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Fitch backs new VA rules

Proposed revisions to the statutory framework for variable annuities (VAs) would be a positive change, according to a new report from international rating agency, Fitch Ratings.

The National Association of Insurance Commissioners in the US has made specific recommendations for revisions to reserve, capital and disclosure requirements following a study on their potential financial impact.

The proposed changes could become effective as early as 1 January 2018, and are expected to be applied to both existing and new business.

The planned changes are designed to reduce non-economic volatility and disincentivise the use of reinsurance captives, promote sound risk management, and improve disclosure. Fitch's report suggested that, given the complexity and lack of transparency in existing captive reinsurance arrangements, Fitch would consider the changes a 'credit positive'.

Douglas Meyer, managing director at Fitch Ratings, said: "Both insurers and investors should benefit from these proposed changes to VAs."

He explained: "The current statutory framework has contributed to the inherent volatility and procyclic nature of the VA business due to the unstable interplay between statutory reserve and capital requirements."

"[It] has been a primary driver of the industry's use of captive reinsurance," Meyer said.

State of Delaware provides guidance on upcoming 831(b) tax changes

Delaware insurance commissioner Karen Weldin Stewart has provided guidance to make it easier for captive insurers to comply with new requirements within the federal Protecting Americans from Tax Hikes (PATH) Act.

The guidance, bulletin number six, provides procedures to help owners of captive insurance companies comply with the PATH Act's new mandates for owning captives.

From 2017, the PATH Act will increase the annual premium level to $2.2 million. According to the Delaware Insurance Department, the PATH Act will create two new provisions.

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Roundstone plans to launch captive insurance education programme

Roundstone is planning the launch of a university programme focusing on captive insurance.

The programme, set to launch before the end of the year, will focus on helping advisors develop an understanding of the captive funding approach.

According to Roundstone, attendees will learn the latest strategies available to assist clients with captive solutions.

Mike Schroeder, president of Roundstone, commented: "It all goes back to our core values. Intellectual curiosity is important to our business model."

"We want to work with advisors that are hungry for more information and willing to learn about better ways of doing things. The information presented will set the advisor attendees apart from the rest of the broker market."

State of Delaware provides guidance on upcoming 831(b) tax changes

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The first is how much premium an insurer may gain from a single person, and the second is new ownership requirements for these insurers.

The new guidance provides two cost-efficient procedures that captive insurance company owners may follow in order to either change the ownership of an existing captive, or allow for the creation of a new captive.

Stewart commented: "I am very proud that my captive insurance staff have established guidance that responds to a change in federal tax laws."

"Delaware's captive insurance programme is known throughout the world as an advocate for the captive insurance industry. [The bulletin] once again affirms Delaware's position by offering a timely and efficient regulatory option for captive insurance companies."

25 percent have not started planning for Brexit, hear CICA webinar attendees

A quarter of captive professionals have not yet even considered contingency planning for the UK's exit from the EU, according to a poll in a webinar hosted by the Captive Insurance Companies Association (CICA).

Attendees of the webinar, focused on Brexit and its impact on the captive insurance industry, were asked where they are in terms of planning for the UK's exit from the EU.

Some 41 percent of respondents said they have thought about it but didn't think it would affect them, and 35 percent said they have begun planning but don't have a finalised contingency plan in place.

Moderator of the webinar, Dennis Harwick, president of CICA, revealed that webinar attendees were from various countries including Anguilla, the UK, the US, Malta, Gibraltar, the Isle of Man, Bermuda, Cayman and more.

Attendees were also questioned on the main action they will take in the event of a hard Brexit. Almost a quarter, 24 percent, said would obtain fronting, 6 percent said they would move their captive, and 6 percent said they would reconsider their overall captive strategy. However, 65 percent said they are still unsure, or that the question is not applicable to them.

Panellist Peter Mullen, CEO of Aon Captive and Insurance Management, said: "The biggest impact of Brexit over the next few years will be the uncertainty of the outcome. While the stock market has recovered since the initial vote, another market reaction is likely when Article 50 [the instrument by which the UK must announce its intension to exit the EU] is invoked."

Another panellist, Derren Vincent, executive director of Willis Towers Watson, agreed with Mullen that changes to passporting, which allows captive insurers to write business across the European economic area (EEA), is likely to have an impact on captive insurers and certain domiciles.

According to Vincent, a 'hard' Brexit would mean the inability of an EEA-authorised captive to write direct insurance into or outside the UK.

He also suggested that captives, in theory, might have two years to make alternative arrangements, from the triggering of Article 50, which is currently expected to happen by the end of March 2017.

Vincent, however, explained that a 'soft' Brexit could allow for an EEA-authorised captive to continue to direct insurance into or out of the UK.

He also noted that a UK regulatory regime equivalent to Solvency II would most likely be the only way that this would work.

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He suggested that, because nothing has legally changed yet, definitive forecasting is “impossible” due to its “extreme political uncertainty in the UK”.

Vincent advised that when boards and captive owners are contingency planning for Brexit, they should identify the most critical risk and plan accordingly. He warned that if companies are planning to redomicile a captive, or set up a new captive, they must be aware of time scales.

He explained that a key consideration for EEA captives will be the final decision on passporting and Solvency II equivalence.

Aon launches new Icelandic cat model

Aon Benfield’s Impact Forecasting team has produced a new catastrophe model for Iceland to estimate the financial impact of earthquakes.

The new model was developed after Iceland was named the most earthquake-prone region in Northwest Europe by Aon, with the peril accounting for 83 percent of catastrophe losses in the country over the last 20 years. Aon teamed up with Iceland Catastrophe Insurance (ICI) to design a model that would provide an up-to-date view of the risk and reduce the uncertainty in its loss estimates.

The model is also implemented in Impact Forecasting’s Elements catastrophe modelling platform to help estimate potential earthquake losses.

Hulda Ragnheiður Árnadóttir, CEO of ICI, said: “The ICI has increasingly emphasised the importance of assessing insurance risk based on recent local scientific advancements.”

