



Guy Carpenter: the market needs TRIPRA

Guy Carpenter has called for the reauthorisation of the US Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) amid a spike in terrorist activities.

Its latest report on global terrorism noted Islamic militants shifting to softer targets, with attacks becoming more localised.

Western countries, including the US and UK, have experienced "relatively low capability but high profile attacks", according to Guy Carpenter, while Syria and Iraq continue to make the Middle East a "volatile landscape". Algeria and Kenya have shown that groups are still capable of launching destructive and sophisticated attacks on commercial entities.

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Second cat bond for JLTTCM

Jardine Lloyd Thompson Capital Markets (JLTTCM), a part of JLT Towers Re, has established its second Market Re private placement cat bond (Market Re 2014-2), which closed at \$31.83 million.

The new bond provides one year indemnity-based collateralised catastrophe reinsurance coverage for the cedant's Florida book of business and was accomplished via two separate classes.

"Since launching the Market Re platform in May, we have seen considerable interest from both cedants and investors," commented Michael Popkin, managing director and co-head of insurance-linked securities at JLTTCM.

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Redwood Trust captive gains FHLBanks approval in Chicago

Redwood Trust's special purpose captive insurance subsidiary, RWT Financial, has been approved as a member of the Federal Home Loan Bank of Chicago (FHLBC), effective 6 June.

Through its captive's membership of the FHLBC, the REIT will have access to financing offered by the Federal Home Loan Bank for certain assets.

"Membership in the FHLBC marks an important development for our company and adds to our financing and distribution options for residential mortgage loans," commented Brett Nicholas, president of Redwood Trust.

He added: "This additional financing source should enable Redwood to expand the types of residential mortgage loan products we can acquire from mortgage loan originators."

"Ultimately, we believe that mortgage loan borrowers, and the communities in which they live, will benefit from the additional liquidity Redwood is able to provide, consistent with the mission of the FHLBank System."

Congress created the FHLBank System to be a reliable source of funds for local lenders to finance housing, jobs and economic growth.

It is made up of 12 Federal Home Loan Banks, which are cooperatives owned by more than 7500 community financial institutions throughout the US.

Last year, the FHLBank System had almost half a trillion dollars out on loan to community bank, credit union, insurance company and community development financial institution members, which must put up high-quality collateral to borrow funds.

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Redwood REIT captive gains FHLBanks approval in Chicago

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Captives' use of the system has been a particular concern for regulators that are worried about the structure of and capital invested in insurance companies.

Two Harbors Investment Corp and Ladder Capital Corp have set up captives to access the FHLBank System. Between them, they have borrowed approximately \$1.5 billion.

Federal Housing Finance Agency director Melvin Watt told the FHLBanks Directors Conference in May that his agency, which oversees the secondary mortgage markets in the US, is keeping an eye on captives.

"One area of insurance company membership—captive insurers—deserves some additional attention. Captive insurance borrowing and membership in the FHLBank System raises a number of possible issues related to safety and soundness and access to the system."

Redwood Trust has also agreed with the FHLBC to establish MPF Direct, a new mortgage purchase product offered by the Mortgage Partnership Finance (MPF) Program.

MPF Direct will allow members of a Federal Home Loan Bank that participate in the MPF Program to deliver eligible residential high-balance mortgage loans through the MPF Program's operational platform to subsidiaries of Redwood Trust.

Under the agreement, Redwood Trust will be the sole investor in MPF Direct loans for three years. The launch of MPF Direct is subject to the final regulatory approval from the Federal Housing Finance Agency.

Guy Carpenter: the market needs TRIPRA

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"In the US, the renewal of TRIPRA will play a significant role in determining how much affordable capacity will be available for businesses who buy terrorism insurance coverages," he added.

TRIPRA is due to expire on 31 December and "either substantial modification or non-renewal ... has the potential to impact terrorism coverage in the US". The US House of Representatives and Senate are currently considering various changes to the act.

Guy Carpenter noted in its report that market reactions to uncertainty over TRIPRA's future were evident during the first five months of 2014, as several workers' compensation renewals with sizeable employee concentrations in large US cities changed carriers and, in some cases, moved into various residual market mechanisms.

"We are encouraged by the recent legislative activity addressing the expiration of TRIPRA and hope for continued progress and a final bill in the near future," said Bueler. "The planning process for the 1 January 2015 (re)insurance season will start soon and the certainty of a TRIPRA renewal will be a key factor."

