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The primary source of global captive insurance news and analysis

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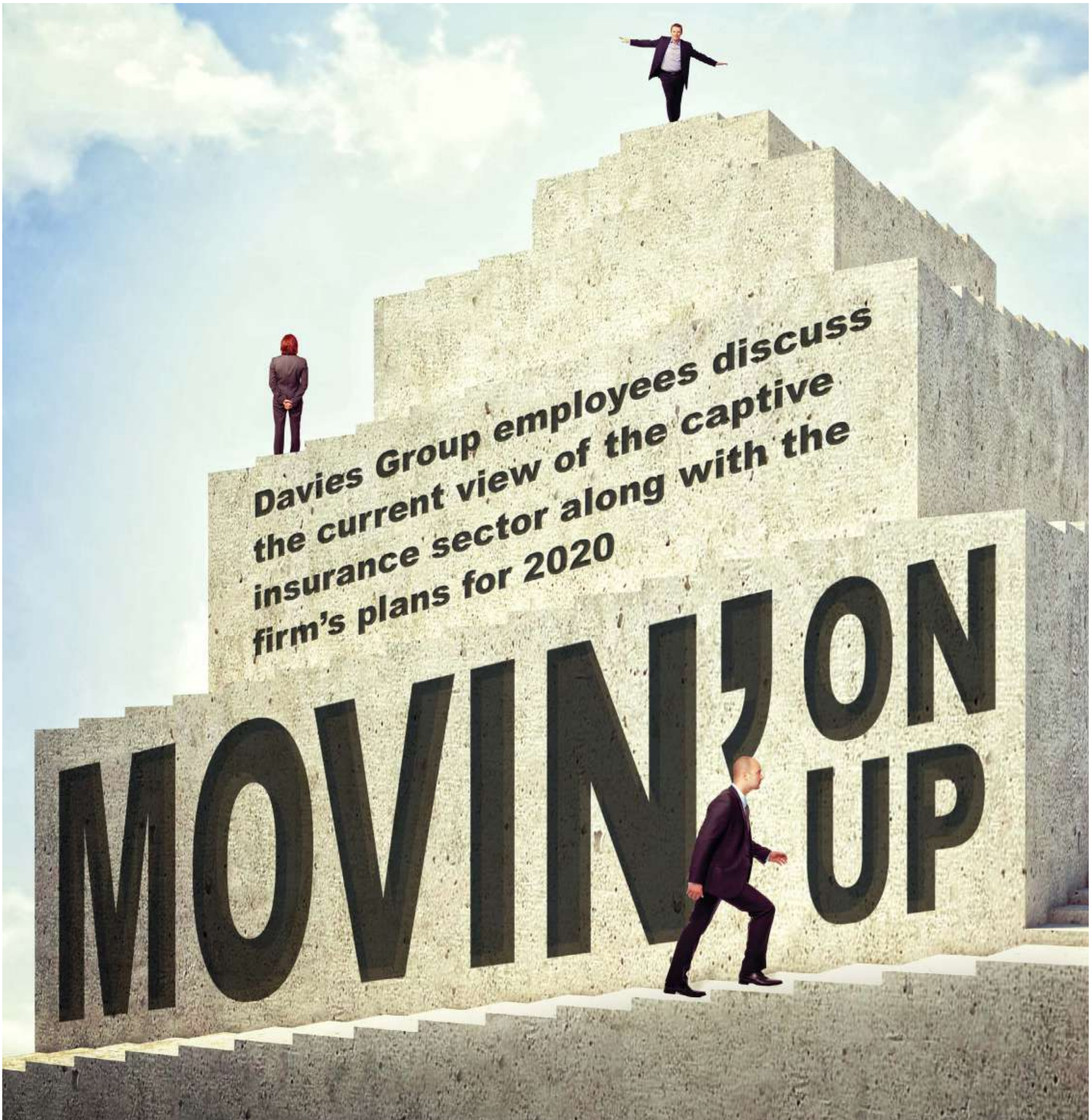

Insurtech Insight

What changes need to be made in order for the captive sector to keep up with technological advances?

Emerging Talent

Dale McCann
Vice president of captive insurance
Comerica Bank

Reserve Mechanical

Reserve Mechanical Corporation files opening brief with tenth circuit court of appeals

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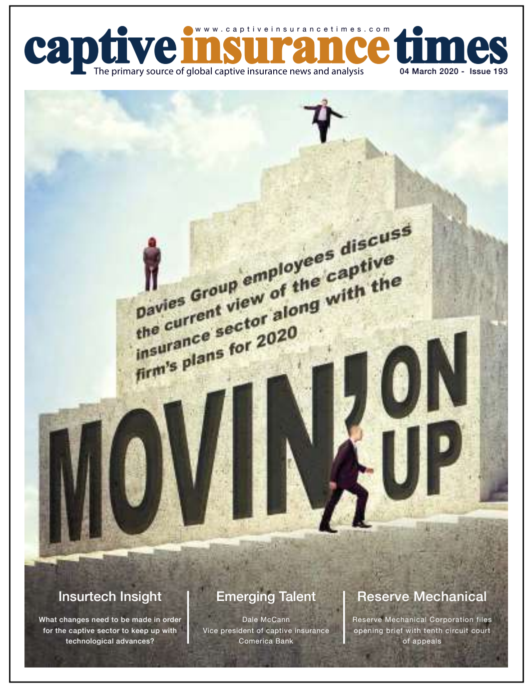


In this issue

Reserve files opening brief with tenth circuit court of appeals

Feldman Law Firm and Foley Gardere have filed the opening brief with the tenth circuit court of appeals on behalf of Reserve Mechanical Corp, a client of Capstone.

The appeals brief challenges the US tax court's rulings in the Reserve captive insurance case, identifying the specific ways in which the tax court erred in its adverse opinion issued in June 2018, according to Capstone.

In its opinion, the tax court concluded that Reserve's transactions did not constitute insurance for federal income tax purposes.

