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VCIA forms coalition to tackle Non-admitted and Reinsurance Reform Act

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A new coalition wants to have the Non-admitted and Reinsurance Reform Act (NRRA) clarified so that it does not apply to captive insurance.

The NRRA, which is a part of the US Dodd-Frank Act, organises the way that premium taxes are collected from surplus lines insurance companies.

Before the NRRA was implemented, US states would tax a portion of any surplus lines premium paid to cover loss exposures in its own state.

The NRRA eliminates this distribution scheme in favour of one that only allows the insured's 'home state' to collect the tax.

Captive insurance professionals argue that the NRRA should not apply to captives.

Vermont's director of financial services, Dan Towle, said that there is a tremendous amount of misinformation being shared about the NRRA that is "clearly trying to take advantage of the ambiguous language of the act", which is doing a "disservice to the captive insurer and to the industry".

President of the Vermont Captive Insurance Association (VCIA), Richard Smith, explained that the uncertainty created by the NRRA has resulted in confusion across the captive insurance industry.

Smith said: "Captive owners and their tax advisors alike have been unsure on how to react and in some extreme cases some captive insurance companies have changed domiciles as a way to avoid potential taxes that were not believed to be applicable before the NRRA."

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CITINBRIEF

Hurricane Sandy could force captive hands

A.M. Best is contacting rated captive companies that have been affected by Hurricane Sandy to get an indication of the impact of the event.

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Sort out governance to succeed at Pillar II, says Aon

Pillar II was on the agenda for Aon Global Risk Consulting as it outlined the current market trends and impact on captives of Solvency II.

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VCIA forms captive coalition to tackle NRRA

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In response to this, the VCIA has formed the Coalition for Captive Insurance Clarity (CCIC), which plans to expound parts of the NRRA subsection of Dodd-Frank.

It welcomes industry members to join in the effort to amend the law, and will work with members of US Congress to make the necessary changes.

According to Smith, the coalition's formation was well received by the captive industry, with interested captive management companies, associations and a Fortune 50 company showing support.

"I hope to see the coalition grow over the next few months where we will have representatives from a wide range of states and organisations," said Smith.

The VCIA has hired FaegreBD Consulting, which was one of the architects of the NRRA, to work with the association's long-time lobbying firm McIntyre & Lemon, to help to amend the law.

On clarification in the short-term, Smith explained that the ambiguity surrounding the NRRA has created anxiety, causing some captives to postpone captive formations and expansions, which is at a cost to the industry and to those companies seeking to take advantage of captive insurance.

In the long-term, Smith believes that the act could reduce domicile options that are available to captive owners and possibly weaken the regulatory and management expertise that is required to regulate and monitor captives.

"In some cases insurance departments not generally equipped or experienced in captive regulation will become responsible for the regulating of this sophisticated and unique industry."

"The NRRA language in Dodd-Frank is a top concern of our members and has created apprehension industry-wide. While there are ambiguities in the law, it is clear that there was no intent to have it apply to captive insurance, and I am optimistic that we can be successful seeking clarification," concluded Smith.

Vermont's governor, Peter Shumlin, agreed that the confusion could be damaging to the captive insurance industry. "The captive insurance industry expects and desires strong regulation."

"Companies need to have the choice of where they domicile based on regulatory strength, not based on tax ambiguity. Vermont has consistently proven itself as the 'gold standard of domiciles'. This fix is needed to ensure that companies continue to have a choice of where they domicile."

Hurricane Sandy could force captive hands

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The ratings firm is concerned that captives that are located in New Jersey, New York, Pennsylvania and Connecticut may have losses, particularly in the energy, manufacturing and housing spaces.

"The capital model that supports the ratings of all companies is tested for one PML (Probable Maximum Loss) of a 1 in a 100 year hurricane event and then stress tested as an ongoing entity after that event. The danger is if the uniqueness of Hurricane Sandy is beyond what the companies anticipated," said a statement from the firm.

A.M. Best also stressed that, in the case of Hurricane Sandy, there have been talks that the storm may not be treated in insurance contracts as a hurricane. If this is to be the case, "companies would be exposed to losses from hurricane force winds which they thought would in many cases be within a hurricane deductible."

Sort out governance to succeed at Pillar II, says Aon

Continued from page 1

Launching the Aon Captive Guide to Pillar II at the European Captive Forum in Luxembourg, Markus Mende, group managing director of Aon Risk Consulting, said: "The continuous development of the Solvency II regulatory framework presents a specific set of challenges for parent organisations and their captive structures."