“The new model has enabled us to further grasp the extent of the risk in relation to our own portfolio, while delivering enhanced information to reinsurers for use at the 2017 renewal.”

Ioquois becomes ICG Captive Services

Ioquois has rebranded as ICG Captive Services, effective 30 September.

According to ICG Captive Services, “the change was made to create symmetry among our various Iroquois Capital Group companies and to make communication easier for our captive clients, service providers and partners”.

The company provides consulting, formation and management services for captives.

Casiopea Re rated ‘Excellent’

A.M. Best has affirmed the financial strength rating of “A- (Excellent)” and the long-term issuer credit rating of “a-” of Casiopea Re, located in Luxembourg.

Casiopea Re is a captive of Telefonica, a provider of telecommunication services across Europe and Latin America.

The ratings reflect Casiopea Re’s “excellent” risk-adjusted capitalisation, A.M. Best said.

It added that the captive’s regulator, Commisariat aux Assurances of Luxembourg, has full authority in relation to any release of capital from this equalisation reserve.

The rating agency explained: “The captive’s low risk retention is supported by a comprehensive reinsurance programme, with a panel of financially strong reinsurers that mitigates the risk of large property and liability losses depleting capital.”

NSA acquires iStorage captive

National Storage Affiliates (NSA) Trust has completed the acquisition of the iStorage portfolio, including its captive insurance company, in a joint venture with a state pension fund.

The transaction also included the purchase of a property management company and the iStorage brand, for a total of approximately $630 million.

In light of the transaction, Steven Treadwell, senior vice president of operations for NSA, has been appointed as president of NSA's iStorage management division, the National Storage Affiliates Trust Management Company.

In his new role, Treadwell will lead a team of approximately 150 associates and assist with the integration of iStorage operations with NSA's practices.

Arlen Nordhagen, CEO of NSA, commented: "The iStorage acquisition is an ideal fit with NSA's business structure, and the strategic decision to acquire the iStorage management platform strengthens our industry footprint as we continue to expand our market presence."

"The appointment of Steve Treadwell as president of the iStorage management division is a clear-cut fit for NSA."

Aon acquires Stroz Friedberg

Aon Risk Solutions has acquired Stroz Friedberg, a global risk management firm, to create a cyber risk management advisory group and improve Aon's position in cyber risk brokerage.

The deal will integrate Stroz Friedberg's cyber security governance and advisory services, including its penetration testing, incident response, digital forensics, eDiscovery and due diligence capabilities with Aon.

Stroz Friedberg is based in New York City, with additional offices in the US, London, Zurich, Dubai and Hong Kong. Through the acquisition, more than 550 employees will join Aon's Cyber Solution Group.

CEO of Stroz Friedberg, Michael Patsalos-Fox, will become CEO and co-chair of the group, while John Bruno, Aon's executive vice president of enterprise innovation and chief information officer, will also become co-chair.

Patsalos-Fox said: "Both Stroz Friedberg and Aon know that businesses face greater systemic risk from cyber threats than ever before, and both understand that companies need an integrated approach to mitigate this risk and achieve resilience."

He added: "Stroz Friedberg has always been focused on helping its clients navigate today's complex risk landscape."

"By joining forces with Aon we will have the scale and platform to satisfy the growing market need for a comprehensive solution."

Bruno said: "Technology-enabled businesses in all industries and the instability from cyber threats are increasing. This acquisition will allow Aon's clients to have access to the most advanced thinking and solutions in the industry."

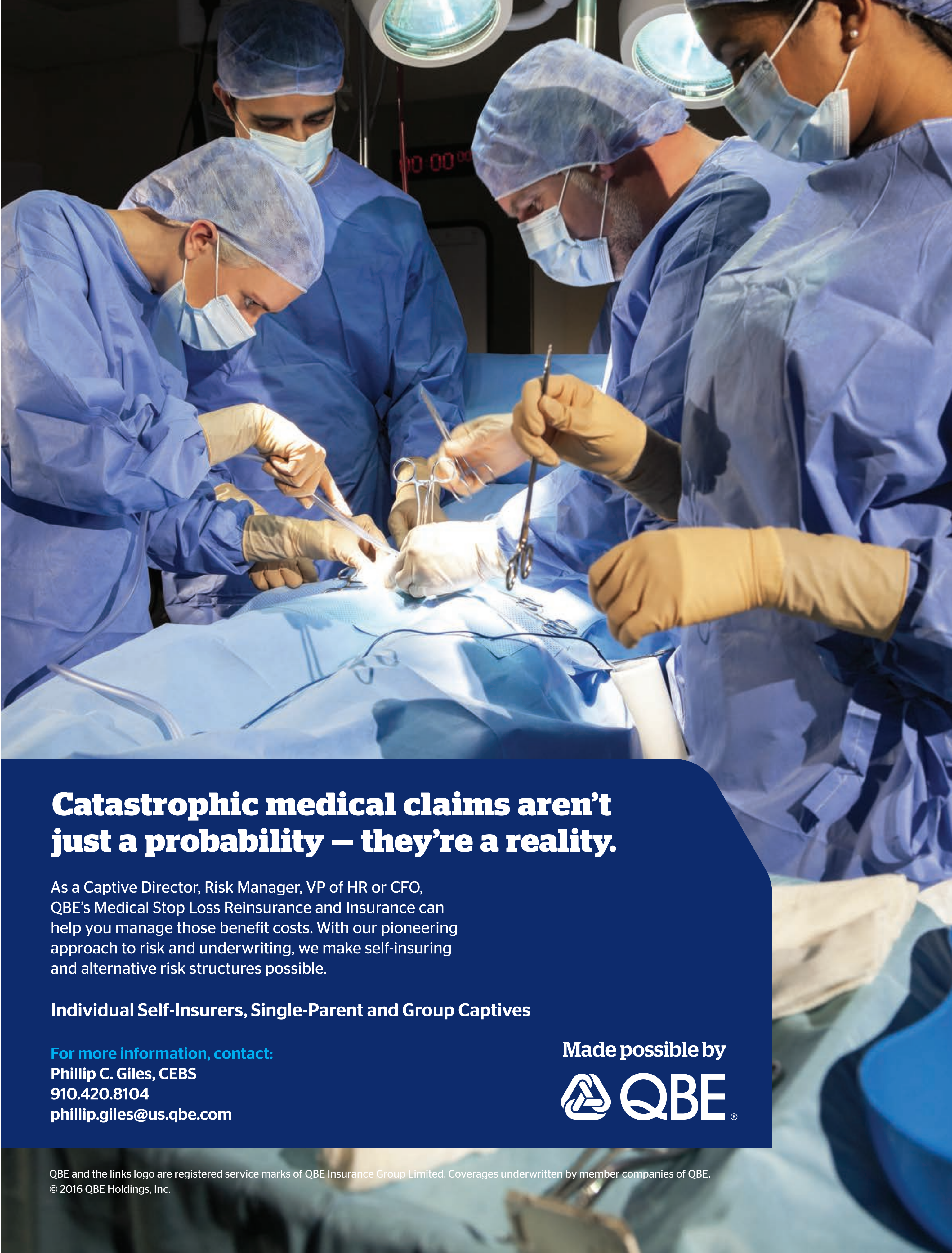
He went on: "Aon and Stroz have highly complementary end-to-end cyber risk management solutions and services. This bold step greatly expands Aon's cyber solutions and differentiates us from our competition while accelerating innovation on behalf of our clients."

