captive insurance times
The primary source of global captive insurance news and analysis
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captive insurance times

contents

NC Update p10

Debbie Walker of North Carolina Department of Insurance explains why the US state is among 2017's best performers

US Roundtable p14

US captive insurance association leaders discuss the present challenges and future of the business, as federal policy confuses and SME growth continues

Financial Institutions p20

Captive insurance is a natural fit for financial institutions and they will continue to dominate the market

Medical Stop-Loss p22

Given the level of interest and consistency—even in very soft medical stop-loss conditions—Phillip Giles of QBE North America expects sustained growth for both single-parents and groups

Board Governance p26

Michael Zuckerman of Temple University Fox School of Business makes the case for a captive insurance company independent board director

Investment Management p28

What should a captive look for when hiring a firm to manage its portfolio? Stephen Nedwicki of Comerica Bank takes a look

Risk Strategies boosts employee benefits offering with acquisition

Risk Strategies has expanded its employee benefits consulting services with the acquisition of specialist life and health benefits firm Anderson Corporate Solutions.

The acquisition of the Georgia-based company will add to Risk Strategies's existing local presence in southeast America.

Anderson Corporate's employee benefits consulting practice specialises in serving the needs of architectural and engineering firms.

Its products range from core benefits plan design to voluntary benefits and wellness programmes, as well as international health insurance.

John Greenbaum, national employee benefits practice leader at Risk Strategies Company, commented: "Aligning business objectives with employee needs is a complex undertaking."

He added: "Joining forces with a company that understands those complexities and navigates them successfully time and time again will only strengthen Risk Strategies's own offerings. Anderson expands our ability to provide clients in the southeast with proven experts who can simplify their challenges."

Fred Nash, principal of Anderson Corporate, said: "Our business has thrived because it has been built on the value of specialisation."

"Becoming part of Risk Strategies Company allows us to continue with that focus, while bringing a scale of national resources and extended expertise to benefit our client base and enhance our competitive position in the market."

Risk Strategies also appointed Kate Genovese and Pauline Sobelman to its employee benefits practice group, expanding its New York-based team.

Michael Burns to receive Fred Reiss Lifetime Achievement Award

Michael Burns, a Bermudian corporate lawyer, has been chosen to receive the second Fred Reiss Lifetime Achievement Award.

The award, to be presented at this year's Bermuda Captive Conference in September, is named in honour of Fred Reiss, a pioneering Ohio engineer who conceived the idea of self-insurance, by which corporations could manage their own risks through a dedicated subsidiary.

Burns, a former senior partner, executive board member and global group general counsel of Appleby, now runs his own consultancy, advising clients on local and international business matters.

He has also led several corporate law reform initiatives on behalf of the Bermuda Insurance Management Association and the captive sector.

Conference chair David Gibbons said: "Michael Burns has made a very impressive contribution to Bermuda's corporate landscape over many years. In particular, the Lifetime Achievement Award highlights the innovative work he has carried out to forge progressive change to benefit our captive insurance industry and Bermuda's whole marketplace for years to come."

Commenting on the award, Burns added: "I'm humbled and delighted to have been selected to receive this award from the Bermuda Captive Conference."

"The Bermuda market's forward momentum is the product of collective effort and collaboration among many of our industry fellows and partners. I am pleased to accept the award on behalf of all those—captive managers, clients and colleagues among them—upon whose efforts, creativity and continued collaboration the future of the vital captive sector depends."

The conference launched the award last year to celebrate the collaboration of outstanding captive insurance industry professionals. Last year, Jill Husbands, former chair and managing director of Marsh IAS Management Services Bermuda, was selected as the winner.

Excellent ratings for Nuclear Electric captive insurer

A.M. Best has affirmed the financial strength rating of "A (Excellent)" and the long-term issuer credit rating of "a+" of Nuclear Electric Insurance Limited.

Nuclear Electric Insurance provides the entire nuclear utility property insurance coverage in the US.

The ratings reflect Nuclear Electric Insurance's capital position, operating strategy, enterprise risk management culture and its position in the US nuclear power generating industry.

Partially offsetting the positive rating factors are the company's primary focus on catastrophic property risks and related business interruption claims, and according to A.M. Best, the financial stress could cause the unlikely event of two full-limit losses.

A.M. Best said: "Despite the recent positive results, the company has reported volatility in underwriting results in recent years due to claims activity. Nonetheless, Nuclear Electric Insurance Limited's risk management programme is strong and is designed to manage risks within the company's defined tolerance levels. Nuclear Electric Insurance also maintains a comprehensive loss prevention programme."

Offsetting rating factors are the company's reliance on one market and two principal product lines, as well as the earnings volatility.

However, the rating agency explained that these factors are reflective of a captive insurer focused on a particular niche market supported by its members.

A.M. Best suggested that profitability in underwriting results over the long term is a key rating driver that could lead to positive rating action.

Superior ratings for MedGroup Pro

A.M. Best has affirmed financial strength rating of "A++ (Superior)" and long-term issuer credit rating of "aa+" of the members of MedPro Group.

The ratings apply to The Medical Protective Company, its affiliates Princeton Insurance Company, PLICO, Commercial Casualty Insurance and Atlanta International Insurance Company, as well as its two reinsured affiliates, MedPro RRG Risk Retention Group and AttPro RRG Reciprocal Risk Retention Group.

According to A.M. Best, the ratings reflect MedPro's excellent balance sheet strength, long-term operating performance, and the significant market position it maintains in the medical professional liability sector.

The ratings benefit from the explicit and implicit financial support provided by the ultimate parent, Berkshire Hathaway, including reinsurance investment opportunities and capital support.

The ratings agency suggested that partially offsetting these ratings are the challenges involved with being a mono-line medical professional liability insurer.

UK government unveils ILS rules

The UK Treasury has published new rules for insurance-linked securities (ILS) as the country aims to grab a share of the rapidly growing market.

The rules allow for insurance and reinsurance firms to transfer risks to the capital markets, meaning that they can be managed more effectively for businesses and consumers.

The regulations will be presented to Parliament after the summer, ready for final implementation later this year.

The introduction of ILS legislation was delayed after UK Prime Minister Theresa May called for the snap general election that was held in early June.

Over the past 18 months, the Treasury has worked with the Prudential Regulation Authority, the Financial Conduct Authority and the London Market Group's ILS taskforce to develop regulations that will implement a new ILS regime in the UK.

Following the government's initial consultation on ILS, the second consultation, published in November last year, proposed to create a protected cell company (PCC) regime for multi-arrangement insurance special purpose vehicles (ISPVs).

The consultation said that multi-agreement ISPVs are permitted under Solvency II, however, the core requirements of the directive "will apply in respect of each individual contractual arrangement".

It stated: "The proposed UK PCC regime is designed to meet these Solvency II requirements through a strict segregation of risk transfer contracts, therefore providing confidence to cedants and investors that deals will be robustly segregated. It will also provide an administratively efficient means for managing multiple deals from one ISPV."

According to the government, PCCs introduced under the Risk Transformation Regulations will only be available for use as authorised ISPVs.

Some consultation responses argued that a protected cell regime would "add value" across a range of financial services activities.

Respondents also suggested that PCCs should be available as a corporate structure for other regulated activities.

But the government said it will keep the potential broader use of PCCs "under review, but will not extend the purpose of PCCs at this stage".

In terms of taxation, the UK government has proposed implementing a bespoke tax regime.

This will involve exempting the insurance risk transformation of ISPVs from corporation tax, a complete withholding tax exemption for foreign investors, and UK investors being taxed as normal.

The UK's aim is to "create a regime that is internationally competitive and in line with the UK's move towards a territorial tax system".

Stephen Barclay, economic secretary to the Treasury, said: "This new bespoke regime for ILS will ensure the UK remains the most competitive insurance and reinsurance hub in the world. This global business is evolving rapidly and we are determined to make sure we're part of this evolution."