The tax court suggested that Reserve's insurance arrangements did not meet two of the four necessary insurance criteria, concluding that Reserve failed to satisfy adequate risk distribution and that Reserve's arrangement with its affiliated company, Peak Mechanical and Components was not "insurance in the commonly accepted sense".

Reserve's opening brief explained that Reserve satisfied the risk distribution test by receiving more than 30 percent of its gross premiums from reinsuring pooled and blended risks of more than 150 insureds under more than 500 direct-written policies, issued by PoolRe Insurance Corporation.

The brief stated: "Reserve's direct-written policies provided real insurance: when Peak suffered a covered loss and made a claim, Reserve paid. Reserve's risk distributing arrangements imposed real contractual rights and obligations."

"If Peak suffered a large covered loss, a substantial portion of the loss over a predetermined amount would be borne by the fifty-plus insurers participating in the risk pool. By the same token, if one of those insurers responded to a large loss, Reserve would also be called upon to pay its proportionate share of the loss."

Capstone explained that the tax court employed legal reasoning that was contradictory to decades of existing case law. The tax court also went outside the record in making findings that were not supported by the evidence at trial.

Additionally, the Coalition to Advance Captive Insurance filed an amicus curiae brief with the US Court of Appeals for the Tenth Circuit in support of Reserve.

The 11 organisations supporting the recent appeal by Reserve, include the Alabama Captive Insurance Association, Arizona Captive Insurance Association, Delaware Captive Insurance Association, Georgia Captive Insurance Association, Hawaii Captives Insurance Council, Kentucky Captive Association, Missouri Captive Insurance Association, Montana Captive Insurance Association, North Carolina Captive Insurance Association, Utah Captive Insurance Association, and the Self-Insurance Institute of America.

The amicus brief addresses and informs on three issues of concern in the original Reserve decision: prior loss history, manuscript policies, and risk pooling.

Capstone said that the tenth circuit's decision in the Reserve appeal is "expected to carry enormous implications" for the captive insurance industry. ■

Alabama to update captive insurance legislation

The Alabama Captive Association's sponsored bill to update the state's captive insurance legislation passed unanimously in the House Insurance Committee on 19 February.

The updates allow for greater economic growth and development within the captive industry in the State of Alabama.

The bill was presented by state representative David Faulkner, who also presented the previous amendment to the Alabama Captive Insurers Act in 2016 sponsored by the Alabama Captive Association.

Under this bill, the significant changes to the Alabama captive insurers act will include rethinking the use of branch captives to allow multi-state and multi-national organisations to better manage their Alabama risks in Alabama.

The bill will also make capital standards more reasonable and in alignment with other pure captives under the Alabama law and expand the use of branch captives to other lines of business.

Additionally, it will include the codification of a formal dormancy statute, that follows the existing Alabama Department of Insurance practice, to allow captives to cease writing business for up to five years and remain in existence.

Finally, the bill will allow for technical corrections to language pertaining to coastal captive insurance companies to promote consistent language between Chapter 31(B) and 31(C) of the code.

The change will also remove the requirement for coastal captive coverages to be fronted through an admitted traditional carrier.

Executive director of the Alabama Captive Association, Norman Chandler said: "We are excited to present an industry-leading update to the Alabama captive insurers act that establishes industry-first initiatives in branch captives and will allow domestic, foreign and alien businesses to insure their Alabama risks in an Alabama branch captive."

He added: "The proposed changes will advance the State of Alabama in the captive industry and in economic development." ■

Tennessee licenses 200th captive

The Tennessee Department of Commerce and Insurance (TDCI) has licensed Mattoon Insurance Company, marking the state's 200th licensed captive insurance company.

Tennessee has licensed four captive companies already in 2020 with six more captives currently in the approval process, TDCI's captive insurance section director Jennifer Stalvey revealed.

Stalvey said: "2020 looks to be another impressive growth year for Tennessee's captive sector."

TDCI commissioner Hodgen Mainda, added: "The licensing of Tennessee's 200th captive is a significant landmark because it is proof of how far Tennessee has come in the relatively short time since our captive insurance regulations were revised to make Tennessee more attractive to captive insurance companies."

Since Tennessee's captive insurance laws were revamped in 2011, the state has experienced significant growth in the captive insurance sector and is now the seventh-largest captive domicile in the US, according to TDCI. ■

A.M. Best affirms Lincoln Benefit ratings

A.M. Best has removed from under review with negative implications and affirmed the financial strength rating of A- (Excellent) and the long term issuer credit rating of "a-" of Lincoln Benefit Life Company (Lincoln Benefit). The outlook assigned to these credit ratings (ratings) is negative.

According to A.M. Best, Lincoln Benefit's balance sheet strength has been categorised as strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

The negative outlooks reflect the continued decline in capital and surplus at Lincoln Benefit, as well as its captive reinsurer, Lancaster Re Captive Insurance Company, coupled with lower capital and surplus to liability ratio that is below its similarly rated peers.

Due to underperformance in its run-off operations beyond initial projections, the company's capital deteriorated.

A.M. Best suggested that mitigating factors include a new team with a strategic vision for the company, with a plan that includes supporting the liabilities and a suspension of dividends from the organisation to improve its capital position ■

EU removes BVI from 'grey list'

The government of the Virgin Islands has welcomed the EU's decision to name the British Virgin Islands (BVI) as a fully compliant jurisdiction for tax purposes.

BVI was placed on the EU's Annexe II 'grey list' while the EU monitored compliance in matters related to economic substance.

In order for the BVI to comply, the Economic Substance (companies and limited partnerships) Act was passed on the island in December 2018.

The BVI was also required to undertake further work to define appropriate substance requirements for collective investment vehicles.

Following a thorough process of assessment, monitoring and dialogue, the EU has removed BVI from its 'grey list'.