Financial terms were not disclosed, and the acquisition is subject to customary closing conditions.

The acquisition follows the release of the Aon Cyber Enterprise Solution, an insurance solution for property and casualty, and the internet of things, which offers enterprise-wide coverage against cyber risk.

Eurobase sees synergy in Middle East

MENA Re Underwriters has selected the Eurobase International Group synergy2


Catastrophic medical claims aren't just a probability — they're a reality.
As a Captive Director, Risk Manager, VP of HR or CFO, QBE's Medical Stop Loss Reinsurance and Insurance can help you manage those benefit costs. With our pioneering approach to risk and underwriting, we make self-insuring and alternative risk structures possible.
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insurance solution to provide an end-to-end reinsurance administration platform.

The platform will cover underwriting, claims, retrocession and accounting.

According to Eurobase, it is intended to support MENA Re's rapid growth in operations, and its investment into growth across key markets.

It is also part of a wider focus on asserting a long-term position within the regional reinsurance market.

MENA Re is a 100 percent-owned subsidiary of the Doha Insurance Company, which holds an "A-" rating from both S&P and A.M. Best.

It specialises in providing facultative reinsurance for property, engineering and construction, and operates in the Middle East, North Africa and Pakistan.

Joe Locke, CEO of Eurobase Insurance Solutions, said: "The selection of Eurobase and synergy2 by MENA Re further emphasises Eurobase's high level of exposure, trust and industry expertise in the region."

"Working closely with such esteemed clients as MENA Re showcases the significant value to the region's financial services sector which synergy2 and the rest of our portfolio of products offer."

Sanjeev Badyal, CEO of MENA Re Underwriters, added: "MENA Re is delighted to have selected synergy2 from Eurobase to support it in its growth plans in the Middle East."

"Not only was the core system functionality a key driver but the flexibility in terms of the project approach and the proven nature of Eurobase's experience in reinsurance were important factors that led us to place our business with them."

He added: "Eurobase's combination of domain expertise and the capabilities of the synergy2 system provided us with a platform that we can use to support us now and as we grow our business in the region."

"We look forward to a long and close working relationship with the Eurobase team."

September's cyclones cost the US economy an estimated $4 billion

September tropical cyclones cost the global economy more than $4 billion, according to the latest Aon Benfield Impact Forecasting report.

The Global Catastrophe Recap report revealed that hurricane Hermine was the first hurricane to make Florida landfall in more than 10 years.

Total economic losses were estimated at over $800 million.

Public and private insurers anticipated insured losses of around $400 million.

Adam Podlaha, global head of impact forecasting, said: "After more than a decade without a landfalling hurricane, Hermine has highlighted the potential risks faced by the state of Florida."

"The past 11 years have been unusually inactive for the state, but it was a matter of time before it was faced with a landfalling event given the state's longer-term historical trends," Podlaha added.

"With the general increase in coastal populations, event preparedness is paramount, and in this regard the insurance industry and catastrophe modellers are well positioned to help residents understand their exposures."

Hermine was the first hurricane to strike the state of Florida since Hurricane Wilma in October 2005.

Gaining popularity

With captive insurance on the agenda at this year’s PARIMA conference, Stacey Huang reveals there is a heightened sense of interest in alternative risk financing

How many attendees are you expecting at this year’s conference?

We are expecting about 200 attendees at our Hong Kong conference, with more than 50 percent of them flying from outside of Hong Kong. Most of our attendees are senior risk and insurance corporate managers who are in charge of managing their organisation’s risk profile.

They are from multiple industries and organisations such as Amazon, Aboitiz Group, Asia-World Expo, BASF, BMW, City Development, DHL, DLA Piper, DuPont, Estee Lauder, HSBC, Huawei, IFC, Jardine Matheson, Krisenergy, John Foord, Lenovo, MTR, Myanmar Brewery, PCCW, Peninsula, Qatar Sports Investments, Rolls-Royce, Telstra International and Veolia.

We are also expecting representatives from the insurance industry who are also supporters of the Pan-Asia Risk & Insurance Management Association (PARIMA) and are speakers at our conference. We are delighted to welcome Rob Brown, group CEO of AXA Corporate Solutions, Kent Chaplin, CEO of Lloyds’ Asia, and David Jacob, CEO of

Marsh Asia, as our panellist speakers this year. It is our objective that our conference will help strengthen the bonds within our community in a collaborative and educational atmosphere.