"Against this backdrop, helping companies set up the future risk and governance system required for their captives in a way that maximises existing corporate and captive processes is essential…"

"We have put forward the captive sector's need for proportionality and understand the requirements of the regulators. It is essential to enable our captive clients navigate through the Pillar II processes and this report and our IT initiatives are supporting this".

Fabrice Frere, Solvency II practice leader for Aon Global Risk Consulting, said: "We believe that, with a sound and consistent methodology, the various Solvency II requirements can be met without having to go significantly beyond current best practice. We have already seen a number of companies gain benefits from the implementation of a system of governance and believe that the initial perceived threats presented by Solvency II can actually bring advantages."

Prism Assurance is looking strong

A.M. Best has affirmed the financial strength rating of "A- (Excellent)" and issuer credit rating of "a-" of Prism Assurance, the captive insurance company of Apogee Enterprises.

The ratings reflect Prism's strong capitalisation and solid operating performance. Partially offsetting the company's positive ratings is Prism's retained insurance limits and its restricted market profile as a single parent captive.

"A.M. Best could upgrade Prism's ratings and/or revise its outlook if there is significant improvement in its underwriting performance and capital or a reduction in its overall net exposure."

"A.M. Best could downgrade the ratings and/or revise the outlook if the company's Best Capital Adequacy Ratio (BCAR) declines, operating performance deteriorates or if the insured losses deplete capital," said a statement from the ratings firm.

London & Capital expands choice for cell captives

Independent asset management firm London & Capital has introduced a new proposition for cell captives.

The firm's managed portfolio solution provides bespoke portfolios to segregated portfolio companies (SPCs), and "enables those companies to tap into investment returns previously accessible only by larger captives, and to enjoy the economies of scale and benefits of diversification that result from the pooling of a number of separate accounts," said a statement from the firm.

The solution offers cell captives higher targeted returns, a low-risk investment approach, transparency of daily reporting and access to their own account—all delivered at low cost, and managed by an investment manager with more than 20 years of experience running diversified portfolios.

Established in 1986, the London-based firm has been managing captive assets since 2005 when partner William Dalziel established its captive division. "Until now, London & Capital's captive mandates have been in excess of $5 million, and typically invested in cash and fixed income," said the firm.

"By way of example, the firm's 'balanced strategy' for captives—which is invested 85 percent in

fixed income and 15 percent low-risk equities—has returned in excess of 9.6 percent this year (at 30 September 2012). The strategy boasts a very low level of volatility, and in line with a typical captive's requirements, can be liquidated within just a few days, if required."

The new solution integrates the services of the investment manager, custodian and insurance trustee, together with independent portfolio valuation and reporting functions online, to provide transparency over portfolio risk, compliance, liquidity and cost.

This enables the cell to exercise complete control over its assets, achieving high standards of corporate governance.

Dalziel said that the industry has always been innovative, and continues to develop ways to make its services available to a wider range of potential owners. "We can now also offer cells the type of portfolios and returns previously only available to larger players, ensuring their capital contributes to offsetting the cost of their insured risks".

"We are able to cater for cells with as little as $200,000 to invest, and deliver a service based upon the very same investment philosophy and asset allocation models as large captives enjoy."

Diageo tastes sweet to S&P

Standard and Poor's (S&P) has given Diageo Group Insurance (DGI), the wholly owned, Guernsey-based captive subsidiary of the UK-based drinks manufacturer Diageo PLC, a credit rating of "A-/Stable".

"The ratings on DGI therefore reflect those on its parent," said a note from S&P, adding that DGI is regarded as "an integral part of the Diageo group's risk management strategy" and that it is "the group's only captive insurer and all its business is sourced from the group."

"Diageo has maintained a captive strategy since 1983 to minimise the risk-transfer costs of the group, and to increase the emphasis on risk management and loss prevention within the group. In turn, DGI remains wholly reliant on Diageo to preserve its competitive position and financial flexibility. Hence, DGI's fortunes are inextricably linked to those of Diageo."

Capstone surpasses $400 million mark

Capstone Associated Services has passed $400 million in approved dividends for its administered captive insurers.

Stewart Feldman, CEO and general counsel for Capstone, said: "The so-called 'Bush tax cuts' passed by Congress in 2001 and 2003 expire at the end of this year. Without further action by Congress, federal income tax rates increase on 1 January 2013."

"As a result, many of our clients have directed Capstone to apply for dividends out of excess regulatory assets while the qualifying dividend rates are at an attractive 15 percent. And the dividends are free of Medicare taxes which begin in January on investment income."

'A' ratings affirmation for Nissan Global Reinsurance

A.M. Best has given a financial strength rating of "A- (Excellent)" and issuer credit rating of "a-" to Nissan Global Reinsurance (NGRe), a single parent captive of car manufacturer Nissan.