Malcolm Newman, chair of the London Market Group's ILS taskforce, added on the new proposed regulations: "The new ILS framework offers a very exciting future for the London Market to continue to deliver innovative new products that make a real difference."

"I am proud that the LMG has helped lead the development of these proposals."

He said: "We believe there is a real appetite in the London Market to invest in ILS products, which will bring investors to the UK and make a significant contribution to growing the UK's trade."

OECD issues CbC reporting guidance

The Organisation for Economic Co-operation and Development (OECD) has provided further guidance on the implementation of country-by-country (CbC) reporting under its framework on base erosion and profit shifting (BEPS).

The new guidance was released to give certainty to tax administrations and multinational enterprise groups on the implementation on CbC reporting according to BEPS Action 13.

As part of Action 13, large multinationals have to provide an annual report, the CbC report, breaking down key elements of the financial statements by jurisdiction.

The original BEPS Action 13 report laid out the template for multinational enterprises to report annually and for each tax jurisdiction in which they do business.

Earlier this year in May, the OECD announced that more than 700 automatic exchange relationships have now been established among jurisdictions committed to exchanging CbC reports in the 2018, including EU member states.

Fifty-seven countries have committed to CbC reporting, under three agreement models designed for jurisdictions to mutually agree the scope of the automatic exchange of information.

The OECD said in a statement: "[The] wave of activations of country-by-country reporting exchange relationships is an important step towards the timely implementation of country-by-country reporting and reflects the commitment of jurisdictions around the world to the fight against base erosion and profit shifting."

In June, the Federation of European Risk Management Associations released guidelines for captive insurance and reinsurance arrangements to ensure a consistent implementation of the OCED's recommendations on BEPS. The guidelines were published to support national administrations when transposing BEPS actions into their national laws.

They cover three areas, commercial rationale, substance and governance, and transfer pricing—all areas that were questioned by OECD members during the implementation stage of the BEPS actions published in 2015.

Modelling needed for development of cyber ILS market

Better modelling and pricing metrics are needed before the insurance-linked securities (ILS) marketplace is introduced to cyber risk transfer, Florian Heimann of AIR Worldwide has said.

Heimann, who was speaking at Guernsey Finance's ILS event in Zurich, said it would take time for ILS managers to become comfortable with cyber modelling.

He said: "Cyber is a pretty new peril and, in contrast to natural catastrophe models, people are simply not used to it yet."

"Natural catastrophe models have been used extensively for more than 15 years and people feel comfortable with assessing their risks based on those models. For cyber, this comfort is in the process of building up, and I would guess something that has to build up slowly."

Heimann noted that there is data on 23,000 breach events, which helps when looking to develop models. However, he reminded delegates that it is "somewhat unfair" to directly compare natural catastrophe and cyber as historical events cannot be depended on to inform cyber models to assess actual risk.

He explained: "The pretty straightforward geographic aggregation that can be applied in natural catastrophe models cannot be applied in cyber models. If you have one house destroyed by a hurricane, chances are pretty high that the house next door will be affected by the same hurricane. For cyber, you would need to aggregate by more complex and more abstract features. Things like which operating systems are used, or on which third-party providers do you depend?"

US plans to sign covered agreement

The US Treasury and the Office of the US Trade Representative have revealed their intent to sign the bilateral agreement between the US and EU regarding insurance and reinsurance.

The US didn't confirm when it would sign the covered agreement. The US administration plans to issue a policy statement on implementation soon.

In a statement, the US Treasury said: "This is an important step in making US companies more competitive in domestic and foreign markets and making regulations efficient, effective and appropriately tailored."

"Furthermore, the bilateral agreement benefits the US economy and consumers by affirming America's state-based system of insurance regulation, providing regulatory certainty, and increasing growth opportunities for US insurers."

The European Council authorised the signing of the US-EU covered agreement at a meeting in May.

The covered agreement eliminates collateral and local presence requirements for qualified reinsurers and meaningfully streamlines group supervision requirements for insurers and reinsurers operating in both jurisdictions.

Without a signed agreement, US companies would have been unable to renew or write new business in the EU without first establishing a local presence in each EU member state in which they intend to write business.

Frank Nutter, president of the Reinsurance Association of America, commented on the announcement: "We thank the many individuals in the federal and state government who worked tirelessly during the past two years to advance this important initiative."

Nutter added: "The covered agreement enhances the ability of US companies to do business in the EU. The US and EU are establishing a model of regulatory cooperation that other jurisdictions should follow."

The US-EU covered agreement has not been without criticism, most notably from the National Association of Insurance Commissioners (NAIC), which was an observer to negotiations.

The NAIC raised concerns about not being able to vote on the decision to go ahead with the US-EU covered agreement, and around transparency, and is concerned about the provision in the agreement for foreign jurisdictions to have regulatory authority over a US company.

Arkansas captive tweaks a 'positive step forward', say lawyers

Recent modifications to the captive insurance law in Arkansas are "a positive move forward to support and grow" the industry in the state, according to Zachary Steadman and Jeffrey Thomas of law firm Mitchell Williams Selig Gates & Woodyard.

Arkansas governor Asa Hutchinson signed Act 370 into law earlier this year, making a host of changes to the state's captive insurance law.

In their analysis of the changes, Steadman and Thomas pinpointed the introduction of incorporated protected cells, new flexibility in organisational structures, allowing mergers and conversions, the removal of fronting requirements for sponsored captives, and the option of a dormant status, as key changes.

"Act 370 helps Arkansas compete with other captive domiciles in an effort to create new captives or redomesticate captives to Arkansas that may have previously chosen a different state to form their captive insurance company," they wrote in their analysis.

"Passage of Act 370 strengthens the existing benefits of owning and operating a captive insurance company. This is a positive move forward to support and grow the captive insurance industry in the state of Arkansas."

Notice 2016-66 missing from interim Treasury tax regulation list

Notice 2016-66 is a notable absence from the US Treasury's Donald Trump-ordered review of tax regulations, despite the Self-Insurance Institute of America (SIIA) asking for its inclusion.

The Internal Revenue Service (IRS) published an interim list of eight regulations that the Treasury is examining ahead of its full report, which is due by September.

President Trump ordered the review of new tax rules issued on or after 1 January 2016 that "impose an undue financial burden on US taxpayers, add undue complexity to the federal tax laws, or exceed the statutory authority of the IRS".

In June, SIIA wrote to the Treasury to request Notice 2016-66 be included on the list of US tax rules to be reviewed.

SIIA claimed in its request to the Treasury that Notice 2016-66 meets "several of the criteria" outlined in the president's definition of regulatory burdens.

Notice 2016-66 labelled most captives that take the 831(b) election as "transactions of interest" and required them to provide extensive reporting for the past 10 years by 1 May of this year.

SIIA's members argued that the notice placed a significant burden on the captive insurance industry. The average cost for a captive to complete its notice reporting was $9,257, compared to a typical range of $1,000 to $4,000 to file a federal tax return.


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GO NORTH,
WHERE THE
CAPTIVES ARE

Debbie Walker of the North Carolina Department of Insurance tells Becky Butcher why the state is among 2017's standout performers

How is captive insurance benefiting the State of North Carolina?

Last year, the North Carolina captive insurance industry experienced rapid growth, with the captive industry making a $23 million economic impact on the state.

Since the launch of the state's captive insurance programme more than three years ago, the industry has seen significant growth each year. In 2015, the economic impact of captives was $15.3 million, while the impact in 2014 was $2.5 million.

Last year, the number of captive insurers in North Carolina more than doubled, and the number of cells and series approved increased by more than 50 percent.

The state now has more than 550 risk-bearing captive insurance entities under the regulation of the North Carolina Department of Insurance. At the insurance department, we estimate that the state's favourable business environment for captive insurers has brought 60 new jobs to the state.

Businesses are also finding the state's regulation a plus when selecting a jurisdiction in which to domicile a captive insurance company. Our captive law provides for low formation and operations costs, and our customer service is second to none.

