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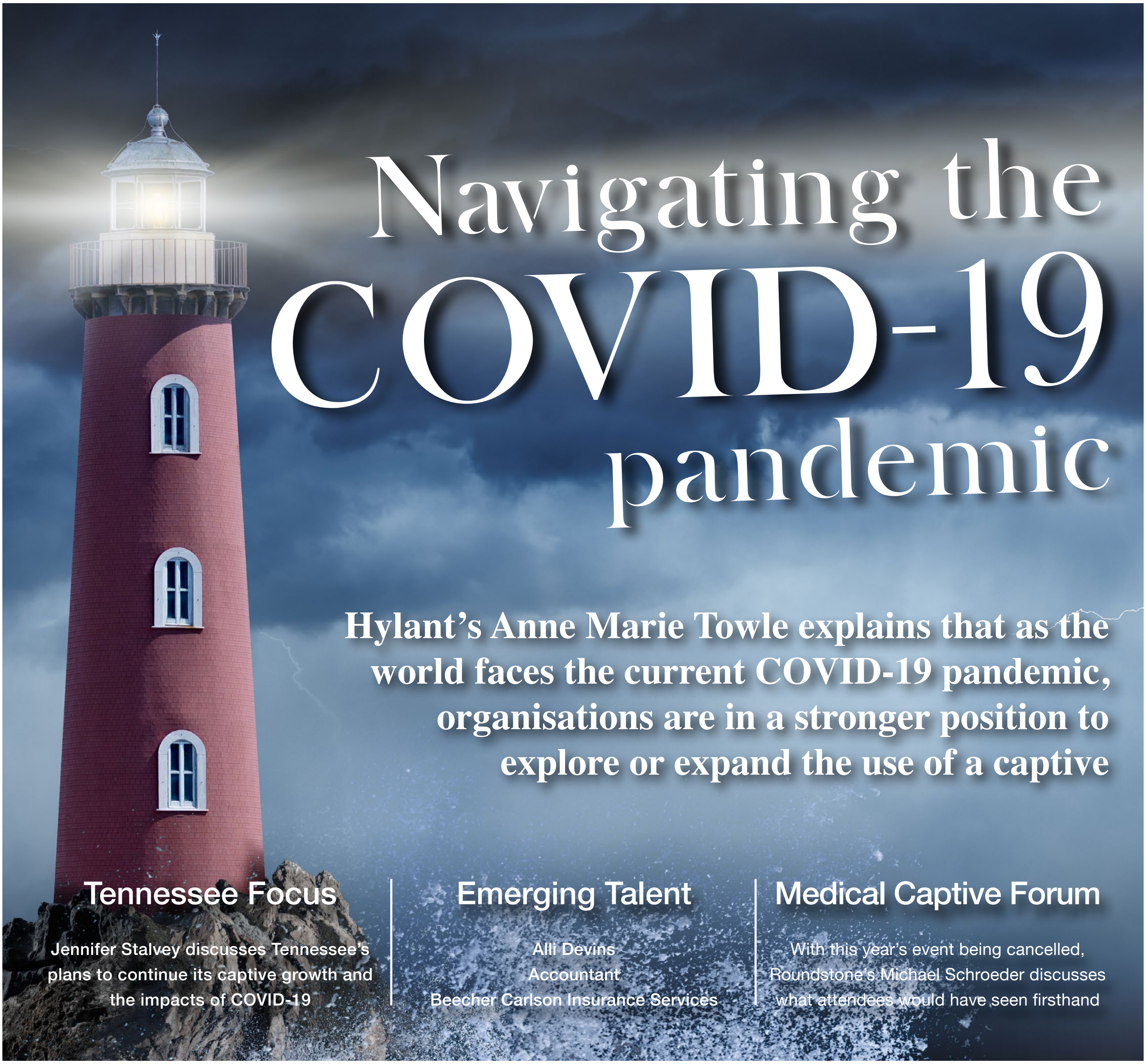
captive insurance times

The primary source of global captive insurance news and analysis

15 April 2020 - Issue 196



Navigating the COVID-19 pandemic

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Tennessee Focus

Jennifer Stalvey discusses Tennessee's plans to continue its captive growth and the impacts of COVID-19

Emerging Talent

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Accountant
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Medical Captive Forum

With this year's event being cancelled, Roundstone's Michael Schroeder discusses what attendees would have seen firsthand

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Published by Black Knight Media Ltd

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Published by Black Knight Media Ltd
Company reg: 0719464

Cover Image

By Romolo Tavani
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FOCUSING ON CLIENT SERVICE THAT IS OUT OF THIS WORLD
MORE OF A PARTNER THAN A VENDOR
Simply put, we provide competent service and place a priority on building relationships. Our clients are domiciled across the United States and abroad, served by our staff both in the United States and abroad with countless years of combined experience in the insurance accounting field, our professionals know insurance and have the ability to clearly communicate complex differences between Statutory Accounting/US GAAP/IFRS, and describing the accounting treatment of proposed transactions while discussing the tax effect in a clear, concise, understandable manner. We Thrive on Being Different.
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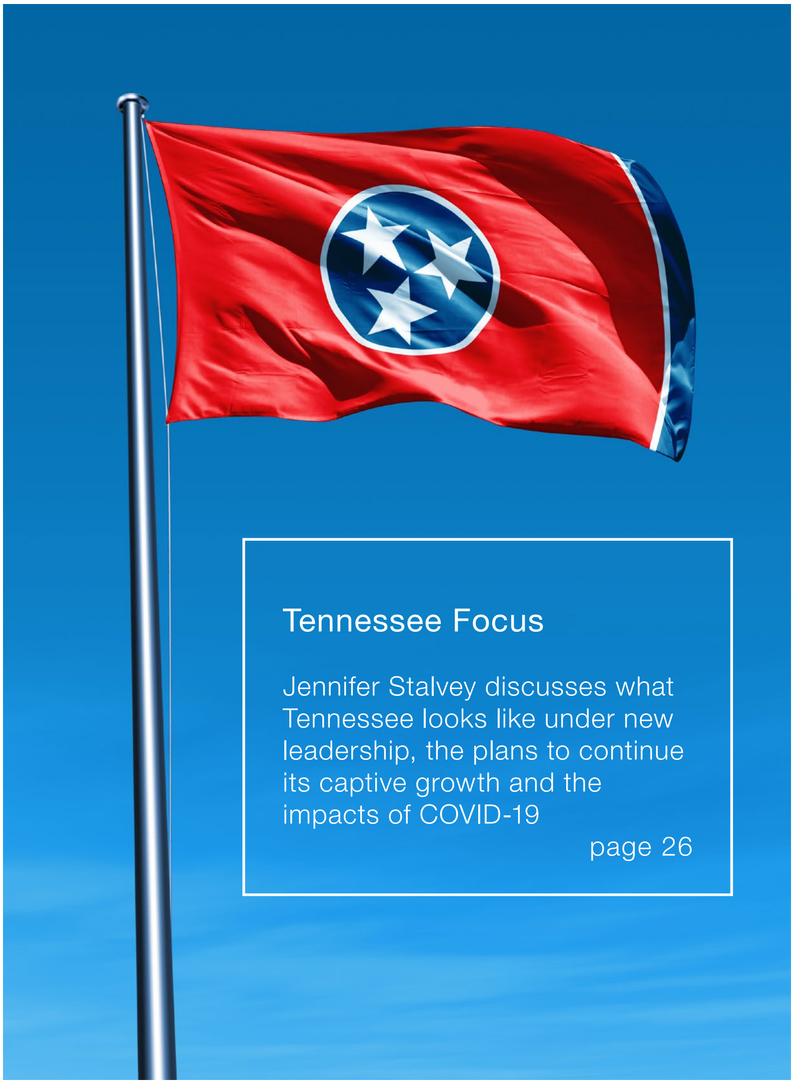


VCIA moves 2020 conference to fully virtual platform

The Vermont Captive Insurance Association (VCIA) has made the decision to move its 2020 Annual Conference to a fully virtual platform in light of the current COVID-19 pandemic.

The conference was due to be held on 10 to 13 August in Burlington, Vermont.

Recognising that a virtual event would be a big change, Rich Smith, president of VCIA, said: "We are fully confident that VCIA will deliver a virtual event that satisfies your needs for top-level education and networking, our exhibitors need to have their products and services seen, our sponsors desire to be associated with a leading enterprise, and the public health system's need for social distance and extreme caution."

Smith noted that the team is currently investigating how to bring the best experience and studying ways to make the event cohesive, interactive, very professional and fun.

He added: "We appreciate your involvement in VCIA. When times are tough, the captive industry has a way of adapting. We are fortunate to be among such innovative professionals, like you. We will all get through this together." ■

Petronas' captive receives 'excellent' ratings

A.M. Best has affirmed Energas Insurance's financial strength rating of A (Excellent) and the long-term issuer credit rating of "a".