The company's positive ratings reflect strong capitalisation and conservative operating strategy.

"Partially offsetting these positive rating factors are the significant exposures NGRe has to product liability, property and marine cargo claims. Additionally, the recent deterioration in the financial markets and the decline in the profitability of automakers has had some impact on premium volumes," said a statement from A.M. Best.

Leaps and bounds

CIT talks to Rob Stavrou of Northdoor about what captive companies should look for in a technology system, and how insurance innovations are progressing

GEORGINA LAVERS REPORTS

How does your solution NDEXINSURE work?

NDEXINSURE is a comprehensive insurance administration system that integrates easily with all of a firm's existing legacy systems and data sources including workflow, ECF and e-endorsement. The system provides risk-capture, message processing, claims handling and data warehousing components as standard, and uses web services to support web deployment. NDEXINSURE also contains a fully integrated data warehouse for supplying key management information.

Because NDEXINSURE is a modular system, it can be easily extended and configured to meet a firm's particular business requirements, even as the business continues to develop and expand. A focus on compliance is also built directly into the system, not only in terms of its Solvency II provisions, but also thanks to its Sanctions Checking software, which provides an effective way of screening a firm's clients against international financial sanctions lists.

How can NDEXINSURE benefit captives?

The very nature of the captive insurance market, which was created to underwrite risk for parent corporations, means that the core mission for these firms is to achieve cost savings from economies of scale and underwriting special lines of business. When choosing an insurance administration solution, firms are therefore looking to maximise ROI through scalable, flexible solutions. Harnessing data for better risk management and underwriting is also a priority as it makes the business more predictable and profitable.

On a more practical note, NDEXINSURE can help captives to capture and access their system data in order to drive their business systems more effectively, and to comply with the latest regulatory guidelines. Also, because captives sometimes have to deal with unusual lines of business, NDEXINSURE can give them flexibility they need in terms of recording and accessing different data sets, and when then reporting back to their parent company.

NDEXINSURE can also help them to plan for future growth by taking the concept of 'future-proofed' IT to a whole new level, as it gives them the integration, flexibility and control they need to get the most out of the systems that have right now, and also to support additional business growth in the future.

How would you describe the maturity of the IT being used within the insurance sector, compared to other financial sectors?

There used to be a view that insurers were a bit behind other sectors when it comes to IT, as they tended to use a lot of paper-based systems. However, this perception has radically changed in recent years with the onset of more modern, flexible technology and the business benefits that this can bring, such as being able to respond to market changes more quickly, as well as accessing the business information that is needed to support C-Level decisions more effectively.

With the growing use of ACORD messages and other modern, flexible technologies, I would say that the insurance sector is fast becoming one of the more mature users of IT, as it is now much more open to adopting this new technology, and already starting to see the benefits that it can bring.

How can ACORD standards generate value for insurers?

ACORD standards and messages enable the easy, standardised transfer of data between companies to improve efficiencies and reduce the manual paper trail. Because these are effectively real-time connections, data can now flow backwards and forwards on a daily basis. Previously, a lot of this information was only exchanged on a monthly or even quarterly basis.

Using these standards as part of their daily business processes can be very helpful for modern firms, as they help to ensure that firms receive all their data very quickly, and in a consistent format. As a result, firms no longer need to work through large numbers of different queries, and instead can use this standardised information to radically change their accounting and settlement processes. E-accounting transactions, for example, can now be validated much earlier, which means that funds can be collected up to 30 days earlier than before.

These improvements are not only helping to streamline the insurance settlement process, but could also lead to benefits beyond the back office, since getting transactions validated more quickly can help firms to manage their work on the placing and endorsements side of things much more effectively. CIT

Rob Stavrou
Commercial director of integrated solutions
Northdoor


Business

Mother and father know best

The US State of Arizona is maintaining its reputation as the place to be if you're a pure captive with a solid parent, as CIT finds out

GEORGINA LAVERS REPORTS

A provision of Arizona's state law makes its insurance department name current captive insurers, as well as the date that they were licensed, the type of captive that they are, and the industries in which their parents or members operate.

A roll call of Arizona captive insurers reveals that the Apple Insurance Company has been domiciled in the state since 2008 as a pure captive for its manufacturing parent, while PharmaCare Captive Re (2005, pure reinsurance, retail trade), American Honda Insurance Corp (2007, pure, manufacturing) and Red Rock RRG (2010, risk retention group, transportation and warehousing) live there too.

