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Red Re could fund Coca-Cola life insurance and AD&D

ATLANTA 08.01.2013

The Coca-Cola Company could expand the use of its captive insurance company Red Re to fund additional benefits risks, including life insurance and accidental death and dismemberment (AD&D) policies from Metropolitan Life Insurance, after the US labour department submitted a proposal.

Atlanta-based Coca Cola is currently the world's largest beverage company. It markets four of the world's top five non-alcoholic sparkling brands.

Red Re—one of three Coca-Cola captives—provides deductible reimbursement policies for selected automobile, product, premises and general liability, as well as workers compensation and terrorism risks.

It is domiciled in South Carolina and is required to maintain $15 million of capital and surplus.

The Department of Labor's proposed exemption to tax and employee laws allowing Red Re to fund additional benefits risks was published in the Federal Register on 28 December to make it available for public comment.

Life Insurance Company of America is the current direct insurer for Coca-Cola's term life insurance and AD&D coverage, but under the proposed exemption, MetLife will take over and Red Re will reinsure 90 percent of the risks, effective from 1 January for five years.

Allowing Red Re to reinsure Coca-Cola's life insurance coverage will lead to an increase in all of its employees' employer-paid group term life insurance, according to the Federal Register.

readmore p2

CITINBRIEF

USPTO approves employee and retiree benefits patent

Spring Consulting Group has landed a US patent covering a business method for alternative funding of employee and retiree benefits.

readmore p2

BNP Paribas launches Solvency II solution

BNP Paribas Securities Services has launched its new Solvency II Capital Requirement Solution (SCR).

readmore p2

Red Re could fund Coca-Cola life insurance and AD&D

Continued from page 1

"The 'basic life amount' under the group term life insurance will increase to an amount equal to such employee's basic annual earnings rounded up to the next higher $1,000 multiplied by 1.5 times, up to a maximum benefit of $2,000,000."

"[Coca-Cola] has further committed that employees with basic annual earnings below $25,000 will receive group term life insurance with a minimum 'basic life amount' of $30,000, and that employees with basic annual earnings of $25,000 to $39,999 will receive group term life insurance with a 'basic life amount' of $60,000. An employee will receive group term life insurance in the amount of his or her current 'basic life amount' times 1.2."

Coca-Cola originally sought to expand the use of its captive in August 2012.

In March of the same year, Coca-Cola used its Dublin-based captive insurer to fund benefits that were earned by pension plan participants in the UK and Ireland.

USPTO approves employee and retiree benefits patent

Continued from page 1

The US Patent and Trademark Office awarded the patent to Spring Consulting on 25 December. The named inventor is the company's managing partner, Karin Landy.

Landy's invention is a software program for configuring, optimising, managing and tracking alternative funding of employee and retiree benefits and benefit plans.

The patent says: "[T]he present invention provides a method for funding benefits by maintaining assets in an investment program comprising, an employer or employee owned trust account and at least one life insurance contract obtained directly or indirectly from a captive insurance company."

"The life insurance contract is purchased with assets from the trust account and the captive insurance company is a least partially owned by the employer. When paying or reimbursing benefits, the employer or the trust may pay the benefit and if the employer pays the benefit, the trust may reimburse the employer."

The invention also allows the trust or the captive to invest its assets in commercially available vehicles to generate additional assets, according to the patent.

Spring Consulting was granted another patent for funding retirement and pension benefits through a captive on 25 September.

The company owns patents for funding other benefits, including retiree medical through a captive.

In a statement that was released in October, Landy said that there is more than a trillion dollars of defined benefit pensions liabilities in the US, but much of it is in closed or frozen plans.

"Our patented approach to restructuring the funding of these assets creates very strong financial statement improvements compared to traditional annuitisation."

BNP Paribas launches Solvency II solution

Continued from page 1

The enterprise risk management tool enables insurance companies and their portfolio managers to calculate capital requirements on assets under the Solvency II framework.

The new tool will help insurers to comply with industry regulations and improve risk management. It will also enhance business decision-making and ensure financial stability over the long term.

It offers SCR asset monitoring, reporting and risk and analysis capabilities. It also provides information on all asset classes and geographies, which clients can access via a web-based interactive tool. The tool will also soon be available through an iPad app.

Maxime Gibaulty, head of insurance companies for BNP Securities Services, said: "This tool helps insurance companies and asset managers better monitor their investment strategies and their impact on the capital requirements."

"Whether accessing the data at an aggregated level via 360° view, or using our portfolio-specific spot view, this web based solution provides very detailed records, which can be analysed or broken down as necessary, for example according to asset type, rating class or holding level."