Commenting on the outcome, premier and minister of finance, Andrew Fahie said: "I welcome the EU's recognition that the BVI fully complies with its tax good governance principles. This is as a result of close cooperation and positive dialogue with the EU and demonstrates the BVI's commitment to meeting and surpassing international standards."

Fahie added: "I, along with my government, remain completely focused on ensuring the continued success of our international business and finance centre and its role in the global economy. We believe there will be significant opportunities for our territory and our people as we enhance our economic substance yet further."

Elise Donovan, CEO of BVI Finance, said: "We warmly welcome the statement of the premier of the Virgin Islands that the EU has recognised us as a fully compliant jurisdiction for tax purposes."

"There has been a lot of work across the public and private sector to get to this important outcome and I wanted to thank all those involved for your engagement with this process." ■

Hippo forms captive as part of expansion plans

Hippo has revealed plans to form its own captive to participate in the risk and underwriting profit.

The new reinsurance structure enables the Hippo programme to broaden the footprint of the business and attract more customers.

The plans were announced as part of the introduction of a new panel of reinsurers to support Hippo's plans for continued expansion this year.

The panel includes Arch, Markel, RenaissanceRe, TransRe and others, who reinsure the carrier behind Hippo's largest programme.

According to Hippo Insurance, the firm's technology, dynamic underwriting and dedicated claims handling were "key factors" in attracting the attention of reinsurers to this panel.

Ken Brandt, TransRe's president of global underwriting operations, said: "Hippo believes that homeowners' insurance and protection can be improved through technology."

Brandt added: "By combining home checkups with smart monitors, they expect to reduce the number of serious events. We share that vision, and we are pleased to support Hippo's technology-enabled products and services."

Assaf Wand, CEO and co-founder at Hippo Insurance, said: "As we expand to even more homes across the country, a diversified reinsurance panel ensures that our customers are protected in the most effective and cost-efficient way." ■

Singapore extends captive tax benefits

The Singapore government has revealed the Insurance Business Development (IBD) umbrella scheme and the IBD captive insurance scheme has been extended until 31 December 2025.

As part of its 2020 budget, the government said the extension has been put in place to support Singapore's value proposition as an Asian insurance and reinsurance centre.

Under the current IBD-captive insurance umbrella scheme, approved insurers are granted a concessionary tax rate of 10 percent for five years on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore.

The extension will continue to allow a 10 percent tax rate for a further five year period until 2025. With the current scheme set to lapse on 31 March 2020, all new and renewal IBD scheme awards approved on or after 01 April 2020 will be granted for five years.

The Monetary Authority of Singapore said it will provide further details of the change by May 2020.

According to a Deloitte report, insurers will "welcome the extension of the scheme".

However, in a report, it suggested that some may have preferred that the duration of the award for the IBD scheme has remained at 10 years rather than being reduced to five years. ■

News Focus

Bermuda returns to the EU's 'white list'

Bermuda has returned to the European Union's (EU) 'white list' of fully cooperative tax jurisdiction for the first time since 2017.

According to the Bermuda Business Development Agency (BDA), the private sector worked collaboratively with the government, along with the active involvement of the Bermuda Monetary Authority, to implement reforms specifically relating to collective investment vehicles.

The decision to move Bermuda onto the 'white list' was made by EU finance ministers at the meeting of the Economic and Financial Affairs Council (ECOFIN).

Roland Andy Burrows, CEO of the Bermuda BDA, said: "This outcome is testament to Bermuda's commitment to meet and exceed the highest international standards of regulatory compliance and economic substance."

He added: "Combined with our world-leading achievements in the Financial Action Task Force assessment, together with Bermuda's EU Solvency II equivalence and status as an NAIC reciprocal jurisdiction in the US."

"Bermuda's blue-chip transparency and outstanding offering to global business are second to none."

He added: "I thank Bermuda's government, regulator and all our industry stakeholders for continuing to ensure Bermuda maintains its world-class regime."

The EU blacklist was first introduced on 5 December 2017 as part of its efforts to clamp down on tax avoidance and harmful tax practices.

Out of the 92 jurisdictions initially chosen, 17 including Bermuda, were added to the list.

Bermuda also featured in the EU's 'blacklist' in March last year but was later moved onto the 'grey list' in May.

Bermuda's global industry associations, representing sectors ranging from re/insurance, captive insurance, trusts and family offices to asset management, all echoed those comments and welcomed the EU decision.

John Huff, president and CEO, Association of Bermuda Insurers and Reinsurers (ABIR), said: "The Bermuda Monetary Authority, Bermuda Finance Minister, Bermuda government and Bermuda business community once again demonstrate internationally-recognised regulatory enforcement."

"From EU Solvency II equivalence, US Reciprocal Jurisdiction status, Financial Action Task Force compliant anti-money laundering regime and now EU Economic Finance 'white list' designation recognising Bermuda's solid work on EU tax good governance and our economic substance framework, Bermuda's robust regulatory environment is world-class." ■

Cayman Islands added to the EU's 'blacklist'

The Cayman Islands has been added to the European Council's revised conclusions of the EU list of non-cooperative jurisdictions for tax purposes.

According to the European Commission, the Cayman Islands does not have appropriate measures in place relating to economic substance in the area of collective investment vehicles.

In response to the European Commission's decision, Cayman Finance CEO Jude Scott said: "The Cayman Islands has had a track record of meeting evolving global standards and that is expected to continue."

Scott added: "As an organisation, we stand ready to work with the government, as it sees fit, as it cooperates with the EU to be removed from the list. We anticipate this decision will happen in the not too distant future."

The Cayman Islands Government recently introduced modernised legislation that enhanced the oversight of investment funds. Scott explained that this was in response to an evolution in global regulations, primarily driven by the EU and other global standard-setting bodies.

Scott said: "Just as approximately 30 other jurisdictions were removed after taking the necessary actions, we look forward to the same happening with regard to the Cayman Islands. In the meantime, clients can continue to expect the usual high professional standards from their Cayman service providers that they have always received."