Arizona became a captive domicile in 2001. Currently, 30 percent of all active captives were formed for the medical industry (physicians, hospitals, nursing homes, and so on), 22 percent were formed for the construction industry, and 16 percent were formed for the finance and insurance industry, as Figure 1 highlights. According to the Captive Insurance Companies Association, there are now 97 captives domiciled in the state, with capitalisation of $250,000 for a pure or single-parent, and half of that for pure or group reinsurers.

After an initial swell, it was natural that growth would slow, and formation remained steady over the years, with the state known best for licensing pure captives with a strong, solid parent.

Kurt Regner, assistant director of Arizona Department of Insurance's financial affairs division, agrees that pure captives are most popular in the state, particularly for the healthcare and construction lines of business.

The requirements of owning or managing an Arizona captive are typical of most domiciles. A single director's annual meeting must be held in the state, while a principal place of business, with books and records, must be maintained there too. The captive's manager must also be in Arizona.

Regner says: "The benefits of domiciling here are flat rate fees, which provide cost effective application and regulation processes; no premium tax; no statutory exam for pure captives; a pro-business environment; balance between competitive law, and appropriate regulatory oversight."

Despite the obvious advantages, including automatic exemption of the audit and actuarial opinion requirements for captives meeting certain small company criteria, the market significantly weakened in 2009 and 2010, with Arizona's captives collectively writing $2.1 billion in premium, and 14 captives dissolving, re-domesticating or withdrawing.

However, an accessible destination, and a position as a leading state for alternative risk since the early 1970s, with all of the support mechanisms necessary to complement it, mean that Arizona was never entirely out of the running.

As the state's captive association, AZCIA, ruefully points out, if its captive law allowed for life and disability reinsurers, as some other domiciles do, the state would be the second largest US domicile. It may be time to rethink that particular provision. CIT

Figure 1

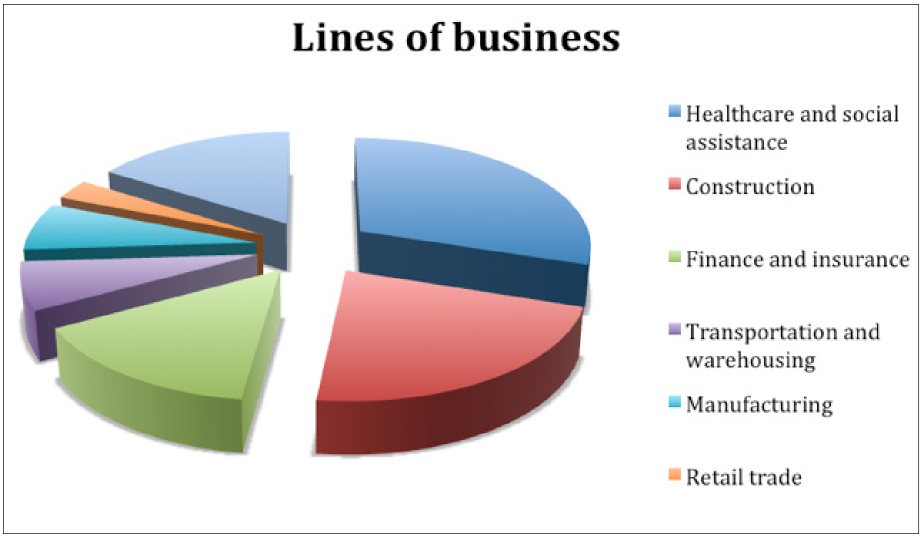
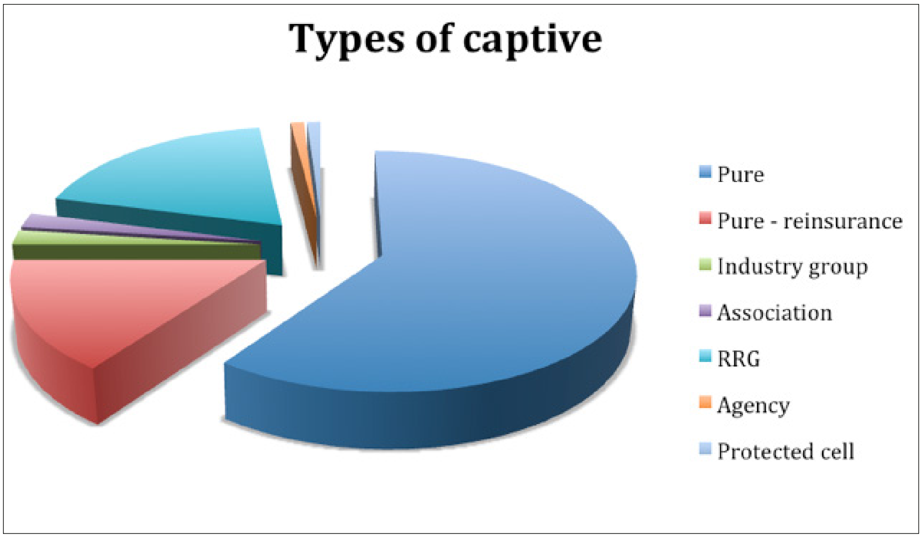