The outlook of these credit ratings (ratings) is stable.

A.M. Best categorised Energas' balance sheet strength as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

According to A.M. Best, the ratings include a neutral impact from the company's 100 percent ownership by integration with Petroliam Nasional Berhad (Petronas), which is ultimately owned by the government of Malaysia.

Energas is a pure captive of Petronas, Malaysia's national oil and gas company. The company underwrites mainly on- and offshore engineering, as well as marine and property risks for its parent and affiliated companies.

A.M. Best noted that Energas is well-integrated into the parent's risk management framework, which optimises insurance protection for the group in terms of scope and costs.

However, the rating company explained that a limiting factor is the product concentration in Energas' portfolio, in which the engineering class accounts for more than 80 percent of gross premium written.

A.M. Best said that as of December 2018, approximately 90 percent of its investment assets were held in cash and deposits, which was an amount equal to almost five times the company's net technical reserves.

Offsetting factors include the company's exposure to high severity claims and heavy reliance on reinsurance to underwrite large risks, however, Energas utilises a comprehensive reinsurance programme to manage its underwriting risks, and its reinsurance panel is of excellent credit quality.

Despite experiencing volatility in its claims ratio, the company's underwriting results remain strong, as demonstrated by a five-year average combined ratio of 53 percent (2014 to 2018).

A.M. Best highlighted that the company's performance has been supported by low operating costs and favourable commission income, but suggested that a prolonged downturn in the global oil market could lead to a reduction in capital spending by Energas' parent company, Petronas. ■

COVID-19 set to 'accelerate' the spike in employee benefits coverage

There has been a "significant rise" in the interest of introducing employee benefits risk to captives in recent years and the COVID-19 pandemic is "destined to accelerate this trend", according to Sven Roelandt, global expert employee benefits financing strategies at Aon Global Benefits.

Roelandt explained that most international and local clients are working to anticipate the impact of local terms and conditions with regards to COVID-19.

He said: "Employee benefit policies, for example, are beholden to local law and insurance practices. In order to facilitate as much as possible equal treatment of employees across the globe, the latter can most often be 'overruled' by leveraging on the flexibility of reinsurance to captive approach."

Roelandt also highlighted that "while pandemic risk requires a specific underwriting approach, captives now have the opportunity to deliver what they have to a large extent been created for – provide cover on unusual risk and help face extraordinary risk-related challenges such as we are confronted with today".

As providers of global employee benefit programmes see a spike in requests to consider COVID-19 related claims under a general ex-gratia, Roelandt said: "We can going forward expect the request to waive the exclusion being part of the standard procedure".

Roelandt noted that it is likely that this will considerably affect pricing and maybe even raise questions around capacity. The shift in approach to employee benefits will, however, be more fundamental than the question around pandemic coverage.

He added: "In the past, considerations around the inclusion of employee benefits risk into a captive were first and foremost focused around a positive impact on capital requirements (diversification of risk), and access to underwriting margins and only to a certain extent, in a second phase would be influenced by increased governance, flexibility and provider consolidation."

According to Roelandt, going forward, employee benefits risk will be increasingly looked at and analysed from a truly global risk perspective angle. Never before so many employee benefits contracts have been impacted by a single 'event'.

He said: "As a side effect, breaking down of the corporate silos, a very common focus trend within corporations today, will be significantly facilitated by this unfortunate COVID-19 pandemic."

"The need for human resources, procurement, risk and by extension finance to closely work together towards an efficient global employee benefits programme, has overnight become a given."

He concluded: "In the end, employee benefits are about employee care and making sure the value is well perceived by the employee (and family) – the end-user(s). With the added complexity of pandemics, for many multinationals using their captive to achieve this will become a perfectly viable option." ■

CCIA postpones 2020 collaborative

The Connecticut Captive Insurance Association (CCIA) has revealed it is postponing its 2020 Collaborative scheduled to take place on 27 May, amid the current COVID-19 pandemic.

The CCIA board and education committee noted that they have been working to bring together an informative event, and will share it later this year.

The association said the date of the new collaborative will be announced in the coming weeks.

In the announcement, CCIA said: "CCIA is considering how we might provide you with virtual learning experiences offering information key to Connecticut's expanding and evolving captive industry. Stay tuned for additional details."

Find out more about Connecticut's captive insurance industry in Captive Insurance Times issue 194. ■

BDO launches Guernsey actuarial practice

BDO in Guernsey has launched a new actuarial non-life offering to Guernsey-based captive insurance managers.

A recent merger between Moore Stephens and BDO in the UK has provided BDO in Guernsey access to an actuarial practice consisting of ten non-life actuaries.

According to BDO, the team has extensive industry experience gained through years of consulting with insurance companies, captive managers and Lloyds' syndicates.

The team (pictured from left to right) includes Rob McGregor, Rob Murray, John Perry, Mark Spencer, Elliot Berry, Stuart Phillips, Nick Le Huray, Itai Nyamutsaka and Nathan Hodder. Nathan Hodder, audit director at BDO and sector head of insurance in Guernsey, said that the move enhances the service lines available to Guernsey-based captive insurance managers.

Hodder commented: "We've had a really positive welcome from captive insurance managers in Guernsey who are excited to have a new choice in this market. Insurance is such a vital sector in the island and we wanted to offer our financial services expertise into a specialist growth area." ■

THE FELDMAN LAW FIRM LLP

Feldman Law Firm addresses Texas congressman in light of IRS' 'recent tactics'

The Feldman Law Firm, the affiliated law firm of Capstone Associated Services, has sent a letter to Texas congressman Kevin Brady highlighting the Internal Revenue Service's (IRS) "recent tactics against small captive insurance companies".

The letter, sent by Stewart Feldman, attorney at the Feldman Law Firm, referenced a meeting that Feldman and Brady previously had where they discussed the IRS' targeting of captive insurance companies in June 2019.

Feldman noted that the IRS has continued to "target and harass small businesses and their owners over captive insurance coverage".

In the letter, he outlined the steps that the IRS has taken including the issuance of Notice 2016-66 against small captive insurance companies as well as the IRS' more recent letter campaign to dissuade business from electing under statutory provisions.

He explained that captive insurance companies play a vital role in the US economy, "allowing businesses to write customised insurance coverages that are otherwise unavailable or unaffordable in the commercial insurance market".

Feldman explained that despite the IRS' recent "bully tactics" the current COVID-19 pandemic emphasises the importance of captive insurance programmes to mid-market companies.

According to Feldman, businesses with captive insurance "stand in a better financial position to weather the current storm posed by the pandemic and the resulting shutdown of businesses".

He said: "We would appreciate your office's assistance in ensuring that small businesses are treated with fairness in their ability to access benefits enacted by congress. Absent any action, the IRS will continue to attack small businesses and their owners over their use of captive insurance and the American economy stands to suffer for it, all while subverting the intention of congress."

"Senator Grassley has been a champion of captives for many years, in recognition of their widespread use among agricultural interests", he added. ■

Marsh acquires Assurance Holding

Marsh & McLennan Agency (MMA) has acquired Schaumburg, Illinois-based Assurance Holdings.

Assurance will operate as the midwest regional headquarters for MMA under the leadership of Anthony Chimino, CEO of Assurance. Chimino will report to David Eslick, chairman and CEO of MMA.

Additionally, Assurance's 525 colleagues will join MMA and continue to work out of the firm's Schaumburg and Chicago offices in Illinois.

Commenting on the acquisition, John Doyle, president and CEO of Marsh, said: "Assurance is another example of our continued ability to attract the highest quality teams to join MMA and enhance our ability to serve clients in this important segment."

Chimino said: "By joining MMA, we have the opportunity to provide innovative resources and solutions for our clients, as well as new growth opportunities for our colleagues. Equally important, MMA shares our passion for building and maintaining an award-winning workplace culture. My team is excited to play a role in the ongoing growth of this dynamic national firm."

The terms of the acquisition were not disclosed. ■

Enstar to reinsure Lyft's legacy business in $465m deal

A wholly-owned US subsidiary of Enstar Group has entered into a novation agreement with affiliates of ridesharing company Lyft and underwriting companies of Zurich North America.

As part of the agreement, Enstar will reinsure legacy automobile business underwritten by Zurich between 1 October 2015 and 30 September 2018 and reinsured by Lyft's wholly-owned subsidiary, Pacific Valley Insurance Company (PVIC) for consideration of $465 million.

According to Enstar, under a separate agreement, PVIC will provide retrocession coverage to Enstar in excess of an $816 million limit.

The transaction, effective as of 31 March 2020, is expected to be completed in early April, subject to various closing conditions.