What else makes North Carolina stand out from others in the US?

While providing for prudent yet reasonable oversight, North Carolina's captive insurance law offers flexibility for a captive insurer domiciled in the state.

North Carolina's law provides the commissioner with discretion to regulate each captive insurer based on its risk profile while also eliminating duplication. For instance, one way in which duplication is eliminated is the captive insurer may obtain a waiver, on a case by case basis, from the annual report filing requirement if the insurer complies with the independent certified public accountant audit requirements.

The law provides for a low regulatory cost for the formation and operation of North Carolina captive insurers. The insurance department doesn't charge any fees to captive insurers—there is no application fee, business plan change fee, or annual fee—providing another incentive for insurers to domicile in North Carolina, although it's worth noting there is an application fee for a special purpose financial captive insurer. Our premium tax rates are competitive with other jurisdictions.

The insurance department uses its in-house analysts, examiners, and actuaries in the review of applications, business plans, and other insurer filings submitted for approval. In-house resources are also used to conduct examinations. Because these functions are not outsourced, this is a cost savings for captive insurers.

One of the primary ways in which North Carolina is distinguishing itself is through its customer service to the captive insurance industry. Applications and other filings submitted to the department for approval are timely reviewed and staff members are responsive, available and accessible to the industry.

What was the outcome of the 2017 legislation session and how will these updates help develop the state's captive insurance industry?

During the 2017 legislative session, the North Carolina General Assembly approved funding for three additional positions to help the insurance department with its oversight and development of the captive insurance market. The addition of those positions will assist the department in continuing to provide proper regulation of and outstanding customer service to the captive industry.

What sessions are you most looking forward to at the North Carolina Captive Insurance Association Annual Conference?

Mike Causey, the state's commissioner of insurance, and our captive insurance regulatory team will be very involved in this year's North Carolina Captive Insurance Association Annual Conference taking place between 21 and 23 August in Charlotte.

We are looking forward to presenting and participating in a number of sessions. The first will take place on 21 August in the 101 Fundamental Seminar in which I will be speaking along with representatives of River Oak Risk and Culp, Elliott & Carpenter.

Next, our team will present during the opening general session and we will share information about 2017 changes that have taken place at the insurance department, our captive insurance regulatory process and approach, and the status of our programme and how it has developed since its inception in 2013. Then, our captive team will have a special presentation that we hope will be entertaining yet informative.

Commissioner Causey will provide the luncheon speech on 22 August, and several members of our team, including Michael Arcangel, Rick Kohan, Matt Mascia and Leane Rafalko, will be participating in other sessions throughout the conference.

Our team will be exhibiting at the insurance department's booth throughout the conference and we look forward to seeing and speaking with all of the conference attendees. **CIT**

Debbie Walker
Deputy commissioner
North Carolina Department of Insurance

Firm, fair, and flying

Ahead of the VCIA Annual Conference, new director of financial services, Ian Davis, tells Becky Butcher how the state is working to be more appealing as a domicile without compromising its standards

Congratulations again on your new role. What are you currently working on?

Right now, I am gearing up for the Vermont Captive Insurance Association (VCIA) Annual Conference. There is a lot of preparation that goes into the event, including scheduling meetings with prospective captive owners, and I want to ensure that the state is well represented. I am looking forward to being as active and engaged as possible throughout the conference, meeting with potential captive owners, as well as captive managers and their clients who are looking at Vermont as a domicile.

What trends are you seeing in Vermont? Are you still seeing a lot of interest in the state?

Absolutely. It has been a great start to the year. At the end of 2016, Vermont had 26 new captives that were formed despite a soft market and competition. That momentum has continued and there remains an active pipeline of activity. In fact, we are expecting licensing figures to be at or over 1,100 by the start of the VCIA Annual Conference, with close to 600 active captives. Vermont is well-positioned to continue to benefit from the needs of the marketplace and, as always, we will continue to invest in this valuable and important industry.

How will Vermont's new captive law to allow agency captives make the state more attractive?

Vermont's agency captive legislation illustrates how the state is constantly looking to develop new, innovative ways to maintain and enhance our position as one of the best places to domicile your captive insurance company. In addition to the agency captive provision, the legislation allows broader accounting systems, expands dormant captives and clarifies risk retention governance standards.

In Vermont, we strive to maintain firm and fair regulation. We work in collaboration with the VCIA and the Department of Financial Regulation, as well as others to develop legislation that together we think will benefit the industry and make Vermont more appealing as a domicile without compromising our standards.

Last year, when we were preparing for the upcoming legislative session, president Richard Smith and his team at the VCIA were hearing the call for agency captives, so we looked at the opportunities and proposed the legislation.

This process also allows our state legislators to play an important role to help shape the future of the industry.

What are you most looking forward to about this year's VCIA Annual Conference?

This will be my first VCIA Annual Conference, the industry's premier event, so I am very excited. The conference really affords us the opportunity to showcase everything Vermont has to offer. Having now spoken with many past conference attendees, I understand the hot topics session with deputy commissioner Dave Provost to be one of the better educational opportunities—I am certainly looking forward to it. CIT

Ian Davis
Director of financial services
Agency of commerce and community development for the State of Vermont


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ACTIVE CAPTIVE MANAGEMENT

The state of the US market: Uncertain federal policy but SMEs going strong

US captive insurance association leaders discuss the present challenges and future of the business, as federal policy confuses and SME growth continues

Norman Chandler

President

Alabama Captive Insurance Association

Thomas Adams

President and CEO

North Carolina Captive Insurance Association

Richard Smith

President

Vermont Captive Insurance Association

> The one truism about captives is they continue to be a flexible financial planning and risk mitigation tool that can meet the ever changing need of the business world—if you have seen one captive, you have seen one captive.
>
> **- Richard Smith, President, Vermont Captive Insurance Association**

How would you describe the current state of US captive insurance?

Norman Chandler: The market is stable and growing, although growth has slowed the last couple of years in the enterprise risk space. However, we have seen a pickup in more traditional captive formation. Is it looking good? We are thinking that long term, the market is going to continue to see growth, however, types and coverages will continue to change as market conditions warrant.

Thomas Adams: Captives in the US are still growing both in popularity and in numbers. When businesses take time to sit down and assess their insurance needs and then look at options to lower their cost for this part of their business, they are increasingly looking at the captive option. This indicates there is an acknowledgement on an increasing number of accountants, attorneys and insurance advisers that this is a plausible option for many companies. We also see this reflected, in our domicile, in the rapidly increasing formation of Internal Revenue Service (IRS) Section 831(b) captives.

Richard Smith: The amazing thing about the state of the US captive market is that despite underlying weaknesses in the overall insurance market, we still see growth in the captive industry. We are seeing growth in small- and medium-sized entities (SMEs) seeking some of the same advantages that used to be the preserve of larger organisations, but we are also seeing sustained interest in larger organisations across the industry spectrum. The one truism about captives is they continue to be a flexible financial planning and risk mitigation tool that can meet the ever changing need of the business world—if you have seen one captive, you have seen one captive.

SMEs are increasing their share of the captive market. What challenges are your SME members having to overcome to set up their own captives?

Chandler: I think US domiciles have done an excellent job of encouraging growth in captives for SMEs. The biggest challenge at this point is the uncertainty regarding tax policy and enforcement. Hopefully, that will become more settled over the next year. Another challenge is capitalisation. We think that the domiciles that base initial capitalisation on the type and volume of business are most apt to meet the needs of SMEs.

Smith: I feel like the risk management sophistication we used to see in only larger institutions is no longer a barrier to entry to captive insurance. A combination of increased knowledge in SME risk management programmes and the expertise of the captive industry's service providers has provided this capability.

For SMEs, the biggest challenge is the capital requirements that companies need to get started. However, with the growing use of group captives and sponsored cells, there are myriad ways an SME can take advantage of captive insurance programmes that also optimise scarce financial resources.