Within the last year, a review undertaken by the Organisation for Economic Cooperation and Development (OECD) of the Cayman Islands' domestic legal framework that includes economic substance, found that the Cayman Islands tax neutral regime is not harmful and meets all economic substance requirements.

The EU also came to the same conclusion, with the exception of the EU's requirement for investment funds, which the government recently introduced new legislation to address.

Cayman Finance said it is confident that the country's government will take all necessary actions to address any remaining EU concerns in a timely manner to ensure removal from the list at the earliest possible opportunity.

Cayman International Insurance, formerly IMAC, also indicated support for the Cayman Islands Government in taking the necessary steps.

It said: "This technical listing does not impact or hinder Cayman Islands-based international insurers and reinsurers from supporting our clients and meeting their insurance needs."

"Internationally recognised standards for regulation will continue to be met and we are confident that recent legislation passed by the Cayman Islands Government will be affirmed as meeting the required standards and will lead to our removal from the listing at the next possible opportunity." ■

SIIA claims IRS settlement figures were 'misleading'

The Self-Insurance Institute of America (SIIA) has suggested that the settlement figures released by the Internal Revenue Service (IRS) earlier this month are "misleading".

In September last year, the IRS mailed a time-limited settlement offer for certain taxpayers under audit who participated in 'abusive' micro captive insurance transactions. In early February, the IRS issued IR 2020-26, revealing that 80 percent of taxpayers who received offer letters elected to accept the settlement terms.

The IRS also announced the establishment of 12 audit teams to look at certain captive structures.

However, SIIA stressed that the figure is misleading in that the 80 percent of the taxpayers have agreed to participate and consider a settlement, but did not actually settle.

According to SIIA, those taxpayers can indeed settle, but also have the option to go to court.

SIIA said it understands that, to date, not a single captive has engaged in a final settlement agreement, and making such an announcement is "premature".

In addition, SIIA suggested the audit teams will most likely be looking at other issues unrelated to the captive industry, not simply focusing on captives themselves.

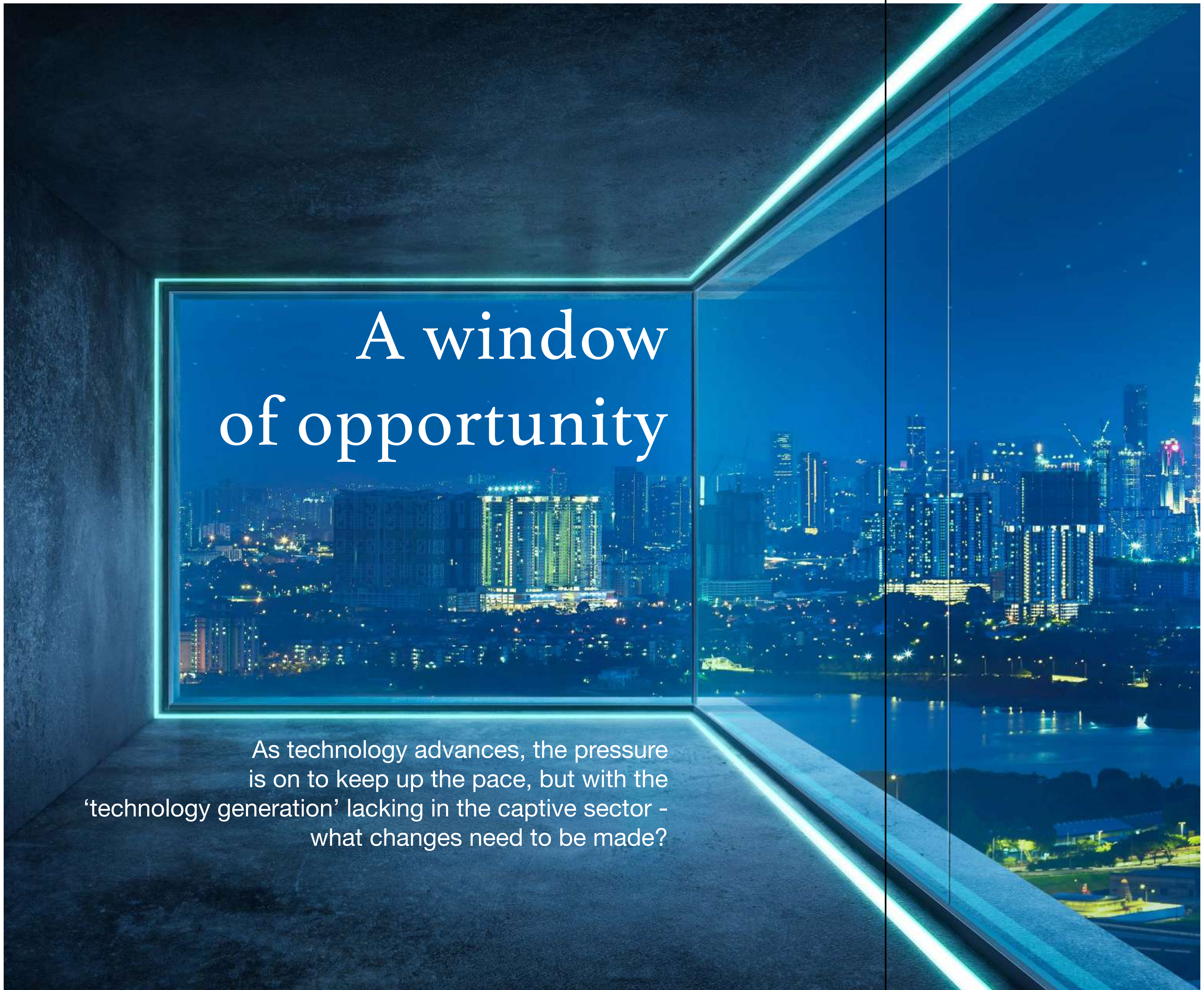
SIIA revealed that while approximately 160 captive structures have agreed to consider settlements with the IRS, thousands of captives remain in place that are assisting America's small and medium-sized businesses to mitigate important and real risk factors.