The related Terrorism Risk Insurance Reauthorization Act (TRIA) has recently received approval from the US Senate's Banking, Housing and Urban Affairs Committee.

The committee approved the act after a 22-to-one vote. If it is passed by the House of Representatives and the full Senate, it would extend TRIA for seven years.

Under the legislation, deductibles will increase over five years and the copayment will be increased to 20 percent. Thomas Stokes, managing principle and US consulting practice leader at JLT US, would like TRIA to be made "permanent".

But full congressional support might be difficult, with a proposal on the table to raise TRIA's trigger amount for qualified non-nuclear, biological, radiological and chemical incidents to \$500 million (from \$100 million) by 2019.

Former President George Bush passed TRIA after the 9/11 terrorist attacks in New York, to protect those who have incurred losses due to acts of terrorism.

Stokes added: "I'm optimistic we'll see an extension by the end of this year. Hopefully changes will be minimal."

TRIA is due to expire at the end of 2014.

Second cat bond for JLTCM

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"By increasing the efficiency of the overall issuance process, we have opened the market to new cedants to begin to engage with the capital markets."

Rick Miller, managing director and co-head of ILS at JLTCM, said: "Market Re is a flexible platform that allows for highly customised solutions for our clients. We expect to see the velocity of Market Re private cat bond transactions continue to increase."

BVI signs with government of Japan

Virgin Islands government has signed a tax information exchange agreement (TIEA), with the government of Japan.

Premier and minister of finance of the British Virgin Islands (BVI), Orlando Smith, signed the agreement with Keiichi Hayashi, Japanese ambassador to the UK, on 18 June at the Japanese embassy in London.

CITINBRIEF



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Smith said: "The agreement shows the BVI remains a constructive partner with governments across the globe. The TIEA provides a basis that will strengthen the relationship between Japan and the British Virgin Islands."

The TIEA will allow exchange of information by request on criminal and other tax matters.

The Organisation for Economic Cooperation and Development developed the TIEA.

The BVI has signed 26 TIEAs with Ireland, the Netherlands, Australia, Cuzcarao and India amongst other countries and states.

LAMMICO RRG gets thumbs up

A.M. Best has upgraded the financial strength rating to "A (Excellent)" from "A- (Excellent)" and the issuer credit ratings to "a" from "a-" of LAMMICO and its sponsored risk retention group, LAMMICO Risk Retention Group, which is domiciled in the District of Columbia.

The ratings reflect the group's strong capitalisation driven by a conservative loss reserving philosophy, consistently favourable operating performance and high policyholder retention.

The ratings also recognise LAMMICO's leadership position in providing medical professional liability insurance coverage to physicians and surgeons, other healthcare practitioners and healthcare facilities in Louisiana.

The companies benefitted from tort reform in 2012 establishing a maximum cap for non-economic damages.

Significant reinsurance support is also provided to the RRG through a 95 percent quota share agreement with its sponsor, LAMMICO.

These positive attributes are partially offset by the inherent market risks associated with being largely a single state, mono-line medical

professional liability insurer, as they relate to legislative and regulatory challenges, competition, loss-cost trends and price adequacy.

Other risk factors include the potential for successful challenges to tort reform or changes in the Louisiana Patient's Compensation Fund (LPCF) to pay claims in Louisiana, as well as the potential for unprofitable expansion by the RRG.

These concerns are partially mitigated by a recent appeal on the constitutionality of the cap, which the State Supreme Court denied. However, future challenges to tort reform and potential changes to the LPCF may still occur.

The LPCF limits the group's risk by taking a portion of the risk layer for an insured's loss. While the group's enhanced surplus position, reserve conservatism and lower per claim retention help protect against an adverse change to the cap or the LPCF, the legislative environment is stable for the near term, but remains susceptible to change.

Healthcare issues at Congress

Monica Lindeen, commissioner of the Montana Office of Securities and Insurance, has testified before Congress and responded to questions regarding the adequacy of health care provider networks in her state.

Lindeen is also president-elect of the National Association of Insurance Commissioners (NAIC) and indicated that her remarks were informed by her position with the association. She testified before the House Energy and Commerce Subcommittee on Health.