Figure 2



Calibrating captives in a changing marketplace

Stephen DiCenso of Milliman explores an array of captive retention levels under different conditions

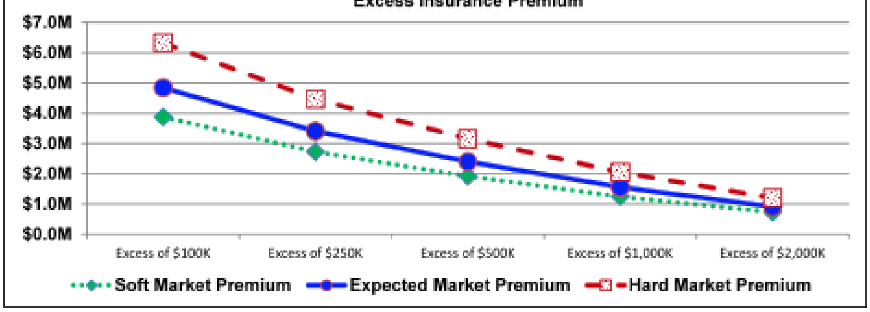
An insurance market beginning to harden tends to drive decisions about risk. It's unusual at any time to find captive insurance companies large enough or willing enough to retain the entirety of the risks that are associated with their insureds' property and casualty insurance needs. But when market prices begin to swing by upwards of 75 percent across hard or soft markets, it becomes alarmingly evident to most players that it is time to take stock of their total cost of risk.

In part, decisions about how much risk to take on, and how to distribute the overflow, are affected by many different current factors in the insurance and / or reinsurance markets. Calibrating captive retention levels accurately includes, among other factors, the tasks of estimating the expected annual retained losses as part of an assessment of the average costs and savings, estimating retained losses at higher confidence levels in order to assess the variability of results, considering the impact of market cycles on insured costs (that is, those that are not retained), and reviewing retentions in order to assess risk tolerance.

In our example, a captive is a vehicle for financing workers compensation, general liability and property exposures. The captive has considered retaining losses as high as $2 million per occurrence. Due to the previous softer insurance market, however, the captive currently maintains a retention level of $100,000 per occurrence for each of the coverages. Therefore, we analysed this captive's position under five different per-occurrence retentions ranging from $100,000 to $2 million.

The captive starts by obtaining quotes from its reinsurers regarding the costs to cover losses in excess of each retention level. Over time, we assume market conditions for these quotes can exhibit swings of up to 75 percent from soft to hard markets. The estimated reinsurance premium quotes shown in Figure 1 are based on various volatilities in the market cycle.

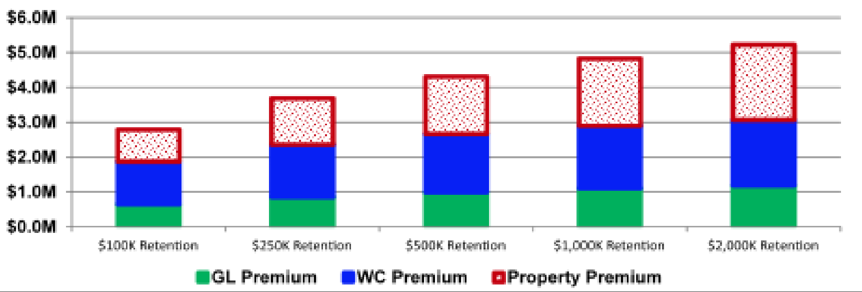
Figure 1
Excess Insurance Premium



A Monte Carlo simulation analysis helps us to model the expected losses. Reinsurance premiums also include additional costs for administration and profit (which vary by risk level), reflecting market cycle premium adjustment factors, which are based on publicly available market indices.