As part of its ongoing work on behalf of the captive industry, SIIA has established the Captive Manager Code of Conduct, which provides a set of ethical business conduct guidance to captive managers.

In a statement, SIIA said: "While the IRS may remain focused on certain micro captive structures, it must do so in a responsible and fair manner."

"As the industry continues to grow, captive insurance companies remain dedicated to providing a needed risk management structure for America's small businesses to grow and thrive." ■

Insurtech Insight



A window of opportunity

As technology advances, the pressure is on to keep up the pace, but with the 'technology generation' lacking in the captive sector - what changes need to be made?

The rise of insurtech, a combination of two words 'insurance' and 'technology', was recognised in 2010 following an initiative from the banking sector; 'finance' and 'technology' for 'fintech'.

It mostly refers to the use of apps, big data, machine learning, and other transformative technologies to automate and improve processes across the insurance market – from marketing and policy origination through underwriting, services, and claims.

As technology becomes more powerful, so does the pressure for businesses to keep on top of the trends and create technological programmes and products that can be cost-efficient or advance their business lines. According to Willis Towers Watson's Q4 2019 insurtech report, what has been "clear for all to see is the uptick in investment over the past year".

The report suggested that global investment into insurtech had started to stabilise at approximately the $1.4 billion mark looking at Q4 2018 to Q3 2019, however, it showed that Q4 2019 "bucked the trend" as it reached an all-time investment high of almost $2 billion.

It found that 2019 also saw a 90 percent jump in investment rounds that exceeded $40 million when compared with 2018.

But the latest technology is generally linked with the younger generation and with the captive insurance sector currently suffering from a talent crisis, is the captive insurance sector missing out on what could help them prepare for the present as well as the future?

Footing the bill

Like any new initiative within a company, it needs a financial aspect to help support the idea. This is certainly the case for any sort of technological plans, as they need to be trialled and tested while also keeping security as a priority.

Discussing technological innovations within the captive insurance sector, Rocco Mancini, vice president of Marsh Captive Solutions, suggests the sector is rapidly evolving. He states: "Captive service providers and a growing number of captive owners are investing in technological innovations."

Also weighing in, Helga Viegas, director of digital and innovation at MAXIS Global Benefits Network (GBN), explains: "We're seeing a growing interest and investment in technology innovations by the captive industry. Risk management is all about data, and technology provides increasingly sophisticated tools to collect, combine, model and analyse data."

Viegas says that technology will also allow captives to automate tasks like claims management, accounting and administration.

She suggests that investing in technology innovation "is a no-brainer" for the captive industry.

On the benefits, Peter Carter, head of captive practice at Willis Towers Watson, explains that the automation of manual tasks will improve accuracy and efficiency.

He says: "Installing the latest technology will allow firms to run analytical algorithms and data science projects to optimise the use of the captive and manage risk more efficiently/effectively."

Supporting Carter's comments, Laurie Solomon, strategic advisor at LineSlip Solutions, explains that new technology adoption will "drive speed, accuracy, data quality, data roll-up, decision-support, improved collaboration and security" for a company.

However, Viegas maintains that it's not about stating the benefits but more a case of survival.

She highlights that "technology has the great potential of reducing the cost of providing a product or service and also improving it. Combined with great people who can implement and use the technology to its maximum potential, it's a winning formula".

She stresses that "businesses need to implement technology and invest in up-skilling their people to survive in a competitive environment".

Keeping on trend

Although insurance industry experts believe the captive industry is up to speed with the latest technology, Soloman suggests that there's "a huge opportunity for further development as insurtech and technology in general expands."

She argues: "New industries will bring new needs. Captives will be willing and able to utilise data that comes from outside the traditional avenues. That's one of their strengths. I hope that the struggle to gain applicability acceptance isn't too prohibitive. That's an industry challenge."

Mancini agrees with Soloman on the sector not being behind in terms of innovation as he believes that the captive industry is one of the nimblest segments of the insurance industry.

He adds: "The nimbleness of the captive insurance industry creates an ideal and innovative environment for not only piloting captive specific technology innovations but also technology innovations that have implications for the insurance industry as a whole."

The dark web

As advantages of technology become greater so does the risks of cybercrime. Mancini says that cybersecurity will always be a leading reason that companies stray away from implementing the latest technology. However, he suggests that these concerns "should not stop people from at least discussing and exploring these technologies".

Exploring innovative technologies can create opportunities to perform a full review of the firm's cybersecurity practices and standards, which Mancini believes "can only help to improve cybersecurity and to reduce the risk of cyber breaches".

Soloman thinks "it's an important consideration", but points out that technology and innovation are not going to stop due to a fear of 'what-ifs'.

She emphasises: "The best firms and industries will find ways to continually adapt to new technology while protecting their data. Cybersecurity is an industry unto itself and what's exciting is that insurtech can leverage the best security practices without having to recreate the wheel and can instead focus on driving innovation and solving challenges in the industry."

Meanwhile, Carter disagrees, suggesting that technology solutions allow a firm to identify threats and vulnerabilities more effectively than traditional approaches and so develop appropriate mitigation strategies.

He says: "Technology is part of the solution to cyber threats, not the problem."

Time for school

It is normal for a business to change and adapt to keep up with the latest trends of the world, however, technology has changed so rapidly over the last 15 years, it can be hard for companies to keep the same pace.

One reason for the falling behind of some firms is the lack of education around new technologies. Viegas outlines that first, captive managers need to be invited to look at what's happening beyond their organisation.

Viegas suggests that attending conferences and events to hear directly from the innovators as well as collaborating with others in the industry is important to keep up to speed.

She continues: "By speaking to trusted suppliers and consultants, asking them about the latest developments, the most interesting projects and the innovations they're seeing in the market."