In March last year, Lyft established its own captive insurance company, located in Hawaii.

Enstar is an insurance group that offers capital release solutions and specialty underwriting capabilities through its network of group companies in Bermuda, the US, the UK, Continental Europe, Australia, and other international locations. ■

Gallagher Bassett sets up COVID-19 task force

Gallagher Bassett has set up a COVID-19 task force with a cross-functional team of its senior leaders.

Mike Hessling, CEO North America of Gallagher Bassett, noted that the task force has partnered effectively with clients and carriers in evaluating and managing incidents with potential COVID-19 exposures.

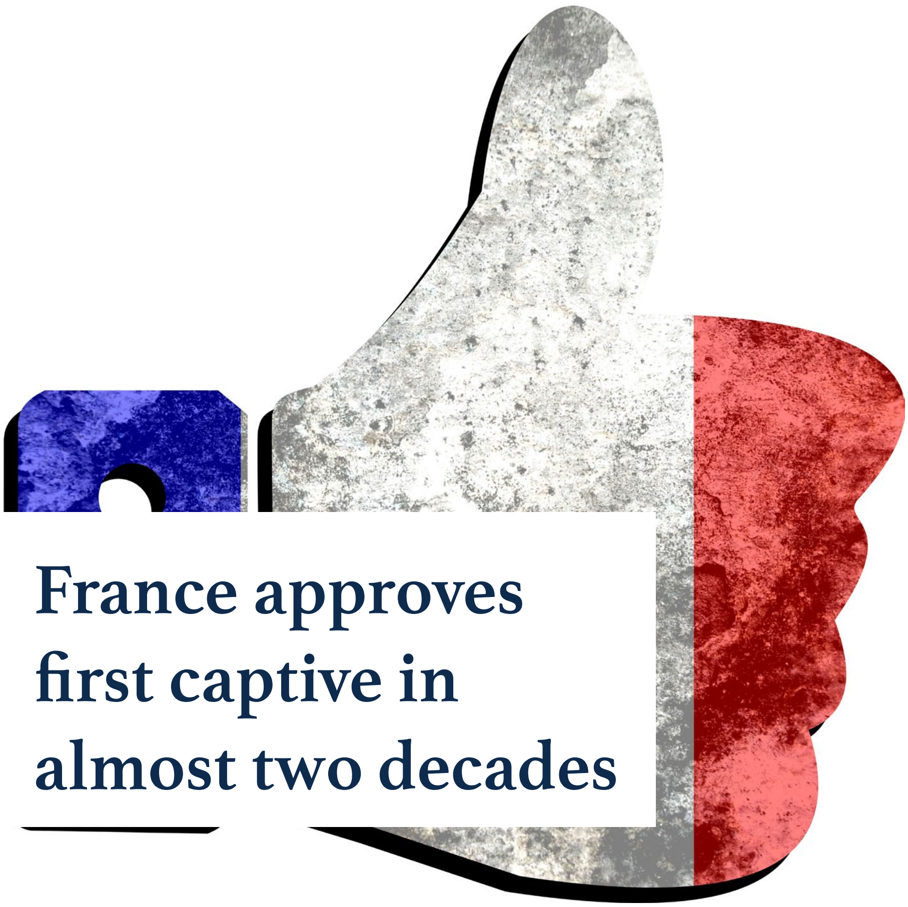
Hessling commented: "Our team understands this is a critical time for our clients, their businesses and their injured workers."

Also part of the task force is Gordy Padera, executive vice president and leader of captive practice client service team.

The firm's risk control division, led by Padera, "offers bulletins and online training on topics ranging from COVID-19 prevention to work-from-home ergonomic advice, which again benefits captive members", according to Hessling.

Hessling said: "Gallagher Bassett's COVID-19 resource centre provides a one-stop-shop to captive members to gain important insights on the evolving regulatory landscape, tips for engaging with their workforce and managing mental health during this pandemic."

"Our team understands this is a critical time for our clients, their businesses and their injured workers. This is truly Gallagher Bassett's time to shine, and I'm incredibly proud of how our professionals, across all disciplines, have risen to the occasion", he added. ■



France approves first captive in almost two decades

The French Prudential Supervision and Resolution Authority (ACPR) has approved a reinsurance captive in France for the Worldline group.

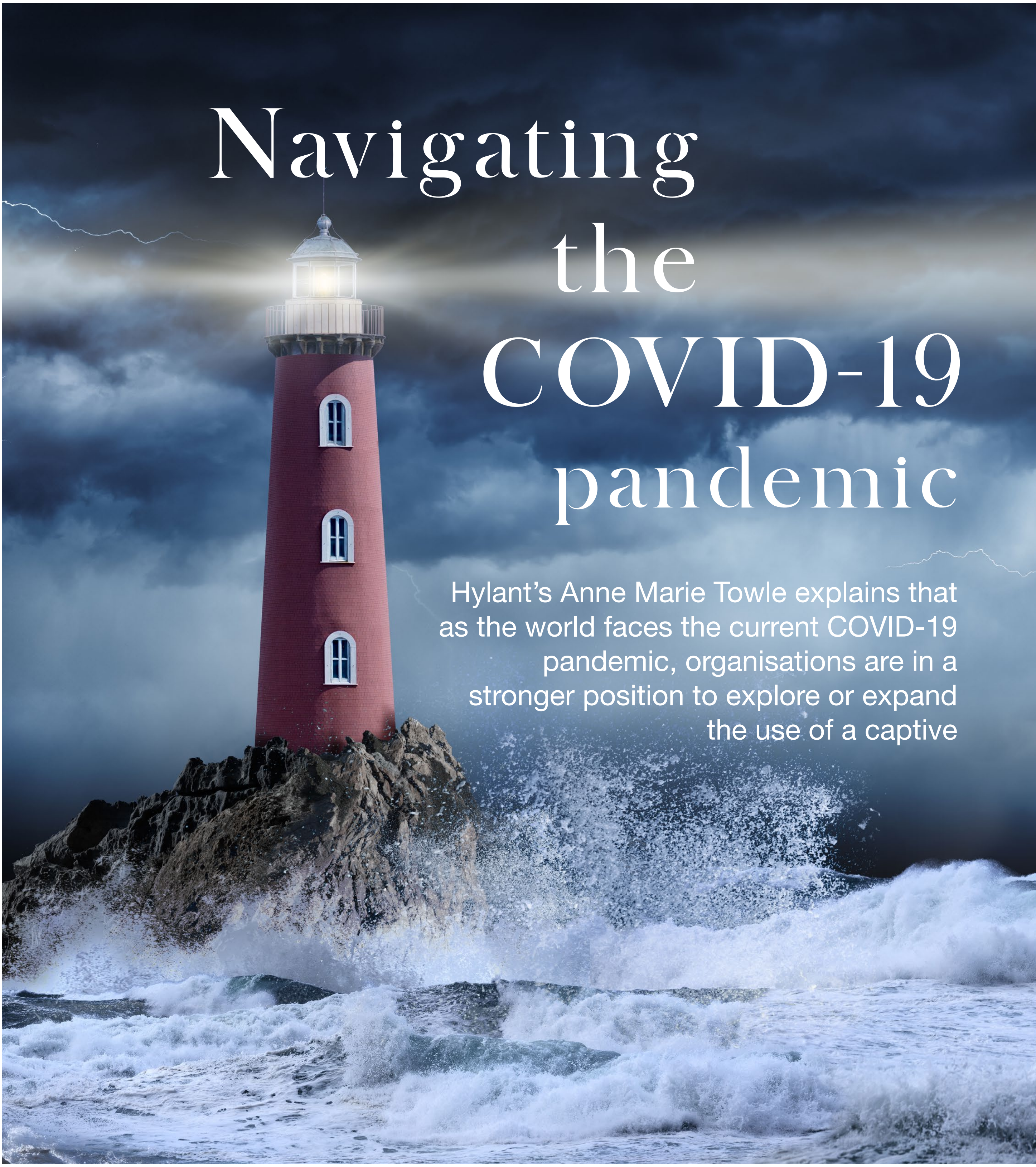
The approval marks the first in almost 20 years.

Gras Savoye Willis Towers Watson (GSWTW) advised and supported Worldline from the initial opportunity study to the issuance of the authorisation, and particularly in all the steps involved in the creation of the reinsurance captive.

Laurent Bonnet, head of captive and alternative risk transfer at GSWTW, said: "A captive is an essential tool for a group like Worldline. It offers them a key device in their risk management and a weapon for negotiating with insurers while providing operational staff with a suitable solution."

Worldline has now joined the four French groups with a reinsurance captive in France.