What can delegates expect from the two-day event?

This time, we have separated our two-day event into a masterclasses day on 16 November and a main conference day on 17 November. We recognise an appetite to dive deep into specific topics and allocate more time for interaction and workshops, and the four masterclasses cater to that need.

Delegates can choose to attend two out of the four sessions where they can engage in exercises on business interruption, hosted by Swiss Re, play a game on international programme, hosted by Zurich, simulate travel risks responses, hosted by International SOS, or learn more about multinationals, hosted by AIG.

Our main conference day has an impressive line-up of speakers starting with Hong Kong's own entrepreneur, Danny Yeung, and closing with a panel session with CEOs of the industry. In between, we have educational streams on bite-size topics such as mergers and acquisitions, C-suite engagement, project risk management, captive insurance, human capital risks and cross-border third-party risks. The set-up of the conference is to ensure risk managers who are responsible for enterprise risk management, governance, security or insurance would be able to choose sessions that best fit their responsibilities and interests. In our exhibition space, we have more than 20 partners available for discussions and networking, as well as a technology room showcasing our tech partners and their products that can better support risk managers.

In addition, PARIMA will be announcing some of the initiatives we have been working on to develop the risk profession—we are proud to be launching the results of a salary benchmarking survey on purchasing behaviour within this region. We are also excited to be announcing more details about PARIMA's risk certification programme that will certainly be a game changer for all risk professionals.

What sessions are you most looking forward to?

There are many to look forward to but I would be interested in the educational stream on how risk managers can influence the C-suite. We often attend seminars that are more technical and tactical in nature: reputation risks, captives, natural catastrophe, supply chain, and so on. These are great in terms of updating and educating risk managers on the best practices and products available. Rarely is there one on the equally important but less technical side of influencing upwards. As the profession is still developing, most risk managers face the challenge of educating and convincing their colleagues and bosses on risk management practices. It can be a struggle to obtain the support required, especially when the risks are intangible and hard to quantify. We hope to see more of such sessions where we are enabling risk managers to take what they have learnt, and bring it back to their companies so others can also recognise the value of risk management.

The panellist session in the morning on innovation and technology and how risk managers should be thinking ahead is another exciting one. We have heard so much about the internet of things, disruption, innovation and digitalisation, and this is a panel that is bringing it all together. I'll be keen to hear from risk managers such as Pierre Noel, chief information security and privacy officer of Huawei, and Gill Mellor, legal and European business director of MTR Corporation, on how they are navigating risks within their organisations in such a dynamic landscape.

Captives appear on the agenda. How is the Asia Pacific evolving in terms of risk management needs?

The growing market uncertainty and rise of emerging risks is starting to pressure companies to re-look at risk management beyond a compliance and policing role. Risk managers have to evolve to be more strategic, to understand the business and external factors better. C-suites are also starting to have higher expectations from their risk managers.

Emerging risks such as cyber, terror and climate change are causing enough concern for risk managers to look for solutions or at least start paying attention. We are seeing a heightened sense of interests and more attendance on these topics from not just risk managers but also those in human resources, IT, finance, legal, procurement and general management. Clearly, risk management as a mindset is starting to permeate across departments and there is a gradual awakening of the value of risk management across the Asia Pacific and how it should be seen in a more strategic light. There is an evolvement, but it is a slow process.

On the one hand, you have companies just starting to embrace the importance of risk management, and on the other hand, you have those who are ready to have deeper conversations on the finer details of alternative risk financing and risk transfer strategies.

Regardless of where they are on their risk management journey, PARIMA exists to support them and provide development opportunities that can help accelerate them. Education remains key to raising and developing the profession and having a higher standard of risk management practices across the region.

What will PARIMA be working on in 2017 in terms of captives?

The growth of captives in some parts of the Asia Pacific points to a rising sophistication of risk owners looking for long-term vehicles that could provide them with flexible solutions and better control their insurance costs. I believe we will continue to see more of such interest in the region. This year, we have done a few captive-centric workshops with good responses and now countries such as China and Thailand are asking for more.

Our line-up of events for 2017 will certainly include captives as one of the key topics to address. It will also be on the agenda for our upcoming conferences and local workshops. PARIMA is exploring potential collaboration with local domiciles with the aims of bringing a captive-only Asia conference in H1 2017. **CIT**

Stacey Huang
Executive director
PARIMA

THE CAPTIVE CENTERPIECE

After recent developments and growth in the Bermuda reinsurance market, Jason Flaxbeard of Beecher Carlson explains how captives might take advantage in the future

Insurance transactions marry risk with capital. That's all. All other parts of the insurance transaction deal with credit risk. As many corporate-owned captives finance parental risk, this article will focus at a high level on capital.

Captives are not capital vehicles, they are financing vehicles. The captive parent injects capital and the captive consolidates this capital back under generally accepted accounting principles. One reason why captives have been successful to date is that this injected capital offers a return to the company that is greater than the return derived from the parent's balance sheet. But capital, in today's economy, moves quickly and is attracted by industries that provide improved rates of return. Some of that capital has been attracted by the insurance industry. The attraction is the ability to invest and manage premium income within an investment portfolio alongside the invested capital.

If the insurance industry has attracted so much capital, how do captives participate?

My response is based around captive resiliency and a view of the future of insurance based solely around corporate risk appetite. The captive industry has responded to many challenges—encounters with our friends at the Internal Revenue Service (IRS), interpretation of the Dodd-Frank Act, Solvency II, optical views of offshore versus onshore vehicles, the rise of micro captives, and so on—the next challenge is how to invigorate captive growth given the rise of the availability of risk capital.

Before we get to the above, a quick revisit to the 'knitting' of captive basics is in order. Here are two major reasons why captives have been important historically. It is for these reasons that investors will be attracted to captives, remembering that capital is fleeting:

- Captives reduce the cost of insurance (a corporate benefit but also a benefit to outside capital as it can cleanly underwrite corporate risk without taint of industry losses); and
- Captives provide access to reinsurance (a source of capital that is unencumbered by onerous regulation and may be cheaper than insurance).