Strong outlook for reinsurance, says Guy Carpenter

The reinsurance sector entered 2013 with ample capital and stable pricing, according to Guy Carpenter & Company's global renewal report, The Route to Profitable Growth.

Only loss-affected lines and select regions have experienced price volatility. The reinsurance market was supported by lower than normal catastrophe losses during the first nine months of 2012, new reinsurance capacity and record-high levels of capital.

The Guy Carpenter Global Property Catastrophe Reinsurance Rate on Line index fell marginally at the 1 January renewals, indicating a global market with capacity being appropriate to meet demand.

Upwards pressure on property catastrophe pricing mostly came from programmes that were affected impacted by Superstorm Sandy and smaller local events, according to the report.

Price movements for non-catastrophe lines were also mixed, with marine and energy lines seeing noticeable rate increases, while many other lines experienced reductions.

The report also identified six key areas that carriers can explore to help enhance profitability in the future. These include optimal capital management, clear and consistent communication to rating agencies and regulators, appropriate domicile selection, and capital market opportunities.

Lara Mowery, global head of property specialty at Guy Carpenter, said: "The 1 January, 2013 renewal was very orderly as catastrophes had only local impact."

"One area of ongoing development was growth in the number of participants and capital provided by non-traditional markets, a critical factor in the marketplace's continuing evolution. Even insurers who do not directly utilise non-traditional sources benefit as reinsurers further leverage this capacity."

Marsh figures show continual rate firming despite Sandy

Despite the mounting costs of Superstorm Sandy to the insurance industry, global insurance rates continued to firm in Q4 2012 according to a briefing from Marsh.

"The Marsh Risk Management Global Insurance Index, a composite or weighted average of rate change activity over the preceding four quarters in major lines of insurance business, rose slightly to 101.2 from 100.9 in the third quarter. The index was based at 100.0 in the second quarter of 2012," said a statement from the firm.

Figures also showed that financial institutions in the US, Europe and Australia continued to see rate increases in their liability insurance programmes during Q4, reflecting insurers' concern about the global economic situation and increased regulatory scrutiny.

The average rate change at renewal was a 1.2 percent increase in Q4, compared to the 1.4 percent seen in Q3. Rates for financial and professional lines continued to rise, with the average renewal showing a 2.2 percent increase year-on-year.

Marsh's US risk practices and specialties leader, Dean Klisura, said: "While Superstorm Sandy caused some insurers to suffer significant losses, we do not expect it to be a market-changing event."

"Insurers remain well-capitalised with most of them unlikely to reduce their capacity in 2013."

Xuber upgrades Brokasure

Xchanging's insurance software business, Xuber, has upgraded its software package for brokers.

The new version of Brokasure Enterprise, which has been implemented by brokers Lockton, RFIB and Towers Watson, incorporates new functionality to support brokers with an international reach.

It allows customers to run separate accounts in different geographical areas as well as separate trial balances with the same ledger.

The upgrade is a result of Xuber's collaboration with Brokasure User Group, a forum for users that collectively invest in the continual enrichment of the platform.

Adrian Morgan, head of Xuber, said: "We are delighted to announce the completion of what is the biggest and best release ever developed for the Brokasure Enterprise product, the result of over 20,000 man-hours of effort."

"The world of broking is now truly global, transcending borders, currencies and local regimes; we believe that the new Brokasure Enterprise software addresses this reality head on, improving processes and affording clients the ability to bring products to market faster than ever before."

Chris Wheeler, head of IT at Lockton, said: "Overseas growth is central to Lockton's business strategy. It's imperative that Xuber supports territorial variations such as multi-currencies across different lines of business and enables fast product-to-market timescales."

Igloo PCC adds three

Guernsey-based protected cell company (PCC) Igloo, which was established exclusively for housing associations, has added three new associations to its business.

The addition of Bromford Group, Merlin Housing Society and Notting Hill Housing brings the number of associations participating in Igloo to six.

Igloo's alternative risk transfer solution, which was established by Acumus, enables housing associations to better align their risk management activities with their overall business objectives, as well as improve their risk management capabilities, reduce premium levels and develop flexible insurance cover.

Andrew Battrum, group finance director at Bromford, said: "We see a number of benefits to joining Igloo. Firstly, it will help us reduce our overall insurance spend over time and ensure that we and our customers benefit directly from our risk management efforts rather than our insurers."

"It will also enable us to achieve premium stability despite insurance market volatility, while providing flexibility in terms of the type and amount of insurance cover we place into the structure. We are confident that Igloo will deliver significant cost savings."