Bonnet suggested that this group "should expand again in the coming months". ■



Navigating the COVID-19 pandemic

Hylant's Anne Marie Towle explains that as the world faces the current COVID-19 pandemic, organisations are in a stronger position to explore or expand the use of a captive

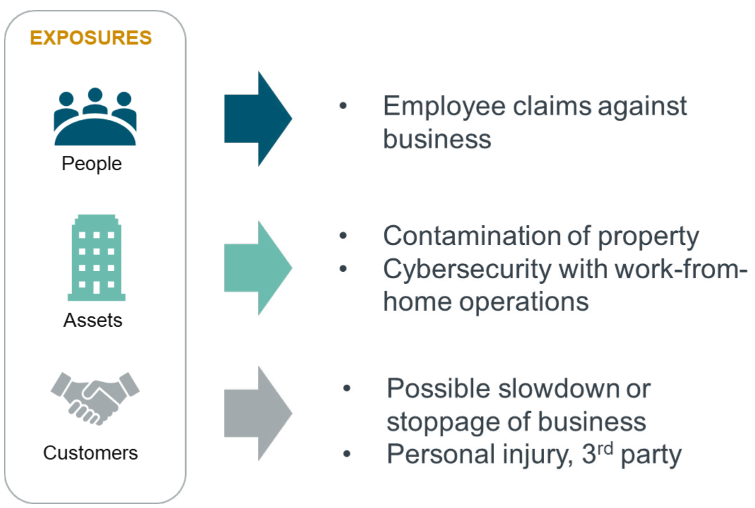
2020 captives and COVID-19

Captive utilisation has historically been the premier alternative solution for organisations during a hard market cycle. Today, as the world faces the current COVID-19 pandemic crisis and the market continues to tighten, organisations are in a stronger position to explore or expand the use of a captive. Captives may not be a new insurance tool, but as the world shifts, economies grow and shrink, and technology changes the way people operate on a day-to-day basis, the utilisation of captives continues to evolve and expand.

COVID-19: What type of claims could arise?

As companies navigate the COVID-19 pandemic, they should evaluate the potential exposures they may have with their people, assets and customers. Living in these unprecedented times, your business may encounter several issues giving rise to claims.

It's crucial for organisations to take stock of existing insurance policies that may provide coverage for damages and losses suffered by the company, or potential liability of the company.



Some examples of the exposures which policies may respond include:

- Employee claims against the business
  - Workers' compensation insurance
  - Employment practices liability insurance
- Contamination to business property
  - Pollution or environmental insurance
  - Commercial general liability insurance with pollution/ environmental coverage
- Losses or expenses caused by cybersecurity breaches during work-from-home operations
  - Property insurance
  - Cyber insurance
- Slowdown or stoppage of business
  - Property insurance with business interruption (BI) or "civil authority" coverage (review carefully, many policies will require actual physical damage to property before BI coverage is available)
  - Supply chain risk or trade disruption insurance
- Personal injury, and third-party property damage, claims against the business (e.g., alleged negligence leading to virus exposure)
  - Commercial general liability insurance
  - Errors and omissions liability insurance
  - Pollution or environmental insurance

Understanding your coverage within your captive insurance company should begin with consulting your advisors including your broker and captive manager. They will be able to advise of coverage at your primary, excess and reinsurance layers in

> "Review your existing coverage in the captive and your surplus to determine if you have an opportunity to maximise coverage for your organisation"

Anne Marie Towle, global captive solutions leader, Hylant

your captive and facilitate the claim filing and processing with you.

Short- and long-term impacts of COVID-19

In the short term, we will continue to see market increases, particularly with the upcoming 1 July renewal period. With the pandemic wreaking havoc on global markets, people working from home and more people unemployed, organisations are stretched thin and won't have the capacity to take on large insurance increases.

It is going to be a difficult period upon re-entry into some semblance of normal operations in the short-term. Capacity will be harder to find, and organisations will be forced to take increased retentions.

Longer-term impacts will result in organisations becoming more innovative with their approach to risk. How can they finance and lower their cost of risk? A captive is a shining star which can aid many organisations. Nearly 7,000 captives exist today as a result of innovation by risk managers, CFOs and treasurers around the globe. Organisations will recognise the need to fill gaps in coverage and prepare in a way which they never considered in the past related to virus, pandemics and catastrophe crisis. Captives can step in and aid organisations to better protect themselves.

Captive surplus access

If an organisation has had a captive for sometime, it may have built up a surplus from the underwriting profits over the years.

This creates an opportunity to access and possibly return surplus to the parent for use in the operations, particularly with COVID-19 effects on businesses during this crisis. An organisation could tap into this cash to support payroll, rent, etc. as they see fit to continue their operations.

Loan-backs

One manner to gain access to the surplus in a captive is a loan-back. A loan back requires a loan document approved by the regulator in the domicile. It is a straight-forward opportunity to access the surplus upon approval of the regulators. A word of caution, for those organisations taking a US tax deduction for premiums paid to the captive: You must be cognisant of any negative tax implications – it's crucial to consult with your tax advisors.

Dividends

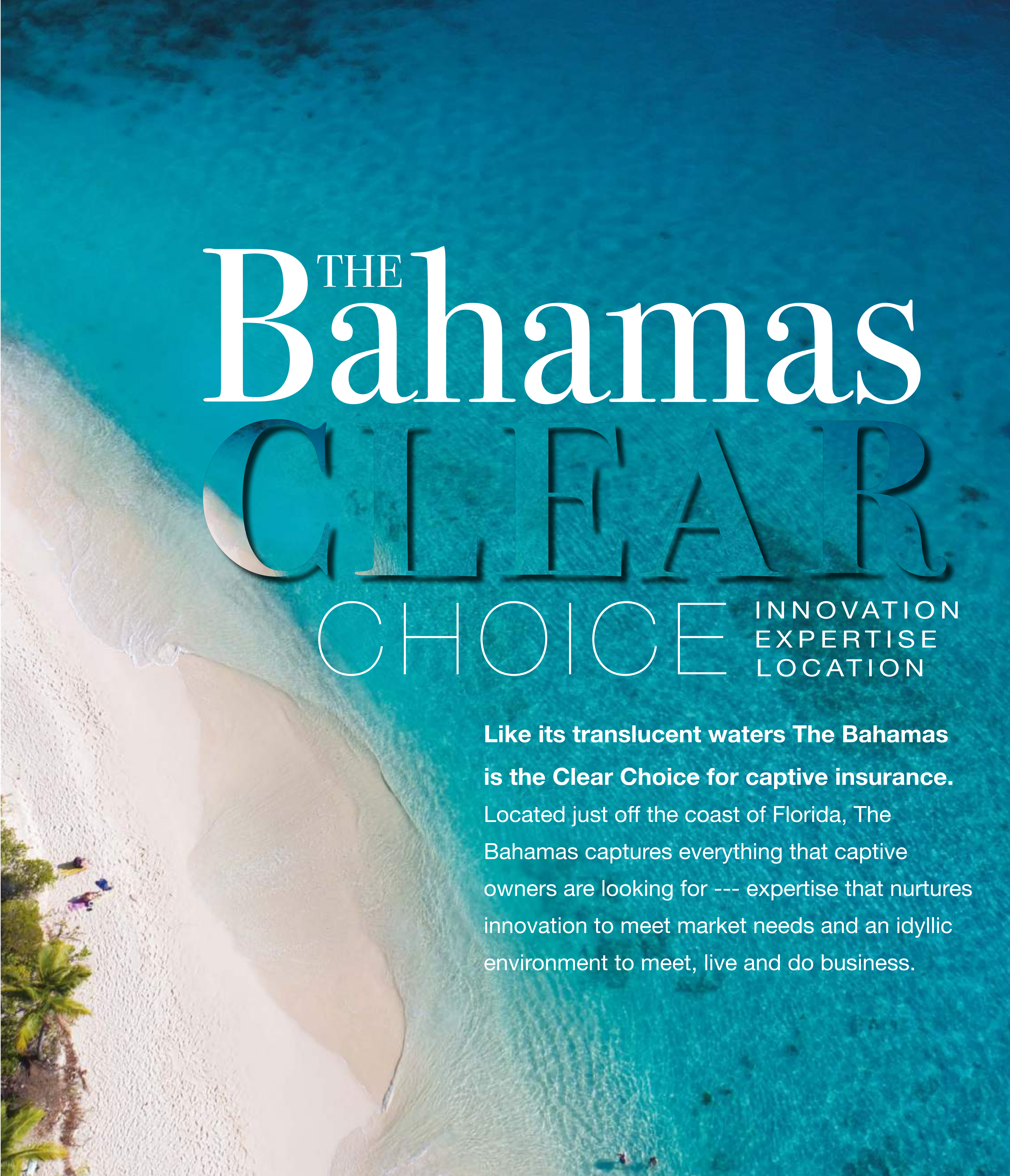
Another option is to dividend any excess surplus to the parent company. A dividend is common among captive insurance companies and must be approved by the domicile regulator. There may be tax consequences with distributing a dividend, so consult with your tax advisors.