The commissioner explained to Congress why it is critical that state insurance regulators have the flexibility to regulate health insurance provider networks based on appropriate considerations such as geographic access and impact on premiums.

She also affirmed the need to make sure consumers can access clear information on which providers are in the network of each plan.

Lindeen stated: "Ever since insurers began using networks, there have been concerns regarding their ability to meet consumer needs, and state regulators have been examining network arrangements to ensure that they provide sufficient access to care for consumers."

"That is why regulatory oversight of provider networks has been and will continue to be a priority for me and for other insurance commissioners around the country."

The hearing focused on access to care with the implementation of the Affordable Care Act (ACA) and the availability coverage offered by insurance plans bought on state and federal exchange marketplaces.

New Connecticut captive legislation results in application boost

Connecticut has seen an increase in captive applications since it passed new legislation.

The state's insurance department is considering eight captive applications, according to Thomas Hodson, head of JLT Insurance Management's Connecticut operations, and "the new law is directly responsible for some of these applications".

The new law, PA 14-6, was passed by governor Dannel Malloy in May.

Some of the revisions include an expansion of the type of coverage branch captives can write and a clear applicability of the state's Holding Company Act, narrowing the impact on captives.

Under the new legislation, companies can domesticate their captives to Connecticut and the insurance commissioner has discretionary authority to allow captives relocating to Connecticut to take credit for reinsurance not otherwise eligible under state law.

Hodson added: "Connecticut has long been an insurance innovator, and the new law is in keeping with this reputation."

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Solvency II levy under consultation in Gibraltar

Gibraltar is planning to introduce a levy on insurers to cover its costs for implementing Solvency II, but captives will receive a 50 percent discount.

The island's Financial Services Commission (FSC) issued a consultation paper on 9 June in which it detailed the costs it will need to cover, which it expects to be around £750,000, as it works towards implementation of Solvency II in January 2016.

The levy will be used to cover "extraordinary and one-off expenses" to be incurred during the periods 1 June 2014 to 31 March 2015 and from 1 April 2015 to 31 December 2015. Annual licensing fees were increased by 12 percent in March.

"Now that there is certainty as to the implementation date of the new Solvency II regime, the commission has to ensure that its staff are suitably prepared to supervise under that regime and that it is able to provide suitable guidance and feedback to the insurance industry," said the FSC in the consultation paper.

"The additional costs that it will incur will exceed those that it has been able to cover by way of annual licence fees."

The FSC said: "The commission considers that the proposed levy is merited and a

proportionate response to the need for the commission to dedicate resource to preparing itself and the industry for operating under the new Solvency II regulatory regime."

Captive insurers and reinsurers are "generally less complex entities and present a lower regulatory risk", according to the FSC, so they have been given a 50 percent reduction.

A captive that writes premiums of £50 million per annum and has £20 million of technical liabilities would receive a £3500 discount on its gross written premium (£4000) and gross technical liabilities (£3000) levies, meaning it would have to pay £3500.

The levy for the period from 1 April 2015 is yet to be calculated. The FSC must receive responses to the consultation by 5pm on 30 June.

Captive reinsurance arrangements are transparent

Captive reinsurance arrangements do not take place "in the shadows", according to a new report.

Scott Harrington's The Use of Captive Reinsurance in Life Insurance, which was funded by the American Council of Life Insurers, has contradicted a previous study by researchers Ralph Koijen and Motohrio Yogo.

"Captive reinsurance arrangements have not taken place in the shadows," said Harrington of the University of Pennsylvania.

"The use of captive reinsurance arrangements has received significant scrutiny by regulators and rating agencies."

"The arrangements require regulatory approval, generally by two different regulators and often accompanied by independent actuarial analysis. Rating agencies have been considering the arrangements' potential effects on ceding insurers' financial strength for at least a decade."

According to Harrington, captive reinsurance arrangements are an "important tool" to help life insurers fulfill their financial obligations.

The study follows high-profile debate over the use of life captives and principles-based reserving for certain life insurance products.

In March, New York Department of Financial Services superintendent Benjamin Lawsky wrote to the National Association of Insurance Commissioners (NAIC) criticising its plan to increase oversight of captive insurers.

New York claimed in 2013 that life insurers based in its state hid at least \$48 billion in 'shadow insurance' transactions, through captive and reinsurance entities, from regulators.