Adams: The biggest challenge to increasing micro- and mid-sized captives may be getting their owners to simply take the time from their schedules to look at what a captive may do for their business. There must also be a willingness to commit the financial resources necessary to do the study and then fund the setting up of their captive. Traditionally, some certified public accountants and attorneys have not taken the time they need to familiarise

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> **- Norman Chandler, President, Alabama Captive Insurance Association**

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>
> **- Thomas Adams, President and CEO, North Carolina Captive Insurance Association**

themselves with the intricacies of captive formation and simply do not know it is an option that perhaps could benefit their clients. In North Carolina, led by the North Carolina Department of Insurance, we have been working hard to get that word out in meetings around the state.

Captives with premiums of less than $2.2 million per year are attracting greater attention from regulators, perhaps as a result of this increase interest. What are your SME members telling you in light of this scrutiny?

Adams: IRS Notice 2016-66 was and continues to be bad news for small captives. We heard from our members loud and clear on this and undertook a strong initiative with the North Carolina congressional delegation to explain what this grotesque overreach by regulation will do to slow the growth of captives. It makes little sense for an anti-regulation administration to have let this rule go forward. It adds both cost and time to an industry that is more than adequately regulated at the state level. We will continue to work to roll back this regulation on the regulatory and congressional levels as well as with the courts.

Smith: When Congress increased the maximum premium volume from $1.2 million to $2.2 million for small insurers to take advantage of the 831(b) tax election, it was a bit of a double-edged sword. On the one hand, increasing the premium limit will allow thousands more SMEs to take advantage of the programme and should expand the use of captive insurance by a large factor. The 831(b) election has become an important captive structure, helping business owners appreciate that they can do more to manage risk than just buying traditional insurance coverage.

However, on the other hand, there are less-than-scrupulous financial advisers that are seeking to undermine the programme by marketing the 831(b) programme as a tax scheme. This has caused the hackles to be raised at the IRS, which has listed 831(b) transactions as a "transaction of interest", thereby giving captives a black eye and casts such a broad net that it will create unnecessary financial and regulatory burdens for captive owners and service providers. My hope is, that once and for all, we can eliminate the few bad actors in this area and open up captives more broadly to all SMEs.

Chandler: There is nervousness among potential new captive owners regarding federal tax matters. Existing owners are generally more worried about the increasing costs of compliance due to the federal requirements. On a state level, the greater attention has created more competition among domiciles. We think this has been effective and an overall positive for captive owners. The competition has helped keep costs under control at the state level and has encouraged creative resolutions to problem solving. Once downside to more small captives at the state level is the demand on state examiners. We've started to see some states get a little taxed in trying to keep up with the examinations required under state law.

The Fortune 500 segment has evened out. How are they becoming more sophisticated as insurers? Where are you seeing innovation?

Adams: As a relatively new domicile, we have seen a slow growth in our large captive population led by a number of companies choosing to redomicile here. The main difference between large captives and the micro captives is that the larger ones are able to look at risk management, claims management and operations in more detail. As smaller captives learn from one another, we would expect them to come together to develop best practices that will allow greater sophistication by all captives.

Chandler: We are seeing most of the innovation in management of employee benefits. Most of these captives are more affected by market conditions. We've seen some of these greatly reduce workers' compensation risk in the captive recently due to such a soft market. We think workers' comp will start to turn in the next two years. However, these captives should stay nimble to take advantage of market conditions.

Smith: One area of innovation is that new technology is currently being used to mitigate risk in different industries. With advances in technology, companies are discovering new and innovative ways to control costs, improve effectiveness of resources and compete more successfully. As the availability, speed and accuracy of data increases, companies have a greater ability to measure performance, highlight previously unforeseen risks and prevent losses.

Growth in cyber liability insurance policies to deal with increasing cyber threats and potential costs of a breach is another hot topic. Captives can help institutions create best practices for avoiding breaches, mitigating breaches, and responding to the inevitable breach.

More seasoned captive owners are seeking to add employee benefits and medical stop-loss coverage in their captives. And, in general, these organisations are seeking new ways to optimise their captive's risk profile by developing a framework to properly measure and benchmark captive operating performance specifically related to the owner of the captive. Captives change and adopt new capital, finance and underwriting strategies in alignment with the changing needs of the captive owner insureds. **CIT**

Banking on it

Becky Butcher finds out why captive insurance is such a natural fit for financial institutions and how they will continue to dominate the market

A recent Marsh Captive Landscape report revealed that financial institutions led the way in the captive insurance market last year, with a 24 percent share. Financial institutions also reported premium volumes of approximately $24.6 billion, and a surplus of around $40.05 billion.

"Financial institutions have had the greatest share of the captive market for as long as Marsh has produced the Captive Landscape Report, which is now in its tenth year," says Ellen Charnley, global sales leader for Marsh's global risk and specialties division.

"We work with a lot of financial institutions that use captives for a number of reasons. Primarily, financial institutions use captives to fund corporate risk, particularly professional liability risk, which is an important exposure in the US."

Captives are a "natural fit" for financial institutions, particularly banks, as they have a risk financing mindset that is arguably "more advanced" than some other industries.

"They understand the nature of building surplus in a regulated entity, and perhaps have a better handle on the tax implications than some other industries," Charnley says.

Financial institutions have been using captive insurance companies since the early 1990s and, in that time—throughout the different business cycles of hard and soft markets and the regulations surrounding captive insurance companies—have benefitted in a number of ways.

James Sheriff, shareholder in the financial institutions and banking and finance groups at law firm Reinhart Boerner Van Deuren, points to the US State of Indiana as a good example of the dominant participation of financial institutions in captive insurance.

He says: "If we look at Indiana, where a bank captive programme was incubated some years ago with the Indiana Bankers Association, more than 85 percent of banks with more than $1 billion in assets now have captives in place. This signals a large opportunity for growth throughout the country in managing enterprise risk."

Bill Mourelatos, director at Aon Captive & Insurance Management, explains that, in the same vein as other large corporations, financial institutions with sizeable exposures are using captives to self-insure these exposures more efficiently than they would when purchasing commercial insurance, with a real driving force to reduce premium spends.

Bank risk exposures are constantly changing and evolving, with new risks such as cyber, political, reputational and other non-traditionals emerging.

In most cases, commercial carriers are unable to provide the right solution to cover these kinds of risks. Mourelatos says that a captive can bridge the gap by allowing banks to insure these risks or ringfence them, and for offloading to specialty reinsurers.

Mourelatos also says that larger banks have for more than a decade utilised their captives to strengthen client relationships. Many banks are packaging or offering ancillary lines of insurance products, such as life, health and disability, and travel, with other financial products, including credit cards and financial planning products, in an effort to be a one-stop provider to their retail client base.

Many financial institutions are also using captives to insure unfunded risks. These include deductible layers, difference in condition coverage, and some limited excess layers, according to Sheriff.

He says: "As a bank grows and makes acquisitions, they are typically seeking to adjust their commercial insurance programme and retain more risk through higher deductibles in order to save on commercial premium. Also, banks are covering some emerging risks where commercial coverage is not yet available or competitive. There are typically significant tax benefits provided by these programmes."

Larger financial institutions that self-insure their employee benefits and workers' compensation can utilise a captive to increase their stop-loss attachment point, insuring some layers of risk at the captive, and significantly reducing their commercial stop-loss premiums, adds Sheriff.

Some of the more "forward-thinking" banks and financial service providers are using their captives as profit centres, Mourelatos suggests. While some revenue streams have been shut down by regulators, others are still emerging.

He comments: "One area that may become more prominent is where large commercial lenders are using their captives to insure property exposure on projects that they are financing."

Mourelatos predicts that the future use of banking captives will be driven by the size of the institution.