Huw Thomas, CEO of Acumus, said: "Igloo is not just about generating cost savings and promoting greater risk control, it is also about building a community."

"By bringing together like-minded housing associations, they are able to benefit both from the economies of scale that Igloo provides, as well as the sharing of ideas and risk management best practice across the sector."

Q-Re signs up to Xuber software package

The reinsurance arm of Quatar Insurance Company, Q-Re, has selected Xuber product Iris as the software package for its international platform.

Implementation of Iris will begin immediately and be completed in Q1 2013.

Adrian Morgan, head of Xuber, said: "[Our company] is delighted to embark on this new work-

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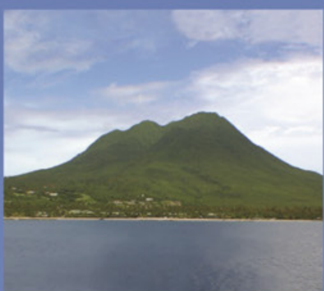

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ing relationship with Q-Re, and we look forward to playing a critical part in the company's global growth ambitions."

"This is our third client in the Middle East, which goes to highlight our unique international capabilities and reach. Iris is a known, established product, and the benefit it delivers to business is proven; hence the vote of confidence from Q-Re."

Right as rain for Evergreen

A.M. Best has awarded the financial strength rating of "A (Excellent)" and issuer credit rating of "a" to Bermuda-based Evergreen Reinsurance Company (ERCL).

The ratings reflect ERCL's strong risk adjusted capitalisation, favourable operating performance and risk controls. Also considered was ERCL's role as the pure insurance captive of Evergreen Group, a Taiwan-based international logistics and transportation company.

Bison Insurance is on top form

A.M. Best has affirmed the financial strength rating of "A- (Excellent)" and issuer credit rating of "a-" of Bison Insurance Company.

The ratings reflect Bison's "historically adequate capitalisation, generally favourable operating performance, conservative reserve levels and effective enterprise risk management controls," said the ratings firm.

Partially offsetting these positive ratings is Bison's volatile underwriting results due to its low frequency, high severity risk profile, coupled with its high net retained limits relative to its available capital. These factors are mitigated by the firm's ongoing, demonstrated support from its parent, Duke Energy Corporation.

Delaware enters battle against misreading of the NRRA

The Delaware Captive Insurance Association (DCIA) has joined the Clarity for Captive Insurers Coalition (CCIC).

The new coalition of the captive insurance industry was formed under the leadership of the Vermont Captive Insurance Association (VCIA) to push for legislative language that would clarify that the intent of the new federal Non-admitted and Reinsurance Reform Act (NRRA)—a part of Dodd-Frank—was never intended to apply to captive insurance.

The US State of Vermont's governor, Peter Shumlin, recently said 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," he said.

Coalition efforts include education, public relations, and advocacy at the federal level that are designed to result in a clarifying amendment to the NRRA.

Ratings retraction for Guilderland

A.M. Best has withdrawn the financial strength rating of "B++ (Good)" and issuer credit rating of "bbb" of Guilderland Reinsurance Company (GRC)—a KnightBrook subsidiary—due to its inactivity over the last two years and the run-off of its loss reserves.

The ratings retraction is also due to the dormancy of GRC since all of its policies and reserves have been cancelled, non-renewed or allowed to expire and claims settled.

The American way

After the successful launch of WillisCaptus, CIT talks to Les Boughner of the Willis captive and consulting practice to get the low down on the state of RRGs

JENNA JONES REPORTS

Willis has been serving the industry for many years. How has your firm's and your own experience helped to provide for captives/RRGs and innovate new solutions to meet their growing needs?

Fundamentally, there has been little structural innovation for captives/risk retention groups (RRGs). However, innovations with the applications of captives that are frequently driven by captive owners is continuous. The use of captives to access the Terrorism Risk Insurance Act pool, and expansion of the market with medium-sized companies utilising the 831(b) election also expands the market for captives. Innovative applications for captives are typically driven by the client when they understand the value a captive provides to their overall financial management.

We have been very fortunate in that a software program that we modified from another business unit to manage our RRG portfolio more responsively has substantially exceeded our expectations. We branded it WillisCaptus and are marketing it to physician groups as well as captives and RRGs.

Figures suggest that the RRG sector is primed for a period of growth. Do you agree?

I would agree if there was a feeling that there was material market hardening, which does not appear to be happening. In fact, there is a threat due to healthcare consolidations where regional hospitals are being acquired by larger hospital groups, which are more likely to use captive structures for professional liability exposures.

How has the use of RRGs changed? What differences have you seen in regards to what they can now provide?