Increasing or expanding coverage

Utilising the excess surplus to increase or expand coverage is an ideal method for many captive owners.

During this time of crisis, it would be a great opportunity to work with your advisors and domicile regulators to expand or add coverage to assist with COVID-19 effects and provide additional coverage which may not be covered through traditional insurance.

Review your existing coverage in the captive and your surplus to determine if you have an opportunity to maximise coverage for your organisation. ■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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.

20 MILLION REASONS WHY CAPTIVE SELF-FUNDING WORKS

With this year's Medical Captive Forum being cancelled due to the COVID-19 pandemic, Michael Schroeder of Roundstone discusses what attendees would have seen and heard firsthand

One of the strongest arguments for self-funding employee benefits through a group captive is the underwriting return participants get back at the end of the year. In the current 12-month period, Roundstone returned nearly $20 million in unused premium to its captive participants. Had these groups been fully insured, those returns would have been pocketed by the insurance company.

So how exactly did we save $20 million for our customers?

This savings is in large part due to a captive participant's adoption of strategies that deliver cost-saving efficiencies to its employee health plan. We were hoping to tell many of you about that at our annual Medical Captive Forum (MCF), a full two-day conference showcasing the latest cost-saving strategies from clinicians, underwriters, claims professionals, and industry experts. Unfortunately, this year's MCF has been cancelled because of the COVID-19 virus.

Here is a summary of what the attendees would have seen and heard firsthand.

The particular cost-saving strategies and content for the MCF are developed, engaged and endorsed after a thorough vetting by our cost savings investigators team (CSI team). This team of clinicians, underwriters and claim professionals play a crucial part in offering insight into a captive participant's health care spend. It is not surprising that health care savings are important to captive participants. How to achieve these savings is even more important. That is what the MCF is all about.

Long-term focus and reward

In the current healthcare climate, employers see double-digit increases in premium rates year over year when using a fully insured plan. This traditional fixed-cost market is already sounding alarms that their rates will be increasing by 20 percent to 30 percent. Captive self-

funding is an alternative to this price gouging and allows employers to take control over their employee benefit plan's costs. Employee plan savings stays with the employer in their own pockets and not with the health insurers. The way to manage health plan costs down each year is to keep as much of the savings as possible and to do so year over year (long term).

Actionable insight

Responding to present and emerging costs only happens with regular and detailed insight into claim data. Roundstone's CSI team offers monthly reports (made available anytime via an online dashboard) to captive participants and their advisors. These reports deliver the transparency missing in other insurance plans so that employers can make cost-saving choices regarding their employee health care plans like they would any other business expense. Employers in a stop-loss group captive are in control of their employee benefit plan and reap the rewards when they implement cost containment strategies that are available in the marketplace, such as a case management solution.

Plan document – the devil is in the details

The most effective way to control health plan costs is to make sure the plan document follows the employer's intentions regarding member coverage. The CSI team helps with plan document insights that are efficient and save costs. Plan document language regarding dialysis, eligibility, and pre-authorisations are just a few examples of how cost savings can occur with the stroke of a pen.

Primary care is important

The importance of employee and family members' access and relationship with a primary care physician is clear when managing the health of an employer's member population. As we've seen with the current healthcare landscape, people who have a relationship with a primary care physician can more efficiently

"Captive self-funding is an alternative to this price gouging and allows employers to take control over their employee benefit plan's costs"

Michael Schroeder
Founder and president
Roundstone

access healthcare, like COVID-19 testing. Members with regular engagement with their primary care physician also demonstrate better health over the long term by identifying and addressing health challenges early before they become catastrophic.

Member plan navigation assistance (digital, concierge, health advocates)

Of course, the best plan document benefits are no good if members don't know how to take advantage of them. One way to ramp up savings is to make sure that employees understand their plan and how to access health care services that save both the employer and employee money. These include considerations such as telemedicine and concierge services (versus more expensive urgent care and emergency rooms), education on the costs associated with in-network and out-of-network providers, and making members aware of alternative sources of care.

Specialty pharmacy case management

Pharmacy spend is increasing, specifically specialty drugs or what is broadly described as specialty pharmacy. To combat new diseases, manufacturers charge exuberant amounts to recoup investments in research and development of new drugs and to turn a profit before they lose patent rights. Sometimes, however, intermediaries take advantage of and mark up the medications by a factor of 10. Specialty Drug Case Management programmes look to steer clients to offsite or home infusion facilities to remove the administration and drug markup expenses from greedy intermediaries like a hospital system. As a result, the same drugs will be reduced in cost. These services are typically available through a PBM, or some case management services.

Reference-based pricing

Reference-based pricing (RBP) is an alternative to typical network options provided by large national carriers. RBP provides for reimbursement to medical providers based on a percentage of Medicare. An RBP service reprices the providers' claims, which are then paid by the TPA. Costs incurred through an RBP provider are less than half of those experienced through a PPO network. RBP service providers also provide member support as an alternative to a typical PPO network. Members and providers are given this support throughout the claim cycle.

Employee consumerism

Most people prefer to do their research and shop around before making a big purchase – employee consumerism encourages members to think the same way when it comes to their healthcare. By educating individuals and providing tools to help members understand the quality and costs, employers can empower their employees to be responsible and accountable for their healthcare spend. By making sure employees are aware of their quality and value of their options when it comes to healthcare services, employers realise savings in the long-term.

Population health

Population health encompasses several services: Utilisation management (pre-certifications); case management; disease management. Specific programmes and services found in population health options include wellbeing services, telemedicine, Employee Assistance Programmes (EAPs), diabetic coaching, health risk assessments, and biometric screening. All of these programmes aim to keep the member population healthy, which costs less to maintain than a sick population.

This also refers to managing the benefit plan. Services requiring pre-certification can help reduce procedures not found to be medically necessary, protecting employees from unapproved treatment protocols that could be harmful. This also protects employers from unnecessary costs. For individuals who are sick, case management seeks to guide them down a successful treatment path, coordinating medical providers as a team. This ensures that an individual is getting appropriate care and seeking the right resources to reduce emergency services and care. Roundstone is a long-term solution, and population health services look to manage the health of the group in both the short and long term.

Managing costs of chronic and catastrophic conditions

Both catastrophic and chronic conditions can be served with case management. Services that aid members in managing catastrophic conditions might mean a cancer patient who needs a treatment plan. This ensures an individual receives appropriate care and that doctors are working together.

Chronic disease management relies on providing services to mitigate symptom progression throughout the engagement with individuals. More active chronic disease management can help decrease the likelihood of exacerbation, which can require emergency care. Chronic cases, such as asthma, diabetes, hypertension, heart disease, pulmonary, can be served by less intense case management in which nurses reach out to an individual to provide education and make sure the patient is compliant with testing, following up with doctors, exercise, and eating habits, and other basics of how to manage symptoms of long-term illnesses.