The captive basics list hasn't changed for a long time. What has changed is the opportunity for companies to access the capital market to finance their retained risk.

Capital flows to areas of greatest return. Risk will trend towards the cheapest and most efficient form of capital. I believe that it is at that intersection that the future of captives exists.

To date, most captives rely on parental/internal capital and reinsurance to finance risk. If a company's internal capital is less expensive than external (insurance company) capital, the company will self-insure. As a self-insurance financing entity, a captive therefore becomes the repository of a company's internal risk capital whose cost of risk capital is reassessed annually.

This reassessment, in my opinion, will lead to a review of new options for captives. The development of the Bermuda market and the growth in the reinsurance companies backed by pension funds, hedge funds and private equity has led to some softening in the reinsurance rates.

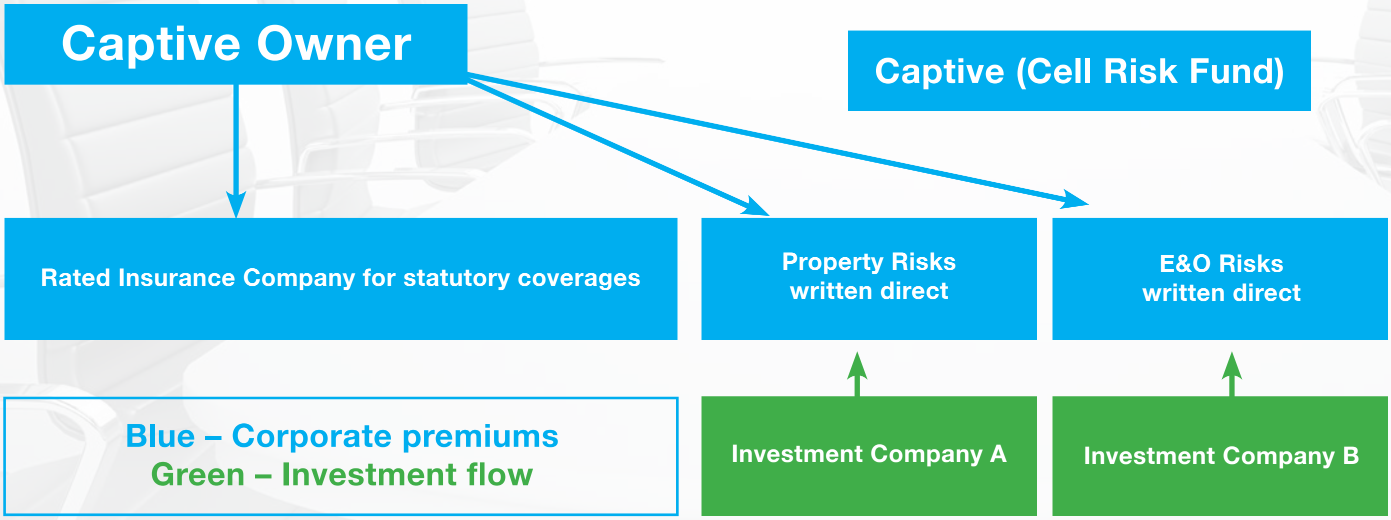
This softening of rate is evidence of lower cost of capital. Access to reinsurance, as outlined above, is a key use of captives. Some captives are using reinsurance markets to transfer legacy risks. Loss portfolio transfers are more popular than ever.

There are a number of reasons for this:

- Loss portfolio transfers may be able to clean up the corporate balance sheet;
- They may offer adverse development coverage, protecting the transferring company from downside risk;
- Loss portfolio transfers may reduce the administrative burden of claims management; and
- They may reduce the credit risk if the reinsurer is able to post collateral back to the corporate captive.

But loss portfolio transfers are backward looking. What is of interest is the forward-looking options for the use of captives using the capital markets.

Figure 1



Below are the options that are being considered for companies moving forward:

- Companies reinsure a block of business, likely long tail business (reinsurance companies want to manage the cash associated with the reserves within their investment pool) with a reinsurance company that offers collateral in return. Note that this collateral can be used to support collateral posted to the carrier. To treat the transaction as a reinsurance contract, there must be risk transfer in the policy. Captives, therefore, receive a 10 percent or more increase in limits, a potential reduction in collateral and favourable terms. This has become an attractive source of capital in the current market and is being considered by many companies.
- The next generation of the captive market may lead to some reinvention. Capital is key, as evidenced by the rise of the cat bond market. And the insurance-linked services market. And offshore hedge fund reinsurance companies. There is capital circling the insurance market. The reason is because the insurance market is uncorrelated with the equity markets and the uncorrelation leads to some attractiveness. To cleanly access the insurance market, however, why would capital look any further than captives?

So here's where I see the market going, for large companies with significant portfolios:

- Companies set up cells within their captives. Cell 1 includes property risk. Cell 2 includes executive liability risk. Cell 3 includes all deductible buy-down risks (as statutory coverages require rated carriers).
- Companies access their capital markets division to attract investment in each cell. The issue with this approach is that the coverages with longer tails require exit options.
- The capital markets place either cash or collateral into the cell to accompany the risk. The investor manages the funds within the cell.
- Losses are paid from the cell until exhausted. After exhaustion, the risk falls back to the captive's owner.
- At the end of the risk period, the funds left in the cell (premiums minus losses plus investment income) are distributed to the investors in the cell.