Collaborating with innovation labs and venture capital arms, speaking to scouts, seeing how new ideas are being incubated outside and brought into larger organisations is also important, she adds.

Additionally, Viegas notes that reading about technology innovations, new products, services and case studies, not only within the captive industry itself but also in other data-heavy sectors like healthcare, broader financial services, transportation, technology and communications is important.

Soloman maintains that companies need to be open to change as well as being curious about new ways to tackle industry challenges.

> "The PCC is also appealing to some business owners that may want to get their feet wet in the captive insurance industry by first participating in a cell of a sponsor's PCC"

She suggests that they should engage with insurtech vendors in order to learn what's out there.

She adds: "There's no risk to seeing a demo or asking for more information. When it comes to technology adoption, they shouldn't be afraid to take calculated risks as this is the only way that we will be able to learn and advance innovation."

Millennials are known to be very good at using technology along with Generation Z, who grew up with new and advanced technology at their fingertips. With a talent crisis among the captive insurance sector, a view of having a younger generation working in firms would help advance technological innovations.

Mancini anticipates that the pace of innovation will increase significantly by having young people enter the sector.

He says: "Young emerging talent from a digitally native generation will bring a new perspective, however bringing a new perspective will not do anything unless that perspective can be shared throughout the industry."

The captive insurance industry can both attract and retain new talent by actively communicating with young emerging talent and by working to understand their perspective, he notes.

Actively asking young emerging talent for their perspective on innovation, according to Mancini, "can add autonomy to their role while also aligning them with the company's mission, which is two critical aspects in attracting and retaining these individuals".

Soloman adds: "There is such a window of opportunity right now for those who can bridge the gap between 'how it was' and 'how it could be'. Young talent is used to digital-first solutions and using data to drive decisions. These folks will demand innovation when they see today's insurance processes."

Swiping right on the future

In the next five years in terms of innovation within the captive insurance sector, Viegas believes that the industry will be seeing more innovations.

She notes that "a large driver for that is the current surge in publicity and media coverage for hot concepts like artificial intelligence (AI) and blockchain. Combined with the interactions we're seeing with insurtech, consultants and suppliers, the awareness around tech innovation is now higher than ever in the industry."

Viegas argues that captives are in a better position to innovate than large insurance companies, "as they are smaller and generally have been around for less time".

She adds: "As long as they invest now in up-skilling people and recruiting new talent and commit to exploring promising technologies, they are well set for adapting to future tech trends."

According to Carter, data and technology "will mean the discipline is more seamlessly integrated with broader risk management solutions".

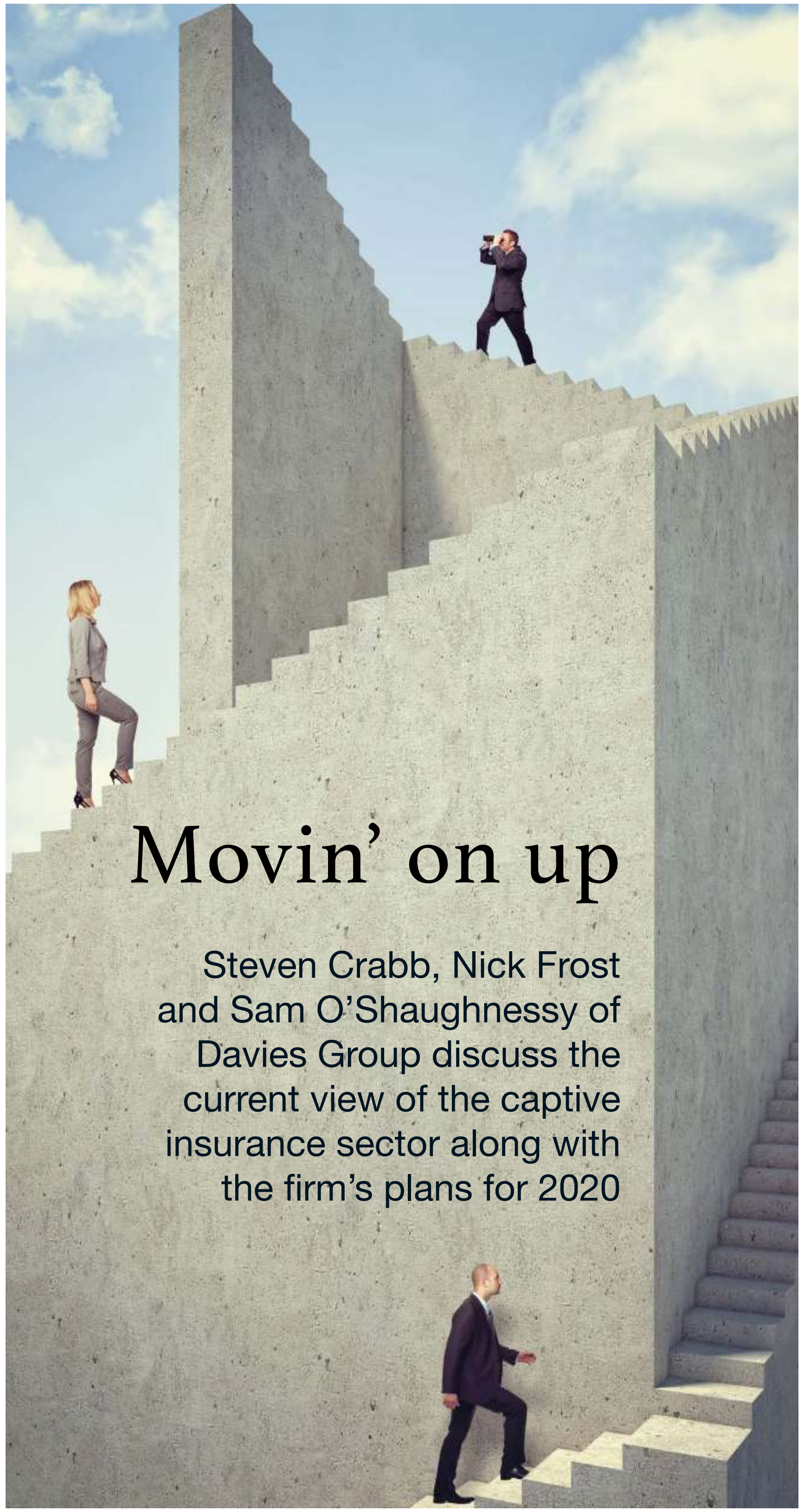
He explains that the "skillset within the industry will shift from being predominated by skilled technicians and CPAs to technologists and data scientists".