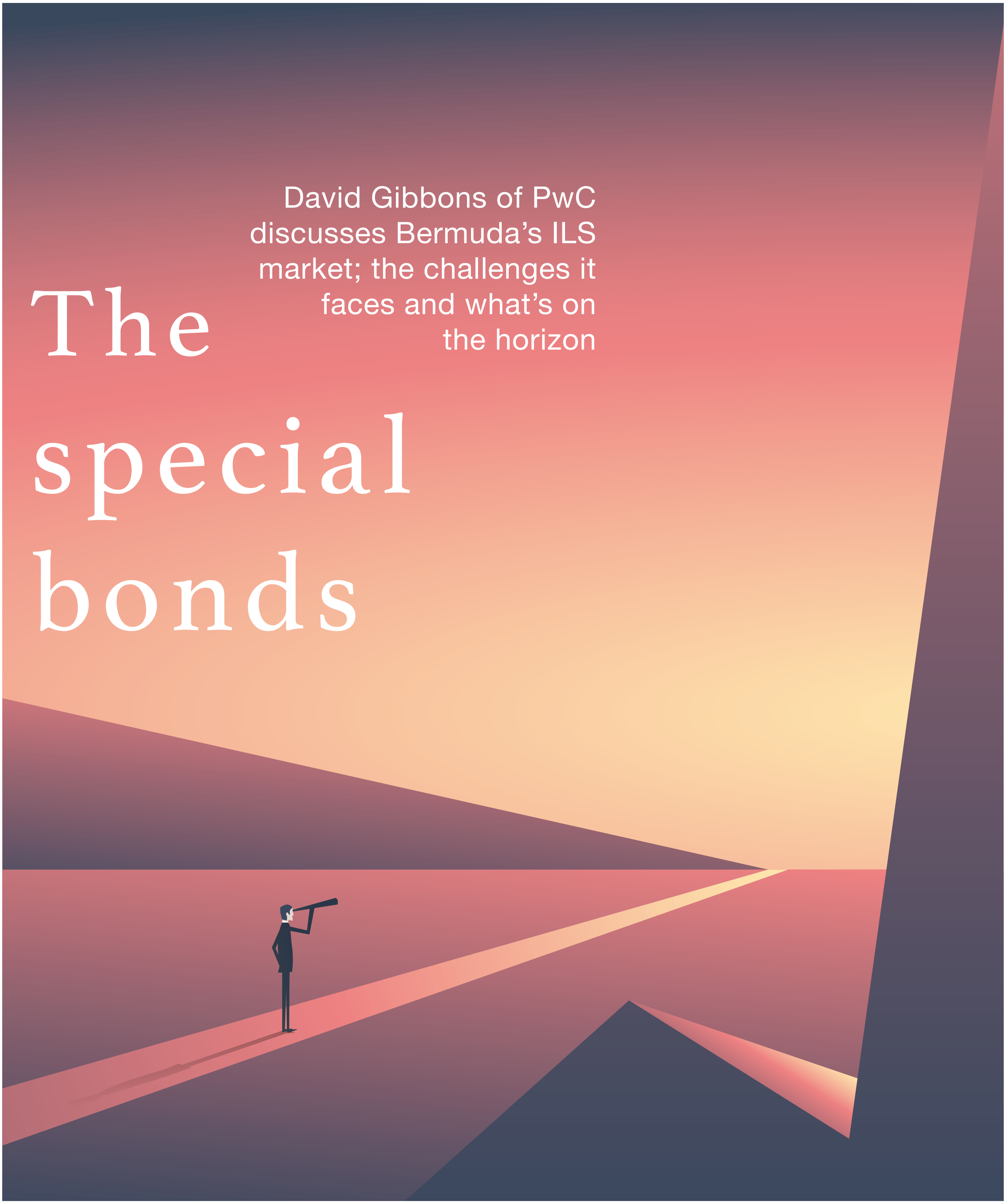
Pharmacy benefit managers

Pharmacy benefit managers (PBMs) provide access to prescription drugs for members through mail-order, specialty pharmacies and retail channels. Not all PBMs are the same. Finding the right PBM is especially important now because of the rising share, drugs comprise of the overall health care spend (30 percent or more). This trend is continuing – in the near future drug spend may equal or surpass medical spend. PBMs that manage their supplier contracts for the best interest of the employers and provide value-added services like transparent pass-through pricing prior authorisations, co-pay programmes and step therapy can deliver significant savings. In a self-funded strategy, an employer's drug spend is reliant on a PBM that works for the best interest of the employer. Roundstone's captive participants engage PBM partners that provide the same control and transparency as the captive does.

Overall, the value that captive self-funding brings to any employer is always important but especially now. A 20 percent savings on healthcare costs, plus the transparency and control needed to manage that spend over the long term helps businesses stay competitive in times of economic uncertainty. A captive self-funded solution is more relevant now than ever. ■

The special bonds

David Gibbons of PwC discusses Bermuda's ILS market; the challenges it faces and what's on the horizon



> “There will be more interest from a reinsurer to increase its capacity to write business because it will be writing more profitable business”

How would you describe the current ILS market in Bermuda?

The insurance-linked securities market is going from strength to strength.

This market has evolved as investors experience with and hence comfort in, the insurance market growth. It started with the principal driver being reinsurers looking for additional capital, allowing for the creation of sidecars, and then it moved into investors who are looking to invest directly into the insurance market to get the diversity of exposure and better returns when interest rates were low and the equity market was volatile.

The market started with catastrophe (CAT) bonds products facilitated through the formation of special purpose insurers (SPIs) because that was something that investors related to. As investors became more sophisticated, the market moved into funds and investing directly in the formation of insurance companies that were issuing quota shares and ILW contacts for pure insurance risk. Now as investors’ experience and sophistication grows they have started to look to duration – originally they were all looking at one-year duration, but now they were looking at a longer duration.

This has driven the demand in run-off books for both property/casualty (P&C) and life insurance.

With higher insurance rates, falling interest rates and an increasingly volatile equity market environment all aspects of the ILS market appears back in play.

What trends are you seeing within ILS?

The most significant trend is investors showing an increased interest in life and run-off books which could potentially give significant returns over longer durations, such as 10, 15 or 20 years. This isn’t cannibalising the traditional shorter duration business either as it attracts a different type of investor.

How will a hardening market impact the ILS sector?

It will increase interest because as insurance and reinsurance pricing goes up, the ability to get returns for investors goes up. If you’re looking purely from the availability of capital perspective, capital coming into the market it is interesting from a reinsurer or sidecar perspective because as you’re increasing your rates – the question is do you get less business as a result, the answer is currently no because the entire market is hardening.

Therefore, there will be more interest from a reinsurer to increase its capacity to write business because it will be writing more profitable business.

On both sides, there’s going to be an increase in interest as the reinsurance market hardens.

What are the top three challenges in Bermuda's ILS market and why?

Regulation is always going to be a challenge. Not just in Bermuda but globally because investors are sophisticated and continuing to demand different types of products as their needs shift.

The ILS market continues to innovate and therefore as a regulator, you continue to see new things rather than the same cookie-cutter products/structures.

There is a time that you need to give to the regulator so that they can understand the risks of these new products. When you're an investor and living in the asset management space, you like to do things immediately but when you're in the insurance space, you are more accustomed to the regulator needing to get comfortable and understand the business.

Thus, the biggest two challenges include the ingenuity of the new products and structures being written and the time it takes regulators to get comfortable with that.

The next biggest challenge is ensuring that the investors are fully educated as to the risks that they are investing in and how much of their capital is at stake, potentially all.

And ensuring that when you do have an insurable loss, there's always a potential for a full loss event and all of your capital to be eroded. Thus, education is key so investors know what they are investing in and what the downside risk is.

Bermuda is a place where the insurance market and the investor market have been working together for a long time and are accustomed to speaking the same language, have the combined expertise to ensure both parties are putting together a viable product that's good from both an insurance as well as an investment standpoint.

I think Bermuda is well suited there because we have expertise in both fields and a presence on the island so they can continue to build off on that. However, there can be a risk if both parties have an expectation or experience gap and there is no one to bridge the gap – that's what creates a disconnect and quite a bit of risk.

How do you see the ILS landscape changing in Bermuda over the next five years?

The Bermuda ILS market will continue to grow unless there is a significant loss event which will affect the entire market and not just Bermuda. I believe that the investors have gotten a taste for the diversity that the investment in insurance companies give them and a taste for the returns.

Additionally, I think the growing Bermuda life and runoff markets provide more opportunities for investors looking for long-term options. Bermuda's strategic advantage is the advanced market sophistication all of the players have and the ability to create, understand and regulate new products more efficiently than other domiciles. ■

> "The ILS market continues to innovate and therefore as a regulator, you continue to see new things rather than the same cookie-cutter products/structures"