He says: "For smaller community banks that have historically not used captives as they struggled to meet risk distribution and risk transfer hurdles, the Protecting Americans from Tax Hikes Act provides them an opportunity through risk pools to use micro captives to insure risk and obtain the advantageous tax benefits that were not previously available."

Larger financial institutions will continue to seek ways to generate new revenue streams from their existing captives as well as insure uninsurable business risks such as credit and interest.

Mourelatos concludes that if regulators continue to target banks and other financial institutions for past practices, there could be an increase in captive use as commercial insurers will tighten capacity and require higher deductibles.

Agreeing with Mourelatos, Charnley suggests that the dominance of financial institutions in the captive market will continue in the foreseeable future.

However, she predicts that the communications and technology industry, which reported $4.8 billion of premium volume and $8.37 billion of surplus in 2016, could eventually "challenge the spot"—in terms of premium volume written, because it is writing the same kind of customer risk.

Charnley says: "That could really start to flip the scale, although I don't see that happening for a number of years. I think financial institutions will continue to dominate."

Josh Miller, CEO of KeyState, who also sits on the Nevada Captive Insurance Association board, says he has already seen a steady increase in the use of captives by mid-size institutions.

Miller comments: "As banks see their peers implementing captive insurance structures and as their primary regulators become more familiar and comfortable with the structures, I anticipate continued adoption of the structure by financial institutions."

He adds: "The formation and operation of a captive by a financial institution requires unique and specific knowledge of financial institutions and their regulatory confines. It's important that banks work with regulatory counsel familiar with captives when forming one."

"It is also suggested that banks work with service providers that have significant experience working with financial institution captives." **CIT**

Phillip Giles

Vice president for sales and marketing

QBE North America

A healthy state

Given the level of interest and consistency—even in very soft medical stop-loss market conditions—Phillip Giles of QBE North America expects sustained growth for both single-parents and groups, as he tells Becky Butcher

What have you seen in terms of recent developments in the self-funded healthcare market and how have they affected captives?

Although growth in the self-funded employee benefit healthcare market has stabilised over the past year or so, the use of captives for medical stop-loss continues to be one of the most active growth segments within the alternative risk industry. Large single-parent captives continue to add medical stop-loss, and group captive growth among mid-sized employers continues to be quite robust.

The most interesting market developments have actually been within the medical stop-loss market itself, which is undergoing a significant evolution. There is a very definitive trend of the big medical stop-loss writers getting bigger. In 2010, the medical stop-loss market was estimated to have been an $8 to $10 billion industry with 70 percent of that market being controlled by the top 25 writers of the coverage. The medical stop-loss industry is now estimated to be between $14 and $17 billion, with 70 percent of the market now being consolidated among the top 10 largest writers.

The growth in medical stop-loss market volume is commensurate with the growth in self-funding, but I find the consolidation in volume among a smaller group of carriers especially intriguing—but not surprising from a macroeconomic perspective.

What is driving the changing composition of the medical stop-loss market?

The healthcare environment is highly volatile and the medical stop-loss market extremely competitive—the stakes for writing profitable business have become much higher since the implementation of Affordable Care Act.

Over the past few years, I have maintained that medical stop-loss, even as a shot-tail line of business, increasingly needs to be written by carriers with (underwriting expertise and market experience notwithstanding) both the institutional strength and a medical stop-loss portfolio large enough to absorb the growing frequency of large losses, especially multi-million dollar individual claims.

There is a definitive migration away from smaller carriers and especially managing general underwriters (MGUs) by larger brokers. It doesn't take much to envision what can happen to affect the operating stability of a $25 million or even a $50 million MGU, leveraged by its issuing carrier and reinsurers, after experiencing even a few multi-million dollar claims. Even though there have been some new MGU market entrants over the past few years, more have either been absorbed by or sold to carriers, effectively becoming blocks of assumed direct-written premium for the carrier. A few prominent carriers have also recently entered the medical stop-loss market, either from scratch or through the purchase of MGUs, but they have yet to stabilise significant positioning in this segment.

There has also been a trend of brokers forming preferred medical stop-loss carrier panels, which has further consolidated the amount of medical stop-loss business among larger carriers. Again, the larger writers will continue to accumulate market share and the smaller writers and especially MGUs will face increasing headwinds in remaining competitive.

Given the current market dynamics, what sort of savings can be expected for medical stop-loss premiums through a captive?

The real focus of a medical stop-loss captive should not be about reducing the pricing of the stop-loss coverage itself, although long-term stabilisation of stop-loss costs is one of the objectives. The captive only changes the way that the insured structures assumed segments of risk, including layers of stop-loss. The pricing of the actual risk does not change, it's only the entity holding defined segments of the risk that changes.

> The captive is really a mechanism to facilitate more efficient retention of self-funded risk. Formalising layers of retained risk into medical stop-loss coverage allows the captive owner to accumulate surplus that can then be deployed in different ways to reduce the employer's overall cost of delivering healthcare benefits to employees.

The primary exception would be if the captive itself is able to issue the stop-loss policy, which is typical for a single-parent but more difficult for a group captive. If the captive is able to issue the policy, and purchase medical stop-loss in the form of reinsurance, as opposed to an excess insurance policy, some of the related policy expenses (such as fronting fees, collateralisation, and taxes) can be eliminated or reduced. That would be an instance for reducing the actual cost of the stop-loss.

The captive is really a mechanism to facilitate more efficient retention of self-funded risk. Formalising layers of retained risk into medical stop-loss coverage allows the captive owner to accumulate surplus that can then be deployed in different ways to reduce the employer's overall cost of delivering healthcare benefits to employees.

Keep in mind that the focus really needs to be on what can be done to control and reduce the risk within the underlying benefit plan to generate greater loss-cost savings. Reference-based pricing, direct provider contracting, increased use of narrow networks and accountable care networks (ACOs) and domestic 'medical tourism' are examples of increasingly popular strategies being implemented by self-funded programmes to reduce healthcare charges. Even a change to a more appropriate provider network can yield significant loss cost-savings. As the captive achieves efficiency and reduces losses over time, the stop-loss costs will also stabilise if not actually be reduced.

Growth has been especially robust in group captives. What are some of the primary considerations for evaluating group captives?

There are two general types of group captives. The first is a tightly-controlled, 'closed' group of employers that form their own group captive. The second is an 'open-market' (typically heterogeneous industry composition) captive that is open to outside membership. With both structures, the basic carrier considerations are generally the same as they would be for a single (traditional) self-insurer selecting a medical stop-loss carrier.

The tightly-controlled 'closed' groups have fewer member-employers (with a higher average member size) and will typically work with a direct-writing (re)insurer to develop a customised ceded risk-sharing arrangement for specifically designated layers of risk. They usually require less in terms of programme service components and can have a more efficient expense structure. With fewer participants, active engagement among members is higher and each member has a greater level of persuasive influence in the directional control of the captive.

The more prevalent 'open-market' groups tend to be more prepackaged and operated by third-party programme administrators (PAs) or MGUs. It is important for a self-insured employer to understand that a PA does not have the same level of control that is provided by a direct-writing carrier. These entities will only have the level of authority that has been delegated from the issuing carrier. Any decisions outside of the PA's designated authority level, in terms of underwriting, administrative and claims decisions, will ultimately come from the carrier and/or the carrier's reinsurer.

This reduces the level of control to the captive and participating employers in terms of overall programme direction and management. The programme structure also adds additional expense which ultimately reduces the programme's profitability on a net basis. In some cases, this is not a huge concern, but is something that needs to be considered.

From my perspective, expense transparency is a major consideration when evaluating PA managed group programmes. My strong recommendation is to avoid any programme that does not provide a detailed and unbundled disclosure of the gross-to-net expense structure with complete transparency. Typical fees include fronting fees, reinsurance, taxes, brokerage commissions, and PA management fees. The more fixed expenses charged to the programme, the less that is ultimately available to pay claims, be retained as surplus, and eventually returned to participants as profitability dividends. A discerning approach needs to be taken when evaluating programmes, especially with regard to expense structures approaching the mid 30 percent-plus, range which is pretty common.