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New portal to assist with FATCA compliance

The Washington-based Council of Insurance Agents & Brokers (CIAB) is in the final stages of development of the online W-8BEN-E Portal.

The website will house foreign insurers' W-8BEN-E Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting forms so that brokers can access the ones they need when they need them.

The portal has been introduced to help foreign insurers deal with the ramifications of the Foreign Account Tax Compliance Act (FATCA).

Only weeks remain until FATCA's 1 July arrival, which will inevitably change the way foreign insurers do business with US insurance brokers.

"Our industry is facing a tight deadline with July 1 right around the corner and we're doing all we can to help educate and prepare brokers and foreign insurers alike for this massive change in process," said Ken Crerar, president and CEO of the council.

The law will require brokers to document that every non-US financial institution they do business with is FATCA-compliant or FATCA-exempt.

Demonstrating compliance will require a certificate to be collected and stored from

every non-US financial institution involved with a policy with even the slightest exposure to US risk.

"FATCA has grabbed the attention of the world brokerage community, but a lot of confusion remains," said Crerar.

Aon to acquire flood specialist

Aon US Holdings is buying StoneRiver National Flood Services and related entities from StoneRiver Group.

Financial terms of the deal were not disclosed and the acquisition remains subject to customary closing conditions.

National Flood Services provides US flood insurance processing and technology.

"The acquisition of National Flood Services will allow Aon to meet the growing client demand for enhanced flood insurance solutions and expertise in the US," said Bill Vit, president and CEO of the consumer, association and group programme business of Aon Risk Solutions, Aon Affinity.

"By combining Aon Affinity's extensive knowledge of insurance solutions and affinity programme management capabilities with National Flood Services' industry-leading flood risk assessment technology for commercial and residential markets, Aon Affinity is expected to continue to expand its flood solutions to a larger client base within this growing sector."

Aon Benfield Securities launches cat bond facility

Aon Benfield Securities has launched a new streamlined client facility, CATstream.

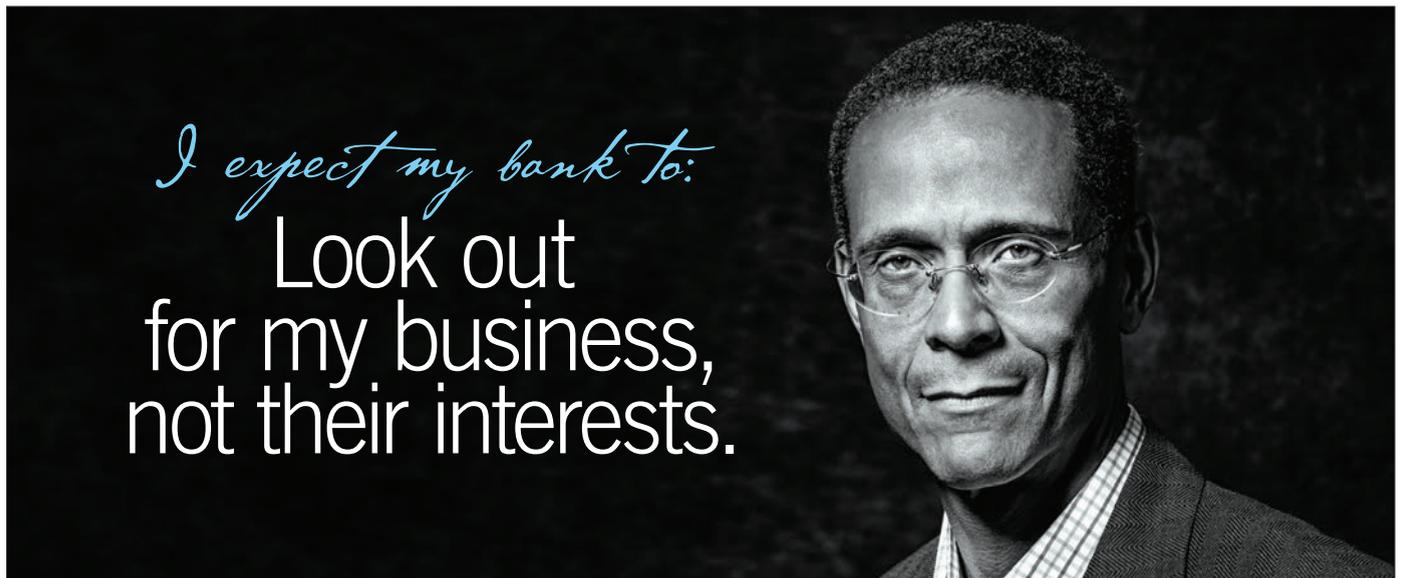
The new software, streamlines the catastrophe bond application and approval process. Catastrophe bonds will be established in half the time of a typical product, according to Aon.