David Gibbons, partner, captive insurance leader at PwC Bermuda

Local Protection
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The world’s leading Network, serving multinational companies in over 100 countries.
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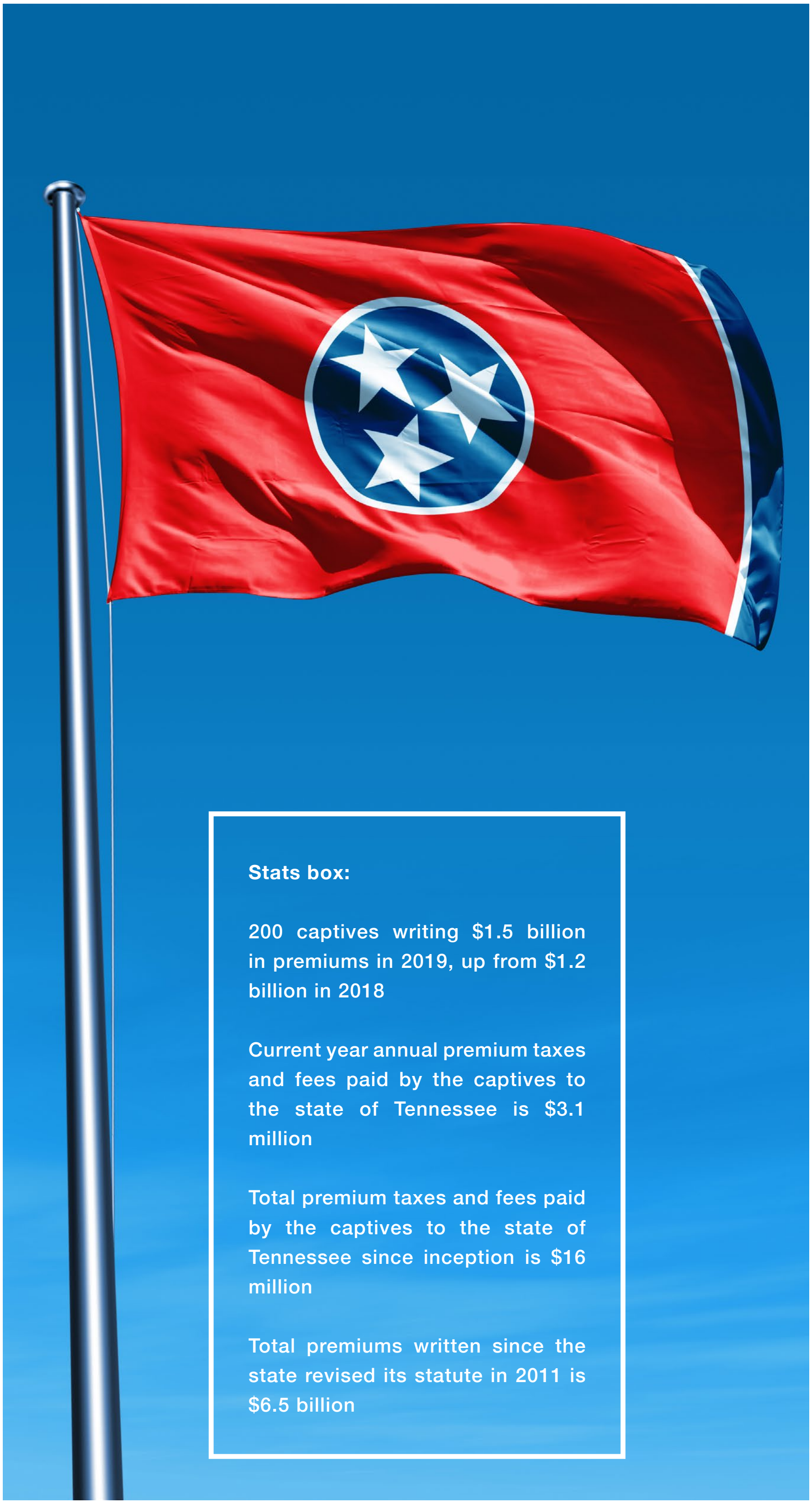

Stats box:

200 captives writing $1.5 billion in premiums in 2019, up from $1.2 billion in 2018

Current year annual premium taxes and fees paid by the captives to the state of Tennessee is $3.1 million

Total premium taxes and fees paid by the captives to the state of Tennessee since inception is $16 million

Total premiums written since the state revised its statute in 2011 is $6.5 billion

Hitting new highs

As Tennessee reaches its 200th captive milestone, Jennifer Stalvey discusses what the state looks like under new leadership, the plans to continue its captive growth and the impacts of COVID-19

What does the captive market currently look like in Tennessee?

Tennessee continues to grow at a steady pace since we revised our statute nine years ago. We are extremely fortunate to have the full support of our current governor Bill Lee and commissioner Hodgen Mainda, along with our previous governor Bill Haslam and former insurance commissioner Julie Mix McPeak. This support, past and present, allowed Tennessee to become one of the best domiciles in the world. Governor Lee and commissioner Mainda continue the great work of their predecessors by advancing our captive section's ability to support the captive market in Tennessee. Our statute allows for a variety of formations, such as protected cell structures, associations, risk retention groups, and pure captives, and offers wide-ranging, flexible tools that serve the captive industry's needs. As a result, the Tennessee captive market is one of the most diverse in the industry. Our captive insurance companies are owned by all types of companies in a variety of industries – from large multinational Fortune 100 manufacturers to a small group of doctors. The mix of businesses and industries we serve provides the Tennessee captive regulators with a depth of experience to assist any prospective owner considering the formation of a captive company.

Do you think captive figures will continue to increase?

Our projections are moderately conservative in that we generally expect to license about 15 new companies a year. However, we consistently plan for flexibility should the insurance market shift and new formations increase as a result, as we have done since we revised our statute in 2011. Given the current challenges in the insurance market with hardening property coverage and now with the current COVID-19 pandemic, we are prepared to be flexible and use our resources to meet the needs of the captive market and our existing customers.

What trends are you seeing in Tennessee's captive insurance sector?

The growth of our Tennessee companies varies based on the needs and experience of each insurer. Overall, our captive premium grew 23.8 percent, from $1.229 billion in 2018 to $1.5 billion in 2019, indicating our captives are growing in size. In 2018, the average premium written by our active companies was approximately $9 million. In 2019, the average premium written grew to $10.9 million. Many captives are expanding their existing captive risk programmes with their positive underwriting results. We are also seeing the redomestication of existing captives owned by large Tennessee-based businesses as they move their captive domicile back home to Tennessee. Businesses located outside Tennessee are also redomesticating to Tennessee for a number of reasons, including our central geographic location (captive owners can fly in and out of Nashville for all of their captive meetings in a day), our knowledgeable and experienced staff of certified public accountant (CPA) analysts, and our streamlined processes for efficient, meaningful regulation.

What challenges is the captive industry facing in Tennessee?

The challenges the captive industry face are the same in Tennessee as elsewhere. Risk is ever-changing, and like all captive domiciles, Tennessee must continue to be flexible, proactive and responsive to our captives' needs, just as the captives themselves are continually updating their business plans and risk management programmes as they face ongoing challenges. The most obvious current challenge is the COVID-19 outbreak. The Tennessee regulatory team is working closely with captive managers to understand the unique impact of the pandemic on both the captive companies and the parent businesses, and we are preparing to assist as the captive companies support their parent businesses during this challenging time.

Is there any new legislation for captive insurance in the works in Tennessee?

We do not have any proposed legislation for this year. Our most recent statutory changes include allowing for captives to write premiums and pay claims in foreign currencies, which eliminates most foreign currency exchange risk in their captive programmes. We continue to see companies utilising our tax holiday legislation when redomesticating their alien captive company to Tennessee, which offsets the cost to move a captive company from its current offshore domicile back onshore to Tennessee. Our state is known for its business-friendly culture, so it is natural and important to us to continue to actively listen to the captive community and recommend statutory changes to address current and future needs.

How do you expect the market to progress in 2020?

We expect to see property and healthcare coverages continue to grow, as well as other traditional low-frequency, high-severity coverages such as business interruption risks. As companies face all types of risks in an ever-changing world, they will need to continually assess what financial risks they face and address those needs through the tools available to them – both in the traditional insurance marketplace and through alternative risk mechanisms such as captive insurance. Existing captive companies may expand their writing based upon their capital and surplus capacity, and businesses that have been considering a captive

"The Tennessee regulatory team is working closely with captive managers to understand the unique impact of the pandemic"

Jennifer Stalvey
Director of captive insurance
State of Tennessee

programme may see this as the right time to form a captive. As regulators, we review captive industry news and trends daily so that we are prepared to best assist the needs of businesses that decide to utilise a captive structure.

Looking at the implication of COVID-19 and the possibility of businesses looking into captive insurance - what does Tennessee have to offer these potential captives?

There is no doubt that companies will be impacted by the pandemic in ways they already expect.

However, companies may also discover the risks they face for which they are not currently protected with their existing policies and coverages. Captive insurance has always offered an alternative risk solution to businesses to better manage some of their risks. Enterprise risk captives, in particular, can help a company mitigate business interruption risks that pose a significant financial threat to their operations, such as supply chain interruptions or the loss of key customers.

Tennessee offers a flexible statute, a fully electronic approval process for responsive turnaround times, a business-friendly environment and a wide range of industry service providers, including captive managers, actuaries, CPAs, attorneys and bankers, on the ground to assist businesses considering the formation of a captive solution. ■

"I am happy to have chosen the captive insurance field and look forward to my continuation in captive management"

Alli Devins

Accountant

Beecher Carlson Insurance Services

Personal Bio: My name is Allison Devins and I am from White River Junction, Vermont. I am an avid sports fan and have been an athlete myself all of my life. I had the opportunity to play ice hockey, field hockey and softball most of my life, including playing division one ice hockey in college. I also love the outdoors and spending time with family and friends, as well as my dog.

Professional Profile: Since graduating from Union College in 2017, where I studied mathematics, I have been working at Beecher Carlson as an accountant. After my junior year in college, I participated in an internship in Philadelphia, working for a real estate accounting firm. As of 29 June, I will have hit my three-year mark at Beecher Carlson and am excited to continue to take on more of a roll in the office and have more responsibilities.

How did you end up in the captive industry?