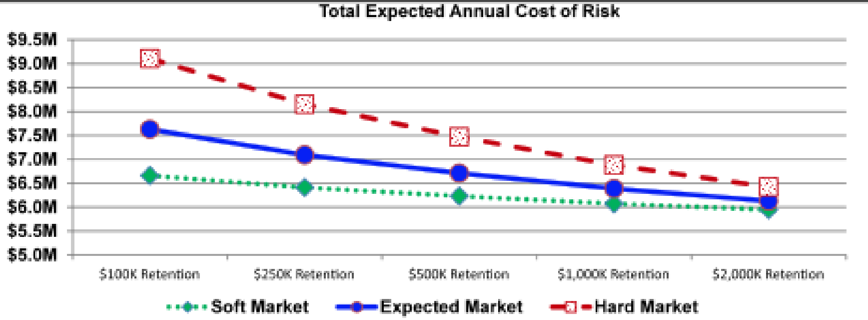
The captive then uses actuarial estimates of its expected losses at each retention level, by line of business, as shown in Figure 2. These estimates are unaffected by the insurance pricing cycles.

Figure 2
Expected Loss Level



The expected retained loss estimates in Figure 2 are added to the reinsurance quotes in Figure 1 to produce a figure that represents the total expected annual cost of risk for each of the three market cycles, soft, expected and hard. This is illustrated in Figure 3.

Figure 3
Total Expected Annual Cost of Risk



In this example, the $2 million-retention level produces the lowest expected total cost of risk, independent of whether the market is hard, soft or as expected. But that does not complete the picture yet. The retained loss estimates in Figures 2 and 3 simply represent average values—and averages can pose problems. After all, they indicate that about half the time losses will be higher than that, and about half the time they will be lower. It becomes critically important to take the variability of losses into account and to choose a retention level that conforms to the company's tolerance for risk.

The graphs in Figures 4 and 5 offer a more complete sense of this possibility by illustrating the cost of risk not only at the expected, or average, level, but also under additional circumstances:

- At the 75th percentile level (ie, retained losses are expected to exceed this level about 25 percent of the time, or 25 times in a century)
- At the 90th percentile level (ie, retained losses are expected to exceed this level about 10 percent of the time, or 10 times in a century).

Although the $2 million retention level consistently had the lowest expected total cost of risk (previously shown in Figure 3), no matter what the market cycle is, a different story is encountered at higher percentiles (or confidence levels) of loss. In those cases, market cycles have a much greater impact.

At the 75th percentile level, the highest retention of $2 million evidently remains the best choice—it is only marginally higher in the soft market and lowest in the expected and hard markets.

At the 90th percentile level, however, it's the $100,000 retention that produces the lowest cost of risk in the soft market, with the $250,000 and $500,000 retentions resulting in the lowest cost of risk in the expected market, and the $1 million retention level delivering the lowest cost of risk in the hard market. At the 90th percentile level, it's striking that the $2 million retention produces the highest cost outcomes in both the soft and expected markets.

In general, a lower per-occurrence retention reduces the variability of losses. But market cycles clearly affect retention decisions. The price for reducing variability becomes very expensive as the market turns hard.

In some cases, captives with relatively lower tolerances for risk may be willing to exchange a higher total cost at the expected level for a reduction in the variability of total cost. But this could be a costly strategy when considering how much that risk has actually been reduced. Figure 6 takes the values in Figures 4 and 5 and compares them with the $100,000 retention level (ie, the percentage difference in costs between the selected retention and the $100,000 retention).

As we already have shown, in terms of expected loss levels, when the market hardens more savings are obtained at higher retentions relative to the $100,000 retention. Even when considering factors such as the variability at the 90th percentile loss level, relative savings under a hard market continue to be generated for all retention levels that are above $100,000 (except $2 million). In other words, total cost variability appears to be reducible at retention levels above $100,000 in a hard market.

Staying again with the hard market, there appears to be a balance point in the example that we have been discussing—at the $1 million retention. This is illustrated in Figure 6, where the savings 'top out' at 11 percent for the $1 million retention.

The methodology that we have described generates different results for different captives, based on their varying sizes. Perhaps predictably, larger captives may tend to find the ability to increase retention levels whereas smaller captives would see their balance points at reduced retention levels.

Other factors that are not reflected in this methodology may also influence retention decisions. Additional considerations to incorporate when conducting a retention analysis include:

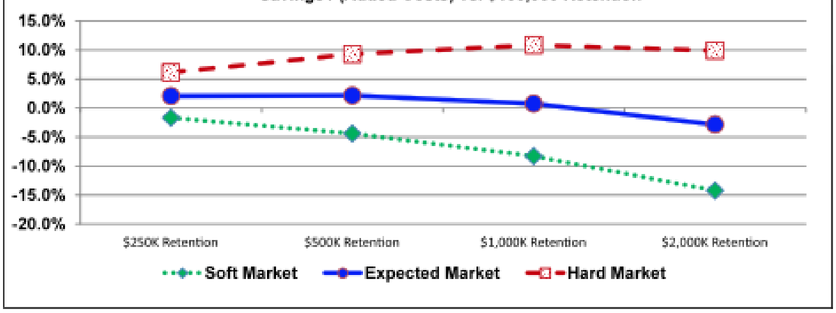
- The captive shown here has approximately 3000 employees. Companies of smaller size would have more variability in loss costs, making this retention analysis even more important to the company's bottom line.
- Cash flow is improved under a higher retention, opening up opportunities to earn investment income on retained funds.