Paul Schultz, CEO of Aon Benfield Securities, said: "We are launching CATstream at a time when sponsor and investor demand for ILS products is at an all-time high."

The new software offers cedants faster access to capital markets capacity for catastrophe risk. CATstream currently allows for the domiciliation of special purpose insurers (SPIs) in Bermuda and Ireland.

CATstream can also be used to structure transactions with index and indemnity trigger structures that relate to perils and territories, enabling clients to enjoy capacity diversification.

Schultz added: "We believe that this facility can only promote the growth of the market, by enabling sponsors to secure capital markets coverage within a short timeframe for the structuring of products in strong and proven domiciles at lower fractional costs."



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Food for thought

The annual Airmic conference in Birmingham gave attendees the low-down on procurement issues, cyber products and more

TAMMY FACEY REPORTS

"There's no other business in the world where contracts have so much at stake," declared Chris McGloin, chair of UK insurance and risk management association Airmic, at its 2014 conference in Birmingham.

"Firstly, insurance should not just be about procurement: the emphasis being on price. It should be about efficacy and does the product do what the buyer expects when called upon to do so."

He continued: "Secondly, risk is not just about compliance, it's about resilient and effective risk governance: can it underpin its corporate strategies and in many instances corporate competitiveness?"

The questions were the base of the Airmic conference and gave the risk managers, underwriters and fellow industry experts food for thought as McGloin asked a question which may be considered when entering a contract.

"This is the moment of truth: will the insurance policy pay out as intended, ie, in full and in a timely fashion?"

He added that there are a number of procedures available, especially if the insurer is given a defence point by its coverage lawyer, so it can be very difficult to proceed to settlement.

"In almost every case these problems can be avoided by taking on a rigorous process to underpin coverage prior to inception and as we know there is a significant amount of money at stake."

McGloin had a clear message: avoid the red tape and choose an insurance company that delivers.

At another session, Geoff Taylor, executive director and client advocate of Willis, Lisa Connolly, senior operational risk manager at RBS, and Seamus O'Neill of Prudential Risk, assessed the question proposed: are risks changing or our perception of risks?

A table of risks was presented to the panel, which stated risks companies face from 2004 to 2014. Business and strategic risks, economic market and credit risks and legal and regulatory risks were identified as continuing risks.

Following the presented table, Connolly led with the opinion that risks are changing and while the

main risks are as prevalent as they have been for the past 10 years (as the chart showed), the variables have changed.

"There are fixed risks, such as technology risks, legal risks, regulatory, people and process risks, and they probably haven't changed, but I think there are a set of variables below that, which do change and so change your landscape and risk management."

She said that conduct is a variable that has changed under regulation and boards have become more "nervous—people are scared of social media". As processes become more sophisticated, companies become more exposed to risk, she argued.

"People used to steal money by coming into branches with a revolver, and you'd have to hand over the money, but now they are thousands of miles away and they can still steal money."

"As your products become more sophisticated, you create more risks and therefore the risk environment is changing."

Taylor offered a counter argument to the view held by Connolly: "Risks don't essentially change, but the immediacy might change. We face the same risks as organisations consistently."

According to Taylor, the risk environment is not changing, but "our priorities change because of external events in the world". He added: "We sometimes overreact and apply priorities to what we perceive as new risks."

As Taylor and Connolly held opposing views, O'Neill offered a medium between the two points. He addressed the issue of social media and company reputation.

Leading with examples of recent companies that have been the subject of extensive press coverage for oil spills, he argued that what is in the newspapers today is "chip paper tomorrow, but media coverage can have an impact on reputation and therefore share price".

"Inevitably, complexity is the food and drink for a risk manager. CEOs have less and less time, that's why the risk management is such a crucial role. If one can simplify complexity that is worth its weight in gold."

As the world of health becomes digital and the rise of medical monitors enters more sectors of health, panellists at Airmic reviewed whether or not insurance is even possible as the cyber world booms and insurance plays catch up.