Because investment is made directly in the cell, the compliance costs of the transaction are different from a normal insurance transaction. This transaction is a capital transaction and therefore would be governed by investment law. As a result, there may be complexities in the drafting of the offering memoranda. However, should the cost of the investment capital be lower than the cost of insurance capital, this structure may become more attractive (see Figure 1). The advantage of this is that there is no reliance on traditional insurance markets. The reliance is on capital markets, and a corporate pension plan could potentially be the investor. Similarly, the captive owner, depending on the location of the captive, pays captive premium tax (often capped) rather than the admitted premium tax. The captive owner may also be able to lower premiums from commercial rates depending on the cost of commercial capital. From the investor's perspective, cell funds remain under management but premiums can also be invested. This offers an augmented return to the investor. Given that the investment rules offshore are more expansive than those onshore, the above structure works best in Cayman or Bermuda, but those domiciles may offer more tax complexity.

This may be a few years away unless the delta between interest rates and insurance returns widens due to a catastrophic event. If that is the case, the interim step includes companies reviewing their cost of capital and reviewing reinsurance offerings behind captives to achieve almost the same fiscal results, although with greater frictional cost. But this could become commonplace over the next 10 years and captives will become the centerpiece of all insurance transactions for a company. CIT

Jason Flaxbeard
Executive managing director
Beecher Carlson

Hidden costs of lazy data

Jacqui Kipfer of Bespoke Software suggests that masters of the data-verse are able to enjoy a competitive edge

Have you ever been in the position where you need to quickly get your hands on your business data so you can have an effective, informed conversation with a captive member or client, or weigh in on a new business initiative or perhaps just explain a financial result to an executive or board member, but you are faced with the daunting task of gathering, collating and presenting the data before you can even actually use it?

Maybe the data you need lives in several different systems and you need to bring it together matching up corporate, geographic or regulatory regions, insured's names, currencies and time periods. Perhaps some of the information you need resides in a spreadsheet controlled by one individual within your company, such as budgets and forecasts, that is not readily available when you need it, or you are unsure of the freshness of the data. Maybe you need to see history for premium and claims and not just the current inception to date position. Perhaps you need to aggregate or slice and dice the data by classifications that are not available in your general ledger or your operational source system. Maybe you would like to compare captive members' financial numbers to each other, or to an industry benchmark. Maybe you have a captive insurance company created to insure all of the subsidiaries of your corporation and you want to be able to see the spread of your risk by exposure type, industry and geographic region in order to meet some of your business objectives.

How do you go about sourcing this data? How quickly can you compile it? How easy is it to repeat this process or monitor changes in trends over time?

Do some of these challenges sound familiar? These are a few of the classic frustrations endured when a company is struggling to truly leverage its business data. The company's data assets are in effect lazy because they are not being used to their full advantage, and it may be costing more than just these easily recognised operational frustrations.

Bespoke Software has been helping insurance, reinsurance and finance companies gather, shape and surface their business data for faster, effective and insightful decision making for more than 15 years. During this time, we've noticed that while companies acknowledge their data is a substantial corporate asset and they spend a lot of time and money capturing it, many suffer some pretty significant impediments when trying to make use of it. We have seen many companies with lazy data assets and we've seen some impressive events occur when those data assets are woken up through employing business intelligence tools and techniques.

We understand the struggle that many business users face when trying to justify further spend on data, especially if similar projects have been tried and have failed to deliver in the past. With this in mind, we'd like expose some of the hidden costs of lazy data assets that we commonly see, with a view to equipping you with a sound foundation for building a solid business case for waking up your lazy data assets through business intelligence.

Business intelligence is an umbrella term that covers all of the tools and techniques that a company may employ to gather, collate, transform and surface business data in a way that provides insights into operations and allows for faster, more effective operational, managerial and strategic decision making.

A typical business intelligence solution will contain automated processes to gather data, often from many disjointed systems, transform the data and apply a common set of business rules,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and then store the data in a common business repository, such as a data warehouse. From the data warehouse, the data is then arranged, often in data cubes, so that it can be easily navigated and consumed by any user that needs it. The ways in which the data is then consumed can be through a range of tools, such as reports, dashboards, spreadsheets, self-serve business intelligence tools, forecasting tools, or even interfaces to other systems such as the general ledger.

In a robust business intelligence solution, there will be reconciliation, monitoring, auditing and compliance processes built in, allowing users to have confidence in the data that they consume, as well as meeting the ever-present regulatory and compliance requirements.

Time better spent

In our experience, accountants and other finance staff can spend upwards of 50 percent of their time each month gathering and collating data in spreadsheets. This effort is in part to produce the monthly reporting required by their position but they are also often the people other staff come to when they require answers to specific operational and financial business questions. In the worst case scenarios, some finance staff are not able to produce their month- or quarter-end reports in a timely manner, primarily because it simply takes too long to gather, classify, collate and report on the data.

Effectively, finance staff become data wranglers rather than being able to use their skills and time actually analysing and advising on the financial results, cash flows and investment strategies. This is a significant hidden cost that can be very effectively reduced by implementing automated processes for capturing, transforming, classifying and loading data into a corporate repository and then employing business intelligence tools such as cubes, reports or dashboards to surface the information to whomever needs to consume it.

The risk and cost of getting it wrong

When manual processes are involved in data collection and collation, there is plenty of scope to introduce errors. This risk is magnified as companies apply business rules to calculate various financial balances, but the rules are not applied consistently through various reports and spreadsheets that are surfacing the data.

A good example is around foreign exchange and calculating its impact on earnings and cash flow in the form of unrealised and realised gains and losses on earnings. One variant of the calculation may be performed in the transactional system, but it may not be able to apply the specific accounting principles required. So a further calculation is done in a spreadsheet and perhaps also in a report. Exchange rates must also be stored somewhere and applied on the same basis, such as monthly, weekly or daily. The business rule and related data now resides in several different places and may not produce the same result, leading to extra effort to reconcile as well as the risk of simply stating incorrect financial balances that others are relying on.

Cost of failing business processes

Another hidden cost that we see is becoming more prevalent for captives and captive managers today is the inability to complete a business process in time for it to be useful. Businesses are constantly changing to keep up as new forces come into play and markets change. Business processes such as forecasting, benchmarking or simply stating the financial position more frequently must be completed in a timely manner in order to be effective. When companies are not able to collect, collate and present data in time to support these processes, the processes simply fail, costing the business the ability to make timely, informed, fact-based decisions.