Figure 4
Annual Cost of Risk at Higher Percentiles
75th Percentile Loss Level

- This methodology incorporated three lines of coverage. In general, as the variety of risks that are retained grows, the probability that a single-year adverse event will be material becomes lower. As a result, it is recommended to review the insurance programme as a whole and not just one coverage at a time.
- Parent companies should undertake a retention analysis to the extent there are market dislocation factors and / or misinformation at work. The market may not evaluate a company's risks the same way that the company does and companies may pay a hidden cost for increasing retentions in a hard market (ie, by not receiving the appropriate premium discount). For example, it may not give the company credit for risk management or safety programs, or its view of trends in actual loss experience may diverge. In turn, pockets may emerge where the market seems hard for the company, even if the wider industry is not experiencing them. There might also be occasions where the insurance market simply does not want to take risk in a certain area below a certain limit. Even if the market is soft, specific markets may be difficult for an individual company.
- The captive's level of underlying risk may be higher or lower at varying times, which may be due to some mix of lines of business, classes and exposures being written.
- A risk exists that the reinsurer may ultimately not be able to pay claims. Selecting a lower retention results in an implicit contingent liability in the event that the reinsurer encounters financial difficulty.

Figure 5
Annual Cost of Risk at Higher Percentiles
90th Percentile Loss Level

Figure 6
90th Percentile Loss Level
Savings / (Added Costs) vs. $100,000 Retention



This simulated example should serve to highlight the advantages, disadvantages and various tradeoffs that come with an array of captive retention levels under different market conditions.

Risk managers understand that retentions may be left to rise in order to save costs during a hard market. An actuarial analysis can be instrumental in identifying an ideal retention for any captive, one that takes into account market pricing cycles, expected costs and captive risk levels. CIT

Weighing the merits of lower versus higher retention

Lower Retention		Higher Retention	
Plus	**Minus**	**Plus**	**Minus**
Safer in terms of adverse loss	Less cash flow	Improved cash flow	Less safe in terms of adverse loss experience
Responds well to market soft pricing	More exposure to market cycles	Reduces impact of market pricing changes	Resource-intensive, requires more internal expertise to manage
Minimal available risk financing options	Greatest average long-term cost (costs of reinsurer's administration and profit)	Lowest average long-term cost	Higher volatility in retained losses year-to-year
Lower volatility in retained losses year-to-year	More reliance on financial viability	Greater flexibility in risk financing options; more incentives to control costs	Intensifies allocation issues within company

Industry appointments

Barclays Wealth and Investment Management has recruited Simon Phillips to head up captive insurance.

Phillips's Jersey-based role will include working with the existing multi-jurisdictional team to broaden the captive insurance scheme while developing the Barclays franchise in key captive locations.

Paul Savery, managing director of Barclays International, Intermediaries and Direct, said: "I'm pleased to welcome Phillips into this newly created role, which signals our confidence in our refreshed offering which, based on our deep industry knowledge, has seen us join up our banking, investment and trust expertise for the benefit of clients."

"With significant changes being experienced across all sectors of the financial services industry, Simon's experience and expertise in the captive insurance sector will ensure Barclays continues to meet the specific needs of our clients," added Savery.

Phillips said: "The insurance industry as a whole has faced significant challenges in recent years as a result of the global economic situation, which has given parent companies and captive managers much to consider. However, the best captive parents and managers are using this as an opportunity to consider other options that could help them more efficiently manage their captive."

"Regulation in the captive insurance sector is likely to be the subject of ongoing change, and the main challenge will be to interpret and plan ahead for those changes. I am looking forward to working with the team and colleagues across the wider Barclays group to support our clients in realigning opportunities by providing access to our expertise in investment and trust management, ensuring that this is supported by a high level of consistent client service."

Current CEO of the National Association of Insurance Commissioners (NAIC), Dr Therese Vaughan, will step down from her role earlier than planned.

In August, Vaughan—who has held the role of CEO since February 2009—stated that she would be stepping down from her role in early 2013, but has since decided to depart on 30 November. She previously served as Iowa insurance commissioner and NAIC president.

