working so closely with him, I have appreciated the depth of his achievements in building the institutional business and have seen first-hand the mutual respect between him and his clients."

Dalziel said that he was very proud of what the team has achieved and is "certain that [the team] will continue to deliver exceptional client services".

He continued: "I am leaving the team in Kate Miller's capable hands. She is well known in the UK insurance asset management field for her high standards, technical expertise and her commitment to her clients' interests."

"I am delighted that we have found someone of Miller's calibre to take the team forward," Dalziel added.

Guy McGlashan, COO of London & Capital, said the company wished Dalziel "all the best for his well-earned retirement".

McGlashan stated: "William Dalziel's selfless commitment to building this business and looking after his clients over the past 12 years was exemplified in the manner in which he has managed what could have been a difficult transition."

"We shall miss his contribution to the wider business as well, but we are excited to be working with Kate Miller and will undoubtedly benefit from the fresh perspective she brings to both the institutional business and London & Capital as a whole."

## **First Insurance Company of Hawaii (FICOH) has hired Lance Kawano as vice president of FICOH and president of First Risk Management Services (FiRMS).**

Kawano, who was previously executive vice president of operations at Atlas Insurance Agency, brings more than 25 years of financial and insurance sector experience.

Prior to joining Atlas in January 2006, he spent three years as personal lines manager at FICOH.

FICOH, which was formed in 1911, is the oldest and largest property and casualty insurer domiciled in Hawaii.

Jeffrey Shonka, FICOH president and CEO, commented: "Lance Kawano brings his skills as an experienced manager and insurance expert to our senior management team."

"His unique background will be a major asset to FICOH and FiRMS as we work to deliver the best possible solutions and service to our customers."

## **The Hawaii Department of Commerce and Consumer Affairs Insurance Division has appointed Andrew Kurata as deputy commissioner and captive insurance administrator.**

Kurata, who previously held the role in an acting capacity, has been with the insurance division since 2011 and has also served as a captive insurance examiner and captive insurance programme specialist.

He will be responsible for overseeing the ongoing regulation of all captives licensed in the state under the insurance commissioner Gordon Ito, including monitoring for regulatory compliance, reviewing filings, coordinating on-site examinations, and promoting the growth and development of the captive insurance industry.

On the back of a strong year last year, there were 230 actively licensed captives in Hawaii at year-end 2017, with aggregate premium writings over \$7.3 billion.

Kurata said he was honoured to have been appointed to the role and looks forward to being part of the continued growth and success of the domicile.

He added: "The Captive Insurance Branch will continue to provide prudent regulatory oversight while forming collaborative partnerships with captive owners and service providers to achieve risk management objectives."

Commissioner Ito commented: "Andrew Kurata has been a dedicated and important part of our experienced staff in providing a stable, committed and business-friendly environment that makes Hawaii one of the premiere domiciles in the world."

"The Insurance Division will benefit from his leadership and look forward to the continued success of our captive insurance industry." **CIT**

**captiveinsurance**times

Do you have a story you think we should cover?

Contact us via:

[nedholmes@blackknightmedialtd.com](mailto:nedholmes@blackknightmedialtd.com)