Other evaluation considerations should include:

- Length of tenure with the current (and any prior) carriers: Speaks to the stability of the programme
- Underwriting guidelines for new members: Admittance standards, minimum acceptable loss history, and so on
- Member requirements for participation in risk reduction programmes, wellness initiatives, and so on
- Exit parameters: Are there any handcuff provisions such as surplus forfeitures? What is the timeline for return of collateral?
- What is the voting voice of members? Do they have input on direction, structure, surplus allocation, membership standards and service providers?

Where do you think the medical stop-loss captive market is headed?

I'm quite bullish on continued expansion. Given the level of interest and consistent growth—even in very soft medical stop-loss market conditions—I can only envision sustained growth for both single-parents and groups. Regulatory and healthcare economic uncertainty will also continue to drive self-funded healthcare and increase the use of captives for medical stop-loss. **CIT**


RISK

Before the independence drops

Michael Zuckerman of Temple University Fox School of Business makes the case for a captive insurance company independent board director

Why does a single parent or group captive insurance company need to expend the time and expense to find truly independent board directors. After all captives are unique entities. They are created to insure their owners' risks. The captive owner, or owners, is the captive's key stakeholder. Isn't it a best practice, therefore, to have shareholder insiders direct the captive to ensure that it provides the coverage the shareholder, also known as the member insured, needs at terms within its risk appetite?

Furthermore, the captive is regulated, hires an independent auditor, employs an actuary to certify its reserves, and uses a captive manager approved by the captive domicile regulator. What could go wrong? Perhaps nothing. There are multiple layers of regulation. But the captive directors are also often torn by competing interests: their responsibilities as shareholder employees, and having the duty to act in the best interest of the captive, and its stakeholders. For some, this begs the question of whether it is time for captives to appoint independent directors before regulatory forces takeover and mandate it.

It is important to first understand what an independent director is. According to the Stanford University Business School Corporate Governance Initiative, outside directors are those who are not employees of the firm, contribute to the organisation by advising management on strategy and operations, drawing on their professional experience, and they monitor the company to ensure that executives act in the interest of the shareholders. And Stanford defines independent directors as outside directors with no material relationship to the company, as defined by the New York Stock Exchange listing requirements.

These definitions create a foundation from which a captive shareholder can justify the addition of a truly independent director on the captive board regardless of whether it is a single parent or group captive. Board skill, experience, objectivity, independence and transparency after all are the keystones of good governance.

Having said this, who does the captive board have a duty to? Is it:

- The captive owner/shareholder?
- The member insured?
- The claimants?
- The captive?

The answer is all the above. But the board cannot make decisions for the captive that are in the best interest of the shareholder to the detriment of the captive. Again, herein lies the problem. A captive, whether owned by one or multiple shareholders, is a regulated legal entity. It has its own stakeholders beyond the shareholder such as regulators, professional service providers, insureds and claimants. And, again, in most cases, the captive directors are employees of the shareholder, the member insured, with management responsibilities.

Under these unique circumstances, can the inside board member successfully, without conflict, wear two hats? One while executing the business of the member insured, and the other one while making decisions at a captive insurance company board meeting?

There are even more important factors, however, that drive this need. The world of risk management is becoming a more complex and challenging place. Climate change, income inequality, terrorism, the growing need for skilled labor, global supply chains, a flatter world, and growing political risk are driving captives to become more responsive to their member insureds to provide more efficient and effective solutions to manage these threats and opportunities.

So, what does an independent director bring to the table? This depends upon his or her background and experience. Appointing an independent director for the sake of independence alone is short sighted. This individual should have the below experience and credentials to make an impact.

- Understand the alternative risk financing and transfer industry, specifically captive insurance
- Can apply risk management knowledge to enable the captive, and its member insured, to more efficaciously analyse and evaluate programme options, and assist the process of creating solutions to manage emerging risks
- Will work well with the board
- Has experience working with: Captive boards and shareholders (preferably as a risk manager that administered the captive); captive domicile regulators; captive managers, auditors, actuaries, investment managers, reinsurance brokers, and attorneys; and general risk and enterprise risk management expertise.
- Is not connected in any way with the shareholder or captive. This includes financial, bias or emotional ties
- Understands the role of a director; and can be completely transparent, loyal, candid, and able to execute her fiduciary duty
- Avoids making decisions without regard to merit
- Has the character of a trusted adviser that can act as a control against fraud

Specifically, the qualified independent director will: bring a knowledgeable and objective opinion to the captive strategic planning process as it seeks new ways to increase its shareholder value; assist with building regulator confidence; eliminate conflicts of interest that may colour captive service provider relationships; and provide the balance that may be lacking between the duty owed to the shareholder and the captive.

Moreover, an independent director has an incentive to perform his fiduciary duties in accordance with the rule of law pursuant to an ethical compass. Doing what is ‘just legal’ is an inadequate standard of care. The independent director’s reputation, and financial security, is dependent on acting legally and ethically in the best interest of the captive, the member insured and all stakeholders. The independent director must be experienced, loyal (disclose material conflicts of interest), operate openly and honestly, and have the competence to oversee the performance of the captive service providers.

Finally, why do captive shareholders need to appoint independent directors on captive boards now? Consider history, which is an effective teacher. The study of past events tells us that governments will fill a regulatory void with its own version of what it deems necessary to bring a system or business activity back into balance. Consider the history behind the US Environmental Protection Agency, Occupational Safety and Health Agency, and the passage of the Sarbanes–Oxley Act.

Moreover, the 2012 National Association of Insurance Commissioners (NAIC) Model Risk Retention Act was written in response to the risk retention group (RRG) governance abuses uncovered by the US General Accountability Office 2005 report. According to the literature, these abuses arose because of the dearth of governance standards within the federal Liability Risk Retention Act to ensure that RRGs would be governed in a way that protected the best interests of its insured members. The NAIC Model Act imposed RRG governance standards, which were adopted by accredited US RRG domiciles.

The NAIC Model Act is not a bad result, but that is not the point. The discussion should focus on why it was necessary in the first place. Captive owners should take a lesson from history and recruit qualified independent directors before it is imposed on them through rules and regulations that may be made more complex than necessary because of a legislative or regulatory process outside of their control.

In summary, isn’t it just good reputational risk management for the captive insurance industry to actively promote the practice of recruiting independent directors to its boards, whether single parent or group captives? There is, of course, a cost. But isn’t the upside benefit an acceptable return on investment? **CIT**

Michael Zuckerman
Assistant professor of instruction
Temple University Fox School of Business

Fulfilling your portfolio's potential

What should a captive look for when hiring a firm to manage its portfolio? Stephen Nedwicki of Comerica Bank takes a look

Three basic principles should be the foundation of any investment manager's philosophy. We believe the firm hired to manage a captive insurance company portfolio should:

- Be driven to act in the captive's best interest as a prudent steward of the investments
- Believe in a goal-oriented approach to meet the objectives of capital preservation, cash flow, yield and performance
- Provide a well disciplined, consistent and repeatable process over time

Best interest

An investment firm should be willing to act as a fiduciary over the investment portfolio. Investments should be selected based on the stated needs of the client. The firm should be committed to an open, long-term approach to investing. Its mission should be to act as a prudent steward of your investments. Managing investments is highly complex. An integral component to the execution of your investment strategy is an understanding that the investment firm is acting in your best interest.

Goal oriented

The investment firm should utilise a goals-based approach with a clear understanding of the captive's objectives and tolerance for market volatility. A written investment policy statement (IPS) is essential to establish the structure of the investment portfolio. If an IPS does not exist, the investment manager should be able to assist the captive to develop one.

The IPS serves as a road map toward the investment goals and provides information on the approved asset classes, target allocations, and any restrictions placed on the captive by either banks providing letters of credit or the beneficiary of the Regulation 114 trust agreement.