Mancini foresees one of the most interesting changes in five years' time will be the rise of captive programmes that were simply infeasible before technological innovations were implemented.

He explains: "In the past five years, technological innovations played a role in enabling new commercial captive programmes, where the captive writes third party risks, and this trend will continue with new, unique captive programmes emerging over the next five years as more technological innovations become mainstream."

Soloman adds that there's no doubt that the use of AI and data analytics will absolutely become commonplace.

"These technologies will make risk-taking decisions faster, more accurate and more efficient. I definitely believe that captives will be doing amazing things with data that seems like fantasy today." ■



Movin’ on up

Steven Crabb, Nick Frost and Sam O’Shaughnessy of Davies Group discuss the current view of the captive insurance sector along with the firm’s plans for 2020

What are the current hot topics in the captive industry?

Steven Crabb: At Davies, we are already tapped into the cannabis risk opportunity; Nick Frost has been to Canada a few times to talk to potential clients there. The price of regular insurance for those businesses is expensive so we are seeing this as a strong opportunity for our captive management solutions business.

Nick Frost: Captives and cannabis risk is an important item in Canada and the US at the moment.

Turning to captives, both reinsurance and fronting are huge topics - more businesses all over the world are turning to captives to help manage their insurance risks and in most cases they need fronts and in all cases, they need reinsurance to limit their maximum exposure. There are a limited number of fronts and reinsurers of captives in the marketplace so the ones that get in first with a good business plan will get the best deals.

Most fronts and reinsurers specialise in different lines so if a business needs a captive it is a good idea to speak to someone like Davies to help navigate and introduce them to the appropriate people to help them achieve their goals.

There was a record attendance at The World Captive Forum this year because the insurance rates are firming for the first time since the 80s and there is a lack of capacity. Many people in the industry do not remember those times. When the market price gets hard, businesses look to captives – Latin American countries, in particular, are increasingly looking towards captive options and US and Canada are finding that capacity for certain lines of business has shrunk and they need a captive to fill in the gaps in coverage.

I have heard horror stories in Canada and the US where companies on renewal are getting 50 to 200 percent rate increases even if their losses are good. These are ideal for a captive.

Crabb: There’s an increased interest in the South American market, such as Columbia and Argentina and how we can help them with captive creations.

Frost: All geographical locations, are seeing their premiums increase even to companies with excellent loss experience. Losses don’t substantiate the rate increases and consequently, they are looking for captives, which is where we specialise and are able to offer our expertise and experience.

What themes are you currently seeing in the captive insurance market?

Crabb: The theme we are thinking of as a group at Davies is how we increase our service offering to become more valuable to our clients. We are domiciled for captives in Bermuda and the US and are assessing where else we should have a platform to continue to respond to our customers better. So that could be Guernsey, Gibraltar or it could be Malta.

We are quite interested in those three areas because there are three different nuances of regulations, which would broaden our capability for UK, European and International customers.

As we enter or already entered a hardening market, how do you expect captives to perform?

Frost: Very well, this is the best market for a captive. With hardening prices captives will inevitably be used to a much greater extent. It has been a long time waiting, and we expect it to grow with the hardening of the market.

What advice would you give to captive owners during a hard market?

Crabb: Captive owners are buying regular insurance and they are buying some insurance from their own captive due to regular insurance becoming more expensive. If in four years’ time, as regular insurance becomes cheaper, people will use captives less and will start to buy normal insurance again. I don’t think that’s going to happen in the near future.

What do you think are the biggest challenges the market is facing?

Frost: I think the biggest challenge is finding insurance/reinsurance for particular lines. A number of Lloyd’s markets have cut back on lines and products that historically used to reinsure people from Canada, Latin America. Even if you have a captive you still have to have reinsurers to reinsure you. They are more likely to reinsure you if you take risks yourself. If you are taking risk, they know you are going to manage it properly; reinsurers would rather offer you their capacity if you have a captive and participate in the risk.

Crabb: There are people offering these reinsurance products now which are specific lines of business, however, there are less of them and it is becoming more expensive.

So do firm’s domicile in Bermuda because of its large insurance market?

Frost: Yes. Bermuda has excellent depth as a reinsurance sector, along with London and New York – no other jurisdiction has reinsurance capacity to the same scale.

And they know captives, so it’s very easy for us to set up a captive and reinsure in the Bermuda market

Sam O’Shaughnessy: Bermuda is seen as a one-stop-shop, you have your

> “If in four years’ time, as regular insurance becomes cheaper, people will use captives less and will start to buy normal insurance again. I don’t think that’s going to happen in the near future
>
> Steven Crabb
> CEO
> Davies Insurance Services

> From a captive perspective, we will be doing more business in the US and Canada and spending more time building out our Latin America client base

Nick Frost
President
Davies Captive Management

reinsurance available together with captive legislation and expertise.

What would you say are the biggest opportunities for the market this year?

Crabb: Non-standard risks, like cannabis, are an opportunity for risk managers to respond properly with the captive idea. This is a big issue for businesses who are involved in the cannabis industry. Not necessarily the people selling it in the shop but the people who transport it, people who finance it, people who work in the supply chain, they find it really tough to find insurance, so we're hoping to respond and to get them some good insurance products.

What plans does your firm have in place for 2020? And what are you hearing from clients?