"Just because you can do it, doesn't necessarily mean you want to do it, or you should do it", stated panellist Lisa Hansford-Smith, senior underwriter at XL Group.

Smith began the discussion by suggesting how insurers can and should plan to cover themselves when there is already a wide range of devices on the market. Even "dipping your toe" into legislation on this matter is a big risk, she said.

The panel presented the audience with scenarios where handheld devices are relied on for health monitoring and fail. Ian Birdsey, senior association at Pinsent Masons LLP, commented on products that are on the market, including a walking stick with a sensor, which sends a notification to family members if the walking stick has fallen on the floor.

If a device like the above fails and the consumer is left harmed in some way, the insurance is anticipated to be high. However, as Birdsey began to list the numerous privacy issues with devices of this nature, a number of questions arose.

It brought into question the responsibility of applications. Whether or not the onus is on the company or customer was contended.

Smith raised the question of whether companies need to make more explicit statements when a consumer accepts the terms of conditions of an app they are downloading, or device they are using.

Smith also asked whether risk managers felt equipped enough to insure against devices, which they may not know enough about, yet.

"Technology is moving much faster than regulation in this area", added Birdsey, and improvements in technology "move beyond the current regime".

While privacy and security issues arise, advancements in technology show no sign of slowing down, so risk managers and underwriters may need to get tech-savvy sooner rather than later. **CIT**

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Telling it like it is

While CICA's opposition to the NAIC's proposed amendments is no secret, specific details have been in short supply. Skip Myers of Morris, Manning & Martin LLP gets to the heart of the matter

STEPHEN DURHAM REPORTS

One of CICA's main objections to the NAIC's proposed amendments was the broad scope of the definition of a multi-state insurer. In an ideal world, how would CICA clarify it?

In an ideal world, the National Association of Insurance Commissioners (NAIC) would take it back down to zero. It is just a bad idea. The proposed amendments are poorly drafted, misleading and not defined clearly enough. New York's John Torti was on a panel talking about XXX captives at a recent conference, and I asked him, "Why don't you just limit the amendments to life reinsurance, if that is what you're interested in?" He said he just wanted to make sure that, in the property and casualty sector, captives would be included under the definition.

What I think he was referring to was third party risk. The NAIC drafted it broad enough to scoop up a lot of things with the expectation that there would be a lot of pushback, which there has been. In a perfect world nothing will happen and in a slightly less perfect world the terms would be defined in such a way that you could exclude all of the captives except the ones you were aiming for.

The ones they were aiming at were life reinsurance captives. They like the idea of regulating all reinsurance captives—that's why they drafted it that way.

What do you believe the NAIC's thought process was in regards to the amendments?

It is a long and drawn out process for a law to be changed, so the NAIC chose to amend the preamble to the handbook used to interpret the accreditation standards. Although not changing the law itself, it would still affect the standards. This reverses the interpretation of what a multi-state reinsurer is. In the existing preamble, it largely excludes captives and the new version would include them. It is a 180-degree turn.

It gets back to the issue of what actual authority the NAIC has. It does not have any regulatory authority but, by setting the standards that the states have to adopt, it has real

power. There have been five or six states and a couple of associations that have put in letters of objection. The way the NAIC usually handles this is to have a hearing or a conference call and then it will ask the opposition for its view. Then only the regulators get to vote, without any representatives from the industry getting involved.

Could this be seen as a continuation of the NAIC's suspicion of captives?

I think it is related to the general belief that captives are outside of the system, which they are to an extent. The regulators that are in charge of the NAIC and its staff do not like the idea that captives do not fall into all the regulatory provisions required of traditional insurance companies. They are just not comfortable that they cannot use all of their regulatory authority on these entities. That is their job, but they do not like the captives escape them. This is their opportunity to drag them all in.

They did try to carve out non-insurance entity owned captives. The problem is that the definition is so wobbly it is hard to see what they are getting at. They are trying for single-parent captives that reinsure their own risk, but many single-parent or group captives have risks in different states.

Is this last straw for the relationship between the NAIC and CICA?

This is not the first time these two groups have crossed swords—it is just the way the regulation in the US operates. There is a proposal to change the law and then the industry has to make its views known and persuade regulators to do things the right way. States are not bound by the NAIC models because they are just models. Their hammer is that they have the accreditation programme. If a state does not adopt something deemed to be part of the accreditation process then that state can be de-accredited and no-one wants that.