Disciplined, consistent and repeatable

Discipline, consistency and a repeatable process are keys to investing. These are core elements to ensure that the impacts of emotion and reaction are removed from the investment process. Your investment manager should incur only as much risk as necessary to achieve your objectives. During negative market cycles, your manager should maintain a disciplined and consistent approach in order to avoid the temptation to time when to enter or exit individual investments, asset classes or markets.

Fixed income investments and interest rates

For seven years (from December 2008 to December 2015), the carnage from the financial crisis and the great recession caused the federal funds rate to remain in a historically low trading range of 0 percent to 0.25 percent. The Federal Reserve began signalling that it would raise the discount rate as early as 2012. This caused many investors to shun bonds, only to miss out on strong bond performance through Q2 2016. Bonds did lose value during the second half of 2016, as interest rates did eventually rise. However, bond prices recovered in early 2017 as interest rates declined.

With justification in hand (ie, falling unemployment rate and gradually rising inflation), the Federal Reserve implemented its first tightening of interest rates in December 2015. Since then, the Fed has followed-up with three additional rate increases in December 2016, March 2017 and June 2017. The trading range for Fed funds is now 1 percent to 1.25 percent.

Many analysts believe there is also a likelihood that the Fed will tighten again in the second half of 2017.

Looking ahead, the Fed has forecast a funds rate of 2 percent to 2.25 percent by the end of 2018. This would suggest an additional three tightenings next year. As of today, the Fed says the risks for growth and inflation are balanced. However, the Fed remains data dependent and economic conditions can vary over the next 18 months.

From a historical perspective, here is some useful information concerning the federal funds rate (for periods ending 30 June 2017):

- 5-year average: 0.24 percent
- 10-year average: 0.56 percent
- 20-year average: 2.17 percent
- 10-year average leading up to the beginning of the financial crisis (August 1997 to August 2007): 3.75 percent

As these numbers show, we remain in a historically low interest rate environment. Despite the possibility of a future rate increase, your investment manager should continue to manage your portfolio based on the investment policy and not make interest rate or duration bets. A conservative captive insurance fixed income portfolio may hold investment grade corporate bonds, US treasury and agency bonds and municipal bonds. Maturities are typically matched with the anticipated payout of claims to avoid having to sell a bond before its maturity date and possibly incur a realised loss if interest rates rise.

It is also worth noting that having an allocation to US treasuries, US agency and municipal bonds could have a positive impact on the pricing for letters of credit received from your bank. Your investment manager should be aware of any pricing advantages available to your captive based on the make-up of your portfolio.

Equities and economic expansions

If your captive is mature with a surplus to invest, your investment manager may be able to add stocks to the investment mix. Of course, there is additional risk with equities. However, stocks provide diversification and opportunity for growth since equities have historically outperformed bonds over the long-term. Since the end of World War II, despite the current events of the day, the ever changing economic and political landscape, and various market corrections, the

> Investment professionals should add value, first and foremost, by deeply understanding your near-term and long-term goals, clearly articulating the investment firm's philosophy and process, developing and maintaining the investment plan, and assisting you in understanding the investment strategy.

US economy has managed to overcome it all and the equity markets have moved higher time and again. Here are some examples:

- The turbulent 1960s saw the second largest economic expansion in history over 106 months from February 1961 to December 1969
- In the 1970s, the Vietnam War ended, and the US lived through Watergate, the Organization of the Petroleum Exporting Countries oil embargo, the death of Elvis Presley, and two economic expansions spanning 36 months (November 1970 to November 1973) and 58 months (March 1975 to January 1980)
- In the 1980s, we experienced double digit inflation, the failure of Continental Illinois National Bank and Trust, a stock market crash on Black Monday, Lady Diana Spencer marry Prince Charles, and a 92 month economic expansion from December 1982 to July 1990
- The longest economic expansion of 120 months occurred from March 1991 to March 2001. During that period, there was Operation Desert Storm, the beginning of the internet, Russia defaulting on its debt (and Vladimir Putin becoming acting president of Russia), the 'Asian contagion' currency devaluations, and the repeal of the Glass-Steagall Act, allowing banks to operate as both commercial and investment banks
- After the 9/11 terrorist attacks, there began 73 months of economic expansion that ended in December 2007, the beginning of the great recession. In September 2008, Lehman Brothers filed for bankruptcy, triggering a global banking crisis—economists, investors, consumers, and politicians all feared we were on the verge of the next Great Depression. The Dow Jones Industrial Average dropped to its modern low of 6,469 on 6 March 2009 (54 percent from its peak of 14,164 on 9 October 2007). We are now in the third longest economic expansion in history. No one could have predicted that the recovery would still be going today, although at a steady rather than strong pace, more than eight years later

When your investment manager is working in your best interest to achieve your goals and has a disciplined investment philosophy, they should be able to help navigate your portfolio through the inevitable ups and downs of the financial markets.

Investment professionals should add value, first and foremost, by deeply understanding your near-term and long-term goals, clearly articulating the investment firm's philosophy and process, developing and maintaining the investment plan, and assisting you in understanding the investment strategy.

Investment professionals should be highly trained subject matter experts dedicated to helping you achieve your goals. They should excel at educating you in the financial markets and investment process while helping you to understand the implications and complexities of the total investment plan. **CIT**

Stephen Nedwicki
Senior vice president and institutional investment strategist
Comerica Bank

Bermuda Captive Conference

10-13 September 2017
Southampton, Bermuda
www.bermudacaptiveconference.com

The conference will offer captive owners, risk managers and insurance professionals all the elements they have come to expect from the blue-chip jurisdiction's event.

These include top-tier speakers, a compelling agenda, exotic leisure activities, and unparalleled opportunities to interact with industry leaders, specialists and peers from all over the world.

Guernsey Insurance Forum

5 October 2017
London, UK
www.weareguernsey.com

The Insurance Forum, hosted by Guernsey Finance, will discuss innovation and evolution.

The event, which takes place at etc.venues 8 Fenchurch Place in London during the afternoon of 5 October, will feature a keynote speech from cyber expert James Trainor and two panel sessions moderated by Naga Munchetty.

Comings and goings at Zurich North America, Robus Risk Services, the Cayman Islands Monetary Authority and more

XL Catlin has added to its captive team with the hire of Owen Williams from Zurich.

Williams has served as head of captive services at Zurich since 2014.

He was responsible for delivering the company's captive proposition, including captive fronting services and alternative risk transfer.

The hire follows a string of appointments including Steve Bauman, who joined XL Catlin from Zurich in May.

Bauman, who previously worked at Zurich, now serves as head of global programmes and the captive practice in North America.

XL Catlin also welcomed Aiden Joo as senior underwriter in its structured risk solutions business in June and Sonja Ochsenkuehn as head of global programmes in July.

Todd Cunningham, meanwhile, has been appointed as the head of single-parent and sponsored cell captives at Zurich in North America.

Cunningham has been responsible for underwriting and business development of customised insurance solutions for Zurich customers since 2005.

He specialises in developing non-traditional programmes covering diverse risks, and in designing programmes that can incorporate these risks on a cost-effective basis.

Previously, Cunningham served as vice president at AIG Risk Finance, specialising in alternative risk transfer programmes.

Commenting on his appointment, Cunningham said: "Zurich has long been a leader in this area, and I look forward to making sure we continue to provide valuable captive services for our customers."

Robus Risk Services Guernsey has appointed Ben Dunning as director.

Dunning will serve as both director of finance and client lead on a number of client-managed entities at the independent captive insurance management, fiduciary and financial advisory business.

He started his insurance career at Aon, before joining the board of the then Robus Group insurance-linked securities subsidiary Hexagon PCC at the beginning of 2015.

Dunning's role at Robus will be to manage and administer insurance and other corporate entities, with the UK's exit from the EU forming a particular focus for the firm's clients in both Gibraltar and Guernsey.