Competitive edge

When businesses are not able to effectively leverage their business data, it may be costing them their competitive edge. They may be missing out on opportunities to adjust product offerings based on performance, to understand client or member churn, or to improve their risk profile. A number of captives and captive managers differentiate themselves from the competition by being able to provide better information to their members and clients, either through fact-based decision making, benchmarking, or just easier access to data via web-based or mobile applications.

Companies that recognise the hidden costs of lazy data assets and seek to really leverage their data assets through business intelligence enjoy operating efficiencies, a reduction in their operational risks and, importantly, are able to maintain or improve their competitive edge. **CIT**

“ When businesses are not able to effectively leverage their business data, it may be costing them their competitive edge ”

Jacqui Kipfer, Business development and business intelligence consultant, Bespoke Software

Industry Events

PARIMA Conference 2016

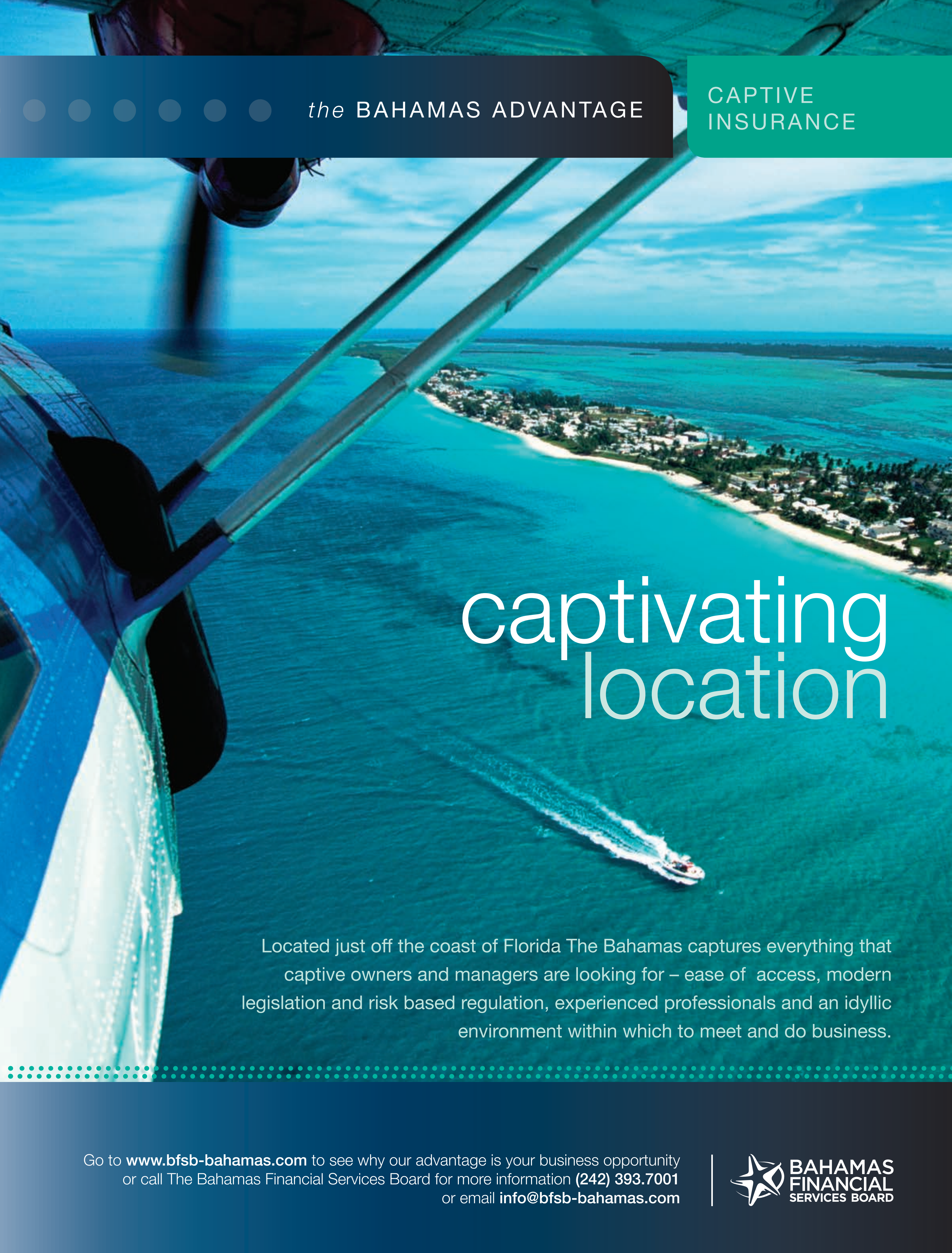
16 - 17 November 2016
Hong Kong
www.parima.org

Over 100 risk managers have already confirmed their attendance to PARIMA Hong Kong Conference 2016 representing more than 22 countries including China, Singapore, Hong Kong, Australia, Philippines, Thailand, Myanmar, Taiwan, Japan, Malaysia, Indonesia, India.

2016 GEB FORUM

21 - 23 November
Brussels
www.gebforum.com

The 2016 Generali Employee Benefits (GEB) Forum will take place in Brussels, where global headquarters is based, and celebrate the 50th anniversary of the GEB Network.



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Comings and goings at Swiss Private Wealth, JLT Re, Cutts-Watson Consulting and more

Inga Ivsan has departed Swiss Private Wealth, where she served as manager, to join Miami-based litigation law firm Black, Srebnick, Kornspan & Stumpf, where she was previously a part-time law clerk, as an associate.

Ivsan was at Swiss Private Wealth from April 2014 until October this year. She worked with attorneys engaged in wealth management planning for high net worth families and business owners, including lawyers who focused on captive insurance, asset protection planning, international wealth management and family offices.

