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