Commenting on his new role, Dunning said: "Dealing with a variety of corporate clients, every day is different and there are always new challenges which keep my job interesting."

Dunning added: "Robus is an independent, niche business focused on solutions, innovation and quality of service and this enables us to spend more time on clients, rather than having the burden of internal administration that is more commonly a feature of larger broker owned organisations."

Richard Le Tocq, CEO of Robus Group, said: "Ben Dunning is highly experienced in Guernsey's captive insurance sector and I'm very pleased to have his expertise on the Robus board."

Clyde & Co has opened a new office in Los Angeles, the law firm's ninth in the US.

Jim Koelzer has joined Clyde & Co from Robins Kaplan as partner in the new Los Angeles office.

Koelzer's work focuses on complex insurance coverage issues, as well as disputes.

Julie Hawkinson, who served in the firm's San Francisco office, has also joined as partner.

She practices insurance coverage and defence work, representing domestic and international insurers on claims made under policies.

Marie Roehm has also joined the firm from Robins Kaplan as of counsel, along with Aaron Sussman, who joins as an associate.

Finally, Clyde & Co senior associate Natasha Mikha will also be based in the office.

Hawkinson commented: "In addition to its well-known prowess in the creative industries, LA also has a burgeoning technology sector based around Silicon Beach, which is leading to a growing volume of technology related activity for our insurance clients."

"We look forward to growing our client base in the city by having a permanent base there."

The latest expansion follows on from the opening of offices in Washington DC and Chicago in January, and Miami last year in July.

The Cayman Islands Monetary Authority (CIMA) has appointed Suzanne Sadlier as deputy head of the insurance supervision division.

Sadlier is moving on from her previous position as a reinsurance specialist at CIMA, which she has held since joining in 2015.

She brings more than 10 years of experience, having worked in Ireland in a variety of positions within areas such as claims, underwriting and regulation.

CIMA has also appointed Judiann Myles as deputy head of the compliance division.

For the last three years, Myles has served as deputy head of CIMA's policy and development division, where she gained policy knowledge and expertise to add to her regulatory and supervisory background.

Cindy Scotland, CIMA's managing director, commented: "As the authority continues to highlight the quality of expertise amongst our employees, we are extremely pleased to fill these important top positions from within our organisation."

Scotland added: "With a combined proven track record for successfully leading large-scale initiatives, experience in strategic planning and technical operations within financial regulation, each of the aforementioned appointments certainly add value to CIMA's management team, and its overall structure.

"I trust that Suzanne Sadlier and Judiann Myles will continue to succeed in their new roles."

Captive expert Malcolm Cutts-Watson has become a member of the international advisory panel for the Labuan International Business and Finance Centre (IBFC), at the invitation of the Labuan Financial Services Authority.

Cutts-Watson is the founder and managing director of CuttsWatson Consulting, which provides consulting services to the captive insurance industry.

Commenting on the role, Cutts-Watson said: "I am delighted to assist Labuan IBFC strengthen its captive proposition."

Cutts-Watson said: "The emergence of Labuan as a serious captive domicile brings more choice to captive owners and can only be good for the industry."

The Guernsey International Insurance Association recently appointed Cutts-Watson Consulting to provide strategic and technical support to its executive committee and functional sub-committees.

Cutts-Watson has also worked with the British Virgin Islands captive insurance industry to review and reinvigorate business.

Sirius Group has hired Erik Soria to serve as underwriter in the casualty reinsurance team.

Soria will report to Sirius's Bermuda CEO Warren Trace.

Previously, Soria served as vice president at QBE Re Bermuda, joining the company's island property and casualty portfolios in 2014.

He has also worked as a reinsurance broker at both Willis Re and Aon Benfield.

Commenting on the appointment, Trace said: "I have known Erik Soria for nearly his entire career and am thrilled that we could bring on board a person of such high calibre. He brings to Sirius an extensive casualty background with an invigorating energy that complements nicely our group-wide efforts to expand into this line."

Last year, Sirius expanded its writings in casualty reinsurance when Robert McFadden joined the New York office to lead the initiative for the CMIG International subsidiary. CIT

Do you have an appointment we should cover?

Let us know via:

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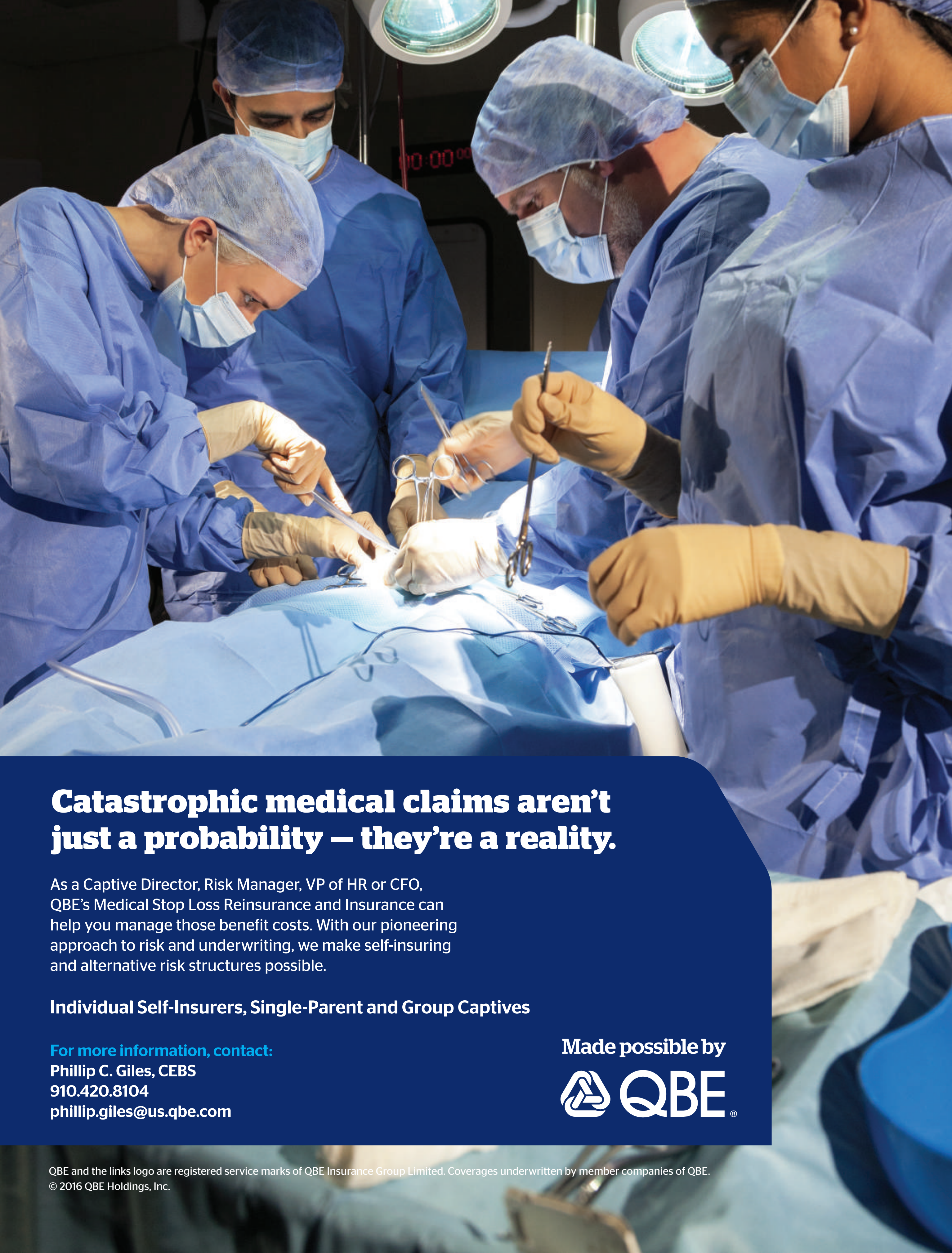
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