Captive insurance was something I knew nothing about before meeting my boss, Peter Kranz, during my senior year of college. Peter and I met through a family member through our love of ice hockey. After he explained captives and their role in the accounting world, it was something that intrigued me and a field that was showing continued growth. Starting from a networking connection, I am happy to have chosen the captive insurance field and look forward to my continuation in captive management.

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

I have enjoyed the many challenges that the captive industry has given me so far. I am a problem solver and have enjoyed learning the ins and outs of onboarding a client. I have also enjoyed working with everyone within the industry, not just with my co-workers in our office. The captive industry is a special industry with a lot of overlap, which provides resources across the board, and many times, across the state. Meeting new people and understanding their role within the industry, whether that is at conferences or just by working with auditors, I have thoroughly enjoyed the new relationships that have been formed.

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

As a newcomer to the industry, Pete Kranz was my greatest influence. Since joining the Beecher team, Tom Adamczak has been a mentor to me and has taught me 95 percent of what I know and do daily. With these two being at the forefront of my learning, I would like to acknowledge everyone in our Vermont-based office as they have all been instrumental to my learning process.

"Alli joined Beecher Carlson in a slightly unconventional way – her education being in mathematics, rather than primarily accounting focused. Alli committed to obtaining a deeper accounting education, but her strong mathematics education provided the logic needed to succeed right away. Her work ethic, intelligence and personality have made Alli an invaluable member of the team and is setting her up for a very successful career. While Alli is only about three years into her career considering her for the Captive Insurance Times Emerging Talent series is well-deserved!"

Peter Kranz
Executive managing director, captive practice leader
Beecher Carlson

What is your impression of the industry?

This is a rapidly growing industry that provides specific insurance to a lot of companies with specific insurance needs. This industry can reach further than it already has. As US domiciles continue to evolve, the captive industry has a very bright future. I am excited to see what the next 10 years do to this industry.

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

As the industry continues to grow, I am hopeful that my development will continue to grow as well. I have always been a natural leader and I am excited to show these leadership skills as time goes on. I am not exactly sure what my future holds, but I am excited to see my own personal growth in the industry.

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

Do it. Even if you don't know a lot about it, don't be afraid to jump in. Once you are in it, there are so many different options of things you can do. You also don't do the same thing every day, which is a very appealing fact for a lot of people.

The latest moves in the captive industry

Vermont captive reinsurance company FRMT has appointed Kimberly Trimble as its first CEO.

Trimble recently retired as senior vice president of RSUI Group, having spent almost two decades with the company and its predecessor, Royal Specialty Underwriters.

David Warren, chairman of FRMT, stated: "Our company undertook an extensive strategic plan and determined that we needed a full-time CEO."

Warren added: "Kimberly Trimble is the perfect fit for our current and future needs. On behalf of the FRMT board of directors, our member delegates and our over 100,000 insured members, we are extremely fortunate to have Trimble as part of our organisation."

"Our company undertook an extensive strategic plan and determined that we needed a full-time CEO"

FRMT, the successor to the Fraternity Insurance Trust, began in 1992, evolving into a Bermuda captive in 1996 and then domesticating in Vermont in 2007.

Commenting on her new role, Trimble noted: "It is an honour to be selected for this position. I would like to thank the board of directors and executive committee for the opportunity to work with an organisation that is extremely well run by a very dedicated group of people. I look forward to contributing to the continued success." ■

Shareholders of Zurich Insurance Group have approved the re-election of all members of the board of directors.

As part of the re-election, Michel Liès was confirmed as chairman of the board. The board of directors also includes Joan Amble; Catherine Bessant; Dame Alison Carnwath; Christoph Franz; Michael Halbherr; Jeffrey Hayman; Monica Mächler; Kishore Mahbubani; Jasmin Staiblin; and Barry Stowe.

Meanwhile, Christoph Franz; Catherine Bessant; Michel Liès; Kishore Mahbubani; and Jasmin Staiblin were all re-elected to the remuneration committee.

The vice chairman of the board of directors, the chairman of the remuneration committee and the members of the other committees will be elected at the constituent meeting on 2 April. Liès commented: "We thank our shareholders for their trust and for their understanding for the unusual format of this year's annual general meeting."

He added: "Following three successful years of our customer-focused strategy, we entered the current public health emergency in a position of strength. Our teams around the world have successfully switched to working remotely, serving customers in flexible and innovative ways." ■

Thomas Miller has appointed Ross Dennett as chairman, succeeding Rod Lingard, who is set to retire after more than 30 years at the firm.

Dennett worked as managing director of Thomas Miller Captive Management, based in the Isle of Man.

He was responsible for the management of 30 captive insurance companies and has more than three decades of experience in the international corporate insurance and risk management sector.

Commenting on his departure, Lingard said: "It's been a privilege to have spent the majority of my career at Thomas Miller but, as I prepare to depart, I know that in Ross [Dennett] I am leaving our Isle of Man business in capable hands."

"His knowledge and experience of the insurance and risk management sector will bring further strength and capability to the business and Dennett will surely take Thomas Miller Isle of Man to its next stage of development," he continued.

Stephen Morris will take on the responsibility for captive insurance companies from Dennett.

Morris has worked closely with Dennett as his deputy since joining Thomas Miller over ten years ago, looking after part of the client portfolio, both multinationals as well as privately owned captives and mutuals.

Commenting on his promotion, Dennett added: "It is an honour to succeed Rod [Lingard] as chairman and I look forward to working with the Isle of Man team in achieving our goals and delivering on our growth strategy." ■

Ian Davis, director of financial services representing Vermont's captive industry, is stepping down from his role, for a new position in the private sector, effective 1 May.

Davis, who has spent the last five years at the Vermont Agency of Commerce and Community Development, has played an active role in growing the state's global captive presence, particularly in new and emerging markets.

Additionally, he has helped organise Vermont's first captive insurance trade mission to Mexico City and was a frequent presenter at national and international conferences and events, including the Vermont Captive Insurance Association (VCIA) annual conference and European Captive Forum.

Tim Tierney, director of business recruitment and international trade at the Vermont Department of Economic Development, will be the interim-director of financial services while the state searches for a permanent replacement.

Rich Smith, president of VCIA, said: "Ian Davis epitomises all the qualities that keep Vermont in the vanguard of the captive insurance industry. He has served the State of Vermont and the captive industry with high energy, intelligence and integrity. Although I am saddened to see him leave this critical position, I am thrilled to hear Davis will continue to work in our amazing industry in the next step of his career."

Commenting on his departure, Davis said: "I am extremely grateful for having had the opportunity to serve the State of Vermont and represent Vermont's leading captive insurance industry."

"I feel immensely proud of all that has been accomplished together during my tenure and leave knowing that Vermont's captive industry is in a very strong position for continued success," he added. ■

Scott Kreuzer has been appointed senior managing director, Americas at Aspen Re, effective 4 May 2020.

Based in Aspen's New York and Rocky Hill, Connecticut offices, Kreuzer will report to Christian Dunleavy, chief underwriting officer at Aspen Re and CEO of Aspen Bermuda.

In his new role, Kreuzer will lead the team at Aspen Re America and work closely with Aspen Re's leadership team, continuing to develop the group's North America reinsurance property, casualty and specialty platform.

Kreuzer joins Aspen Re from Axis Reinsurance where he has served as senior vice president, head of casualty North America, since August 2018.

Additionally, he worked as senior vice president, head of casualty, London, from March 2018 to the present. From October 2011 to March 2018, Kreuzer worked as senior vice president at Axis, with responsibility for the workers' compensation and alternative risk treaty business unit.

Mark Cloutier, executive chairman and group CEO, commented: "As we continue to transform our business, we are pleased to be attracting people of Scott [Kreuzer]'s considerable expertise and experience to Aspen. He will further strengthen our senior leadership at this important time in our evolution." ■

Allianz Global Corporate & Specialty (AGCS) has appointed Ali Shahkarami to the newly appointed role of chief data officer, effective 1 April.

In his new role, Shahkarami will be responsible for the development and the delivery of AGCS' data strategy and report directly to AGCS COO Bettina Dietsche.

Shahkarami will focus on aligning various data initiatives, tools and investments with AGCS' business and data strategy as well as Allianz Group's data strategy.

He will work with the data solutions and architecture team, which is reporting to him, to help expand the firm's data governance framework to ensure privacy and fidelity of all data and applications.

Shahkarami joined AGCS in 2012 as head of catastrophe risk research where he was responsible for research and development activities to capture risks of man-made and natural catastrophes.

Dietsche said: "Data and analytics are of vital importance for our success and for supporting our clients – not only for reporting and steering but also to boost analytic capabilities in underwriting and claims and discover new insights and opportunities."

She added: "That's why it is so important that we created this position with a clear mandate to drive our data initiatives forward. I wish Ali Shahkarami every success in this important role and trust that he and his team will help to further strengthen our data and analytics capabilities." ■