It really has not changed materially. In fact, existing RRG legislation is very responsive to the need to add capacity during market constrictions. However, there are very positive developments for RRG members that develop and share best practices for loss control and claims practices resulting in lower costs and loss experience. There is also pending legislation for property coverage. While there does not appear to be a need for additional capacity, many RRGs would like to use the RRG framework to experience the same positive benefits when managing property exposures.

State intervention has threatened RRGs in the past—does this problem persist? If so, how is it being tackled?

It is being tackled the American way, through litigation. Insurance is state regulated in the US and there is a threat from RRGs and the Federal Insurance Office, which are federal entities.

How important are associations like the NRRA to championing the RRG model?

They are very important, provided that they receive broad industry financial support. The National Risk Retention Association has been effective in mustering industry support when needed. The Self-Insurance Institute of America has a staffed government affairs office in Washington DC that not only responds to threats to the self-insurance industry, but also proactively lobbies for positive reform.

Captive insurance companies on the whole fared well during the economic crises of the past, and continue to do so in the present—how necessary is further regulation to ensure that they remain solvent in times of crisis?

If the banks had been regulated like the captive industry, there would not have been an economic crisis. Captives, as well as the admitted insurance industry, survived the crisis intact and well regulated. CIT

Les Boughner
Managing director of the captive and consulting practice
Willis

A rep worth protecting

Singapore hopes that its attractive tax regime will help to retain its title as the most substantial captive jurisdiction in the Asia Pacific region, as CIT finds out

JENNA JONES REPORTS

Much like its motto 'Majulah Singapura' ('Onward, Singapore'), Singapore is focused on remaining the leading captive domicile in Asia Pacific for the foreseeable future.

After attracting its first captive in 1983, the Southeast Asian city-state is now home to 60 captives, and while it may not be rivaling industry heavyweights such as Bermuda and the Cayman Islands just yet, Singapore is certainly holding its own in the East.

Of the 60 captives that are currently based in Singapore, more than half are from Australia, while six are from Japan. Marsh's captive solutions leader for Asia, Stuart Herbert, puts Australian interest in the city-state down to the fact "that it is often easier to get to, has a suitable regulatory structure and operates in a similar time zone range".

Much of Singapore's success should be attributed to the support from the Monetary Authority of Singapore (MAS), which works with industry practitioners to promote the city-state as a leading domicile in the region, according to George Ong, the divisional director of the Willis Singapore captive practice,

"A proven track record of well-managed and regulated captives makes a strong case for Singapore," adds Ong.

Herbert says that Singapore's thriving reputation is also due to an "excellent infrastructure and available service providers (managers, auditors, etc) who are very familiar with the captive concept".

Ong and Herbert both highlight Singapore's tax incentive scheme for captives as one of the domicile's most attractive qualities. It was extended in early 2011 until the end of March 2018.

Introduced to support the growth of the industry, the scheme offers approved captive insurers exemptions from tax on selected income streams for 10 years, making Singapore an appealing jurisdiction in which to set up a captive.

Risky business

Captive coverage in Singapore ranges from general, product and public liability to cyber-related coverage, credit insurance and political risk. Herbert says that there are very few areas of coverage that a Singapore-based captive cannot write.

He says: "We have a very broad range of cover, although the majority are still asset-based policies such as property damage and business interruption."

Although Singapore may underwrite all classes of risk, "the captives are however restricted to writing business that consists principally of the risks of its parent and related corporations, termed as 'in-house' risks", according to Ong.

This restriction is part of the new regulation on unrelated party risks levels that was recently introduced in Singapore. Ong explains that the new rule allows the MAS to better scrutinise captive insurers that write non-in-house risks, as they now have to seek approval on risks that fall outside of the new guidelines.

Ong says: "Captives in Singapore were previously allowed to underwrite certain approved non in-house risks such as risks of associated companies, related parties and joint venture insurance programmes without having to seek prior approval from the MAS."

A captive may only underwrite non-in-house risks without MAS approval under certain conditions, according to Ong.

A captive insurer's parent that has at least 20 percent direct or indirect shareholding in the insured risk does not need MAS approval, nor does a captive insurer whose cumulative gross premiums for non-in-house risks for the current financial year constitute no more than 20 percent of its collective gross premiums that were written in the previous financial year.

A captive insurer will also not have to seek approval if it obtains a letter of awareness stating that the authorised personnel of the insured risk approves placing insurance with the captive.

Despite rules becoming more stringent, Albert says that the majority of captives currently residing in Singapore will hardly be affected. Only larger and more complex captives that are already based in Singapore or looking to domicile there "may have elements of insured risk that they do not have a 20 percent ownership interest in, and thus the requirement to seek approval from the regulator".