The issue here is whether this should be part of the accreditation standards and that is why it is so significant. If it was just a model law then the states could choose to ignore it, but they are trying to reverse the existing standards in one fell swoop, without due process. Due process would be to amend the law and

in this case they are just amending the interpretation of the law. We have all got to live together but this is a major attempt to change the regulation of captives and could really hurt the industry and even drive a lot of captives offshore. We surveyed 230 people and around 25 percent of them said that they would go offshore if this is adopted and that is a very big deal. This could well affect the composition of the entire industry.

What are CICA's plans while the NAIC processes these complaints?

The issue is who is talking to whom and how much pressure is being heaped on. The heaviest hitters in this debate are the life reinsurers that are owned by huge life and annuity companies. Commercial ventures such as MetLife have been deemed as systemically significant by the NAIC—they have a lot of clout and a lot of risk. The casualty industry is much more diverse and it does not have as big a voice as the other companies.

The fact that the life companies have been picked out as problematic makes them a big target. Life companies are big players and we are simply being dragged along in their wake.

CICA will continue to talk to regulators and others in the insurance community to build up the point of view that this is a provision that should not be passed, for all the reasons we have mentioned. There will be another NAIC meeting in August, so that is the next big thing. **CIT**



Skip Myers
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Puerto Rico is the latest domicile to enter the ILS and catastrophe bond market. Angela Weyne, commissioner of insurance, reveals why

STEPHEN DURHAM REPORTS

What was it that instigated Puerto Rico's decision to enter the ILS and cat bond markets?

We are always looking at anything we can do to update our legislation and make sure we are at the forefront of anything that is happening in the markets worldwide. This is why we decided to submit a piece of legislation to amend Chapter 61 of the Insurance Code of Puerto Rico, which encompasses the legislation applicable to international insurers and reinsurers operating on the island.

Fundamentally, these entities are isolated from most of the provisions applicable to insurers doing business in the domestic market, as they are subject to special monitoring on solvency, liquidity and soundness of their plan of operations.

Originally approved in 2004, Chapter 61 has since been updated to secure tax treatment on insurers and recently to fine tune the captive and ILS environment.

We are very flexible in that way, in looking at anything that makes sense when it comes to developing our international insurance centre (IIC).

We are looking at the worldwide trends when it comes to catastrophe and insurance-linked securities (ILS) types of reinsurance vehicles.

These new products are not an addition to or replacement for our captive industry. The new markets are to run parallel to the captive industry, as another string to the IIC's bow.

Is the process of adding a new class to the country's insurance legislation a complicated one?

Thankfully, we have a legislature that is aware and open to the education we give them about the benefits of new and cutting-edge legislation. We always have to look at the new things that are happening and be ready to move accordingly.

We need to be flexible and provide education to those who need it—this includes the regulators.

Not everybody understands insurance so it is our job to make sure that they understand why all these new factors and possibilities are important.

Is the introduction of these new vehicles something of a representation of how keen Puerto Rico's insurance industry is to progress?

Both the industry and the government here are very much aware of the advantages that developing our IIC has for Puerto Rico itself. We have a great deal of backing from both of these parties.

As your readers may know, Puerto Rico excels as one of the top leaders in the Latin America insurance market with a very well-developed local insurance industry. The way to promote the growth of this industry is by going international and embracing new international trends. We have a very strong legislation for many different kinds of operations.

We have been focusing on trying to grow the captive area, as this is probably the area that can grow the fastest and create a critical mass with the incentives we have. We also want to look at every new kind of product and make sure that our legislation is open to accommodate any potentially beneficial operation that wants to establish itself under the IIC.

Will these amendments to the legislation be the last for the foreseeable future, or are there more on the horizon?

Regardless of what happens with interest rates and the worldwide economy, we are always going to see capital looking for better ways to get a return on their investment.

I think everything continues to evolve and the important thing is to be a part of that evolution when it happens. What happens with different economies in different parts of the world is going to dictate whether we see evolution in the ILS market or not. Right now, cat bond rates are declining and that could be temporary or it could be permanent.