The NAIC has partnered with executive search firm, Egon Zehnder in its bid to find a new CEO. Current COO and chief legal officer, Andrew Beal, has been named as acting CEO following Vaughan's departure.

Commenting on her departure Vaughan, said: "I have been privileged to support the regulators and staff of the NAIC for nearly four years, and it is with mixed feelings that I am leaving."

"Since the August announcement, however, it has become clear that an extended phase-out is unnecessary, and the organisation is well-positioned to carry our progress forward. I wish the officers, members, and staff the best of luck in the future, and look forward to continuing to advocate for the protection of US insurance consumers in my future professional activities."

Kevin McCarty, NAIC president and Florida's insurance commissioner, said: "On behalf of the NAIC officers and membership, I want to thank Vaughan for her outstanding service to our organisation."

"Vaughan's expertise and insight have been invaluable following the global economic crisis of 2008. She has served as the globetrotter on our behalf as we've worked through financial reform and modernisation efforts both domestically and abroad. We wish [her] all the best as she proceeds to the next phase of her career."

David Moylan has been recruited as chairman to lead Marsh's newly created global surety practice.

Moylan—who has worked at Marsh for more than 25 years—previously held the role of chairman of the surety practice in the company's international division. He will continue to be based in Washington DC and report to Jim Pierce, chairman of Marsh's global industries.

Pierce said: "As a world leader in surety, Marsh's network of more than 200 surety specialists already provides clients with consulting and brokerage services in construction and commercial specialties around the world."

"In our continuing mission to deliver exceptional value to clients, the creation of Marsh's global surety practice is a crucial step toward aligning surety colleagues globally and enhancing the capabilities we can bring to our global and multinational client base," added Pierce.

Moylan added: "As global economic uncertainty continues, companies around the world are looking to manage their credit arrangements more proactively."

"By enhancing collaboration and innovation we will be able to assist clients across many industries manage their surety facilities more effectively. I am looking forward to leading our global team as we deliver the solutions that meet our clients' rapidly changing needs."

RenaissanceRe Holdings has named Kevin O'Donnell as its president and global chief underwriting officer.

CEO Neill Currie said: "O'Donnell has done an outstanding job at expanding our underwriting footprint, developing our talented team and instilling the disciplines and collaborative practices which will ensure that the highest standards of risk assessment and selection are maintained well into the future."

O'Donnell previously served as executive vice president and global chief underwriting officer and has been with the firm in positions of increasing leadership within the underwriting organisation since 1996.

Appointed president of Renaissance Reinsurance in 2005, O'Donnell has since managed all of the company's reinsurance operations, including property catastrophe, ceded and retrocessional, and specialty reinsurance.

In 2010, he assumed responsibility for RenaissanceRe's direct insurance operations, including at Lloyd's, and in 2011, for all assumed risk across the enterprise, including the company's ventures unit.

Governor Nikki Haley has appointed **Ray Farmer** as the new director of the South Carolina Department of Insurance, citing his private sector experience as the key factor in her decision. Farmer will take over as interim director, pending his confirmation by the senate.

Farmer worked for 33 years for the American Insurance Association (AIA), a property and casualty association as the Southeast region vice president.

He has specialised in property and casualty but "understands there is a captive audience out there that he is ready to help", said a statement from the department.

Prior to his AIA appointment, Farmer worked for the Georgia Insurance Department.

Candy Holland, managing director of Echelon, has been named deputy president of the Chartered Institute of Loss Adjusters (CILA).

Holland said that loss adjusters play a crucial part in the claims process, stating: "Whether representing insurers or policyholders, their involvement is an essential ingredient in assisting policyholders when they have suffered a loss. The CILA plays a pivotal role in leading the profession with nearly 5000 members in the UK and overseas ... I am also delighted to be the first female elected deputy president."

Members of the CILA are independent claims specialists who operate under a Royal Charter to investigate, negotiate and support the settlement of insurance and other claims on behalf of insurers and policyholders.

Holland is the managing director of Echelon Claims Consultants, a loss adjusting company that represents policyholders in the settlement of large and complex losses.

Sparta Insurance Company has recruited **Tom Colosi** as senior vice president of underwriting, effective immediately.

"The addition of Colosi with his nationally recognised expertise and strong professional reputation in captives and specialty programmes reinforces Sparta's commitment to being an industry leader in these markets," said George Estes, Sparta chairman and CEO.

Most recently, Colosi led The Hartford's countrywide group captive programme business. In addition, he previously held positions of increasing underwriting and management responsibility at Travelers, Kemper, and Liberty Mutual. **CIT**

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