At Black, Srebnick, Kornspan & Stumpf, she has joined the white collar criminal division, with immediate effect.

Ivsan said: "I look forward to being able to bring my significant estate planning, tax and transactional experience to my new role as a litigation attorney at a law firm well known for excellence in both white collar criminal defence and commercial litigation."

In May, Ivsan released a book providing a summary and analysis on captive insurance concepts and law tailored to medical professionals and hospitals.

The book offered both a legal foundation and business case for captive insurance that medical professionals need in order to implement a captive insurance strategy.

JLT Re has appointed Jong Kuk Moon as CEO of its South Korea operations.

Moon, who will be based in the company's Seoul office, will report to Kenny Moyes, CEO of JLT Re Asia.

Moyes said: "JK Moon will oversee JLT Re Korea's ongoing strategy and business development across treaty, facultative, analytics and strategic advisory on behalf of our core clients in [South] Korea."

Prior to his new role, Moon served at Korean Re for 23 years, gaining experience in property, marine, aviation, liability, and various areas of mutual reinsurance and insurance, particularly in the government sector.

Moon said: "JLT Re's reputation continues to grow and clearly there is a huge opportunity for the business across the region."

Cutts-Watson Consulting (CWC) has appointed Graham Powell, strengthening its captive insurance offering in Guernsey.

According to CWC, the appointment comes as a response to increased demand for captive insurance services, and an increasing need to provide a broad range of skills.

In September 2015, Powell retired after 35 years at Aon Insurance Managers, where he was most recently executive director. He is credited with licensing the first Guernsey protected and incorporated cell insurance companies and helping them to become brand leaders. Powell is now an independent director of several Guernsey- and UK-regulated boards of entities.

At CWC, Powell will advise clients, helping them to realise the full potential of their captives.

Malcolm Cutts-Watson, founder of CWC, commented: "With the continual need for diversity within the captive industry, our clients dependency on thought leadership and change management, and my own personal goal to make CWC the go to, leading captive insurance consulting firm out there, Graham Powell was just the natural, perfect fit to fulfil our Guernsey based operations."

"The talent within the team that we have now at CWC, just speaks volumes for our service offering and we look forward to supporting our current and future clients across the captive landscape."

The announcement follows the appointment of Paul Wakefield, who joined CWC in August, also as a consultant.

Powell said: "Malcolm Cutts-Watson is building a business that is already the talk of the Guernsey insurance industry (and elsewhere) and I am delighted to have been given the opportunity to join so soon after Paul Wakefield."

"Apart from my insurance expertise I am also able to bring a wealth of knowledge in relation to compliance, corporate governance and regulation. Not flashy, but nowadays an absolute necessity."

"CWC's raison d'être is to give organisations access to the accumulated knowledge, insights and experience of its consultants and I am looking forward to being part of that process."

Law firm Dentons has appointed John Sarchio as partner in its insurance regulatory practice.

Sarchio will be resident in the firm's Miami and New York offices.

He advises clients on insurance industry mergers, acquisitions and financings, reinsurance transactions, self-insurance and captive programmes, and insurance regulatory consulting and compliance.

His insurance-related transactional experience includes insurance company demutualisations, reciprocal conversions, bank-insurer affiliations and mutual insurer mergers, as well as insurance securitisations, catastrophe bond transactions, reinsurance sidecar transactions, XXX/AXXX reserve financing transactions, and other insurance-linked securities transactions.

Sarchio has also counselled state and foreign governments on insurance issues and drafted laws and regulations governing various aspects of the insurance industry, including Vermont's Captive Insurance Act and the US Virgin Islands' Exempt Companies Act and Exempt International Insurers Act.

"We are pleased to welcome John Sarchio to our insurance practice," said Dentons US managing partner Mike McNamara. "His strong

transactional experience provides additional depth to our insurance team while complementing our highly regarded regulatory and insurance litigation practice."

Shumaker, Loop & Kendrick has appointed American Bar Association captive insurance committee chair David Slenn as an estate planning, business planning and tax attorney.

In his new role, Slenn will focus on estate and business planning and tax law.

Slenn said: "Shumaker has a deep bench, an incredible amount of business deal flow and is one of the biggest firms in Southwest Florida. This unique setting provides a great platform for my practice areas."

Liberty Specialty Markets (LSM), part of the Liberty Mutual Insurance Group, has appointed Miguel Martinez Álvarez as head of business development for the reinsurance division.

Álvarez joins from Munich Re, where he spent 18 years and held several positions across Europe and Latin America.

In his new role, he will focus on developing and implementing LSM's reinsurance strategy, identifying new business areas to enter, and improving cross selling and operations.

Based in the Cologne office, he reports to Dieter Winkel, chief underwriting officer for reinsurance.

Winkel commented: "Miguel Martinez Álvarez will play a key role in LSM's reinsurance business development strategy. We have a major opportunity to maximise the value we can bring to our key clients. Álvarez will help make this a top priority. His extensive experience and insight in the reinsurance market will contribute towards the success and growth of our reinsurance division."

Beazley has appointed Aidan Flynn as a senior underwriter for technology, media and business services, specifically focusing on the data breach and cyber security risks of large US companies.

Flynn will join the technology and data breach underwriting team in the London office.

He joins from Axis Capital, where he was a senior technology, errors and omissions, and cyber insurance underwriter for US-domiciled and international risks.

Before this, he was a senior member of Marsh's financial and professional liability team. The appointment comes after Beazley partnered with Munich Re to offer custom enterprise-wide cyber for large businesses in April.

Paul Bantick, Beazley's UK focus group leader for technology, media and business services, said: "We're excited to add Aidan Flynn to the team and further expand our ability to address the wide range of risks faced by companies of all sizes, particularly those in the technology and media industries."

"Beazley's cyber, technology errors and omissions, and data breach response insurance policies give businesses access to dedicated and experienced breach response and claims managers to address the full scope of an organisation's technology, cyber and data breach exposures." CIT

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