Crabb: Our overall group is very focused on the US – we are looking to expand in the US. We want to try and get a situation where we have a full-service group. So anyone involved in the insurance industry, we should be able to provide a full set of services to them.

Frost: From a captive perspective, we will be doing more business in the US and Canada and spending more time building out our Latin America client base.

Crabb: It is a huge focus for us this year, the acquisitions we made last year boosted our presence in the US. We're looking to build on that this year and get all the services going in the adjacent spaces to captives.

There are other services in risk and consulting that we think we could respond to and help our customers better. ■

> Bermuda is seen as a one-stop-shop, you have your reinsurance available together with captive legislation and expertise

Sam O'Shaughnessy
Vice president
Davies Captive Management

Dale McCann

Vice president of captive insurance Comerica Bank

Personal Bio: I currently reside in Southeast Michigan. My days outside of Comerica are spent with my wonderful wife and two children. I spend the Michigan autumn and winter coaching my son's hockey team, while still also playing competitively. Spring and summers are spent on the golf course or travelling up to the beautiful inland lakes of Northern Michigan – a hidden gem of America.

Professional Profile: I attended Western Michigan University and received my Bachelor's in business administration with an emphasis on finance. Directly after college, I started within Comerica trust operations where I worked the first eight years of my career. After reaching my personal goals within operations, I was eager to move to the client-side within the institutional trust (employee benefits) department of Comerica. There, I was captivated by the growth and energy coming from our captive insurance team. I set my sights on moving into a relationship manager role within our captive insurance team.

How did you end up in the captive industry?

After learning the securities operations side of trust and then moving to client side, I was fortunate enough to partner with a wonderful mentor at the bank, Randy Browning. He taught me the right way in how to be a successful relationship manager. Combined with that, the insurance industry as a whole has always been fascinating to me – so what better way to start than providing banking solutions to the captive insurance industry with the products and services Comerica trust has to offer.

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

First and foremost, the people within the captive industry are unbelievable. They are welcoming, knowledgable and understand the importance of what a bank brings to the bigger picture within the captive industry. Who can't forget, many of us have the opportunity to travel to beautiful places onshore and offshore.

What/who have been your influences in the captive industry?

Comerica Bank is a well known full-service bank integrated within the captive industry. Being a full-service bank provides me with the opportunity to work with internal departments within Comerica on a regular basis, one specifically being our captive lending team. Every individual within that team has positively influenced me in one way or another over the past few years. It has been an absolute pleasure working with them and I look forward to how we can collectively impact the captive industry moving forward.

"Dale has been a tremendous value add to the captive insurance team within our trust department. His operations knowledge mixed with his dedication to client service has been instrumental in the growth of our captive business. We will continue to count on him to build his knowledge and become an expert in the captive industry."

Martin Ellis
Senior vice president, global and captive insurance group
Comerica Bank

What is your impression of the industry?

Through my first few years within the captive industry, I can clearly see that the landscape is constantly changing. There always seems to be a new focus within the industry, whether that is an emphasis on Foreign Account Tax Compliance Act, tax reform, economic substance – you name it.

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

Having worked in Comerica trust for a number of years, the transition to the captive team gave my career a resurgence and a new meaning. I feel Comerica is an elite full-service bank within the captive industry and we are able to provide banking solutions to all. That said, I would like to be a large contributor in the continued pursuit of Comerica Bank being the top banking service provider within the captive industry.

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

You must be agile in this ever-changing marketplace, as there will always be a new challenge! ■

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The latest moves in the captive industry

AXA XL has appointed Scott Gunter as the new CEO after Greg Hendrick steps down from the role to take on other opportunities outside the company.

Gunter will also join AXA's management committee and report to Thomas Buberl, CEO of AXA.

Previously, Gunter worked at Chubb Group as senior vice president and president of Chubb's North America commercial insurance division.

Commenting on his new role, Gunter said: "I am very happy to join the AXA Group and look forward to working with AXA XL's teams to accelerate its development. Together, we will leverage our unique position in the market and our recognised expertise to make AXA XL the best global commercial lines insurance partner for its clients."

Buberl added: "I would like to warmly thank Greg Hendrick for his leadership in managing the integration of XL over the past two years and building the new AXA XL division, which is today a solid and well-positioned franchise."

"I am very happy that Scott Gunter is joining AXA. Gunter brings over 30 years of experience, a strong track record in commercial insurance and underwriting and profound knowledge of the North American market." ■

Michael Corbett is set to leave the Tennessee Department of Commerce and Insurance (TDCI) and will join Pinnacle Bank as senior vice president, effective 16 March.

Michael Corbett is set to leave the Tennessee Department of Commerce and Insurance (TDCI) and will join Pinnacle Bank as senior vice president, effective 16 March. Corbett, who worked as the director of TDCI's captive insurance section since 2011, was recently named to the newly created director of business development of TDCI's insurance division.

Prior to joining TDCI, Corbett developed an institutional financial consulting practice at a brokerage house that focused on captive insurance companies.

Corbett was also a member of the Vermont Captive Insurance Association's (VCIA) finance committee and served as its chairman.

Commenting on his departure, Corbett said: "It has been my honour to serve the State of Tennessee in establishing the captive insurance market and making Tennessee a top tier domicile for the industry. I am now returning to the private sector to continue the work of promoting Tennessee as a gold standard domicile."

He added: "I wish all my colleagues good luck and good fortune at the TDCI and I look forward to seeing many of them at industry events throughout the year. I leave the captive section with a deep and broad bench of very talented captive insurance company analysts and examiners led by two very talented captive regulatory and examination directors: Jennifer Stalvey, director and Cathy Gray, assistant director."

Kevin Doherty, president of the Tennessee Captive Insurance Association (TCIA), said: "On behalf of the TCIA, we wish to congratulate Corbett on his many years of service within the TDCI and wish him much success in his new role. Tennessee captives would certainly not be where they are today without his hard work. We welcome his continued expertise as he transitions into the private sector." ■