The Eastern way

When it comes to captives, Asian companies are still lagging behind their European counterparts, according to Malcolm Cutts Watson, chairman of the Willis international captive practice.

"While the concepts of risk management and alternative risk transfer mechanisms such as captives have been widely publicised and accepted by corporates in Europe, there is generally still a gap as far as Asian companies are concerned."

He adds that in most Asian economies insurance penetration and infiltration rates for captives have remained relatively low.

It is Albert's belief that the Asian view on captives is more driven by the desire to retain risk. He says that there is considerably "more work, typically, that goes into 'producing' an Asian captive than generally [seen from] European companies."

He adds that Marsh still finds that captives are generally not seen as the first choice when it comes to insurance needs, even for some of the major purchasers of limits.

"This is reflective of the view that insurance is a commodity and hence the idea is to keep as little risk as possible. As this view changes so will the perception of the use of captives." CIT

Industry appointments

Healthcare benefits company Aetna International has appointed **Caroline Pain** as head of international marketing and **Gary Impett** as business development manager to strengthen its insurance business within continental Europe, Ireland and the UK.

Both Pain and Impett will be responsible for enhancing Aetna's growth in 2013. They will develop its client offering and business development goals across the international private medical insurance business.

Pain joins Aetna from Aviva where she directed the UK marketing activity. Impett, who also joins from Aviva, previously held the role of principal consultant.

David Healy, Aetna's general manager for Europe, said: "I am pleased to welcome both Pain and Impett to Aetna. They both have a deep knowledge of the healthcare industry and a great track record in driving growth and boosting sales performance."

"With many UK corporations seeking growth further afield and moving into new markets, and with existing employees traveling overseas more than ever, the international private medical insurance sector continues to go from strength-to-strength."

SPARTA Insurance Company has recruited **Mario Chiappetti** as senior vice president of professional lines, effective immediately.

Most recently, Chiappetti was vice president of marketing for Everest National Insurance Company, after serving as vice president of its Management Liability division.

The Connecticut Captive Insurance Association (CCIA) has elected four captive industry leaders to its board of directors.

George Estes, **Robert Miller**, **Richard Stasi** and **Michael Serricchio** will join the founding directors of the association—Robert Schultz, Glenn Saslow, Gregory Serio and Thomas Hodson—on the board.

Estes is chairman and CEO of SPARTA Insurance. Miller, managing director and head of global business development at Conning & Co, is a former insurance commissioner for the State of Vermont.

Stasi is president of York Alternative Risk, a division of York Risk Services Group, and Serricchio, a lawyer by training, is a broker and captive advisor with the global insurance broker Marsh.

"The addition of these leaders in the captive community to the CCIA's founding board is crucial to expanding the reach of the association as the primary voice for Connecticut's captive insurance industry", said Hodson. "The board of directors and members of the CCIA thank them for their willingness to serve."

Aon Hewitt—the human resource solutions business of Aon—has made **Janine Heijckers-van den Nieuwenhuysen** global benefits leader for the EMEA region. She will be based in Rotterdam.

Nieuwenhuysen joins Aon Hewitt from Mercer where she held the role of EMEA market development leader in addition to leading the international practice in Europe.

Before joining Mercer, Nieuwenhuysen was director of Aon's international practice based in London.

Francois Choquette, executive vice president of Aon Hewitt global benefits, said: "Her experience and client focus is totally aligned with the way we are building our global benefits business."

"The needs for European based multinationals to manage and control cost associated with their benefits programmes is increasing every day. Her leadership will ensure we continue to bring new solutions and management models to our clients"

Nieuwenhuysen said: "I am delighted to be joining Aon at such an exciting time for the business and our clients."

"Aon has great people and a fantastic range of benefits solutions for all clients regardless of size, geography or sector. I'm looking forward to helping drive the development of the business even further."

JLT Reinsurance Brokers (JLT Re) has made **Thomas Dubecq** a partner in a bid to expand its international presence. His new role will come into effect from January 2013 in London.

Dubecq joins JLT Re from Aon Benfield where he supported the European offices through placing treaties at Lloyd's. Prior to Aon, he spent ten years at Willis handling both French reinsurance and European retrocession clients.

Bradley Maltese, member of the JLT Re board, said: "We are delighted Dubecq is joining JLT Re supporting our drive to develop our presence in Europe, the Middle East and North Africa both in reinsurance and retrocession."

"Dubecq was attracted by our collaborative and autonomous culture where he can maximise his market knowledge and expertise as a true client advocate." **CIT**

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