I see a very strong and important market for cat bonds in Latin America. I still do not think that this area has taken advantage of these new vehicles yet, in the same way that domiciles have from Europe and the Far East. People like Australia and New Zealand have taken advantage of cat coverage in a big way, and we need to do the same.

Has there been a great deal of interest since the introduction of the legislation? Or is it too soon to tell?

It is certainly too soon to tell. For sure we know that there are a number of opportunities of combining or using this new class of insurer with other jurisdictions in the US and Latin America. As a result of that, we see a number of possibilities in that direction.

We do know of some prospects that are already interested, though we cannot elaborate more until they are completed. However, I can confirm that we have received information about some of them already, so watch this space. **CIT**

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Industry appointments

Riccardo Nicolini has been named managing director of Ultimate Risk Solutions (URS) responsible for the company's operations in Europe and Latin America.

Previously, Nicolini spent his career with The Generali, an international insurance group with operations in 50 countries.

From 1984 to 2000, he was president of Generali USA and later headed global reinsurance in the company's Trieste headquarters.

Nicolini also served for four years at Arch Re as general manager of the European representative office in Trieste.

"We're thrilled to have Nicolini take on added responsibility as a member of the URS team," said Bill Keogh, URS CEO. "His long experience in European and Latin American markets will be invaluable."

Marsh has hired **Chris Lay** as president of its global captive solutions business, effective 1 July.

Lay will be based in London where he will drive the business' operations and future platform. He will report to John Drzik, president of Marsh's global risk and specialities division.

Lay has served at Marsh since 1984, where he has held senior positions in the UK, Europe, Middle East and Africa regions and international divisions.

He has also led operations for Marsh in Russia, Eastern Europe and the Middle East.

"Lay's proven leadership abilities, relationship-building skills, and business development experience uniquely position him to lead Marsh's captive solutions business in its next stage of growth and development", said Drzik.

"I look forward to the opportunity of leading Marsh's excellent team of more than 450 captive experts and offering clients all over the world Marsh's world-class captive solutions," Lay said.

Marsh has also appointed **Robert Makhoul** to the position of executive chairman of Marsh Middle East and North Africa (MENA). **Steve Lundin** will succeed Makhoul as CEO of Marsh MENA.

Lundin, who is currently general manager of Marsh China, will start his new role next month, reporting to David Batchelor, president of Marsh's international division.

In his new role, Makhoul will be responsible for identifying opportunities for growth and ensuring the delivery of the group's full capabilities to firms across the region.

Lundin, who will relocate to Dubai, will be responsible for the day-to-day management of

Marsh's operations and further extending the range of solutions and services available to clients in MENA's many high-growth markets.

Batchelor said: "The risk landscape in the Middle East and North Africa continues to change rapidly. Under Makhoul's leadership, we have been able to deliver an expanded range of services to clients across all business sectors."

"In his new role, Makhoul will be able to ensure that the region has access to global best practice risk and insurance solutions."

"Lundin brings strong knowledge and expertise to the region from his time in China and has a keen awareness of the needs of companies in fast-growing economies that want to expand both in their local markets and internationally."

Makhoul, who has led Marsh's operation in the Middle East since 1998, will also continue to serve as country corporate officer in the Middle East for Marsh's parent company, Marsh & McLennan Companies.

Lundin was appointed to lead Marsh China in 2011, having previously served as managing principal at Integro Insurance Brokers, based in New York, with responsibility for sales and client relationship management.

In addition to these hires, Marsh has appointed of **John Hirst**, chief executive of the Met Office, as a non-executive independent member of its board of directors.

Hirst was appointed chief executive of the Met Office in 2007. He was previously CEO of electronics distributor Premier Farnell and has also held senior positions at ICI during a 19-year stint.

This included serving as CEO of two of ICI's global businesses, ICI Performance Chemicals and ICI Autocolor, and also serving as group treasurer.

Jane Barker, chairman of Marsh, said: "I am delighted that [Hirst] has agreed to join the board. [He] is highly adept at running large and complex organisations and his experiences at the Met Office in particular will help us gain a useful insight into many of the issues faced by our clients."

Hirst commented: "I am particularly impressed by Marsh's dynamic approach to managing risk and delivering innovative solutions that contribute to their clients' success."

"I look forward to working closely with Marsh's management team as they continue to strengthen the firm's position as a leader in insurance broking and risk management in the UK and Ireland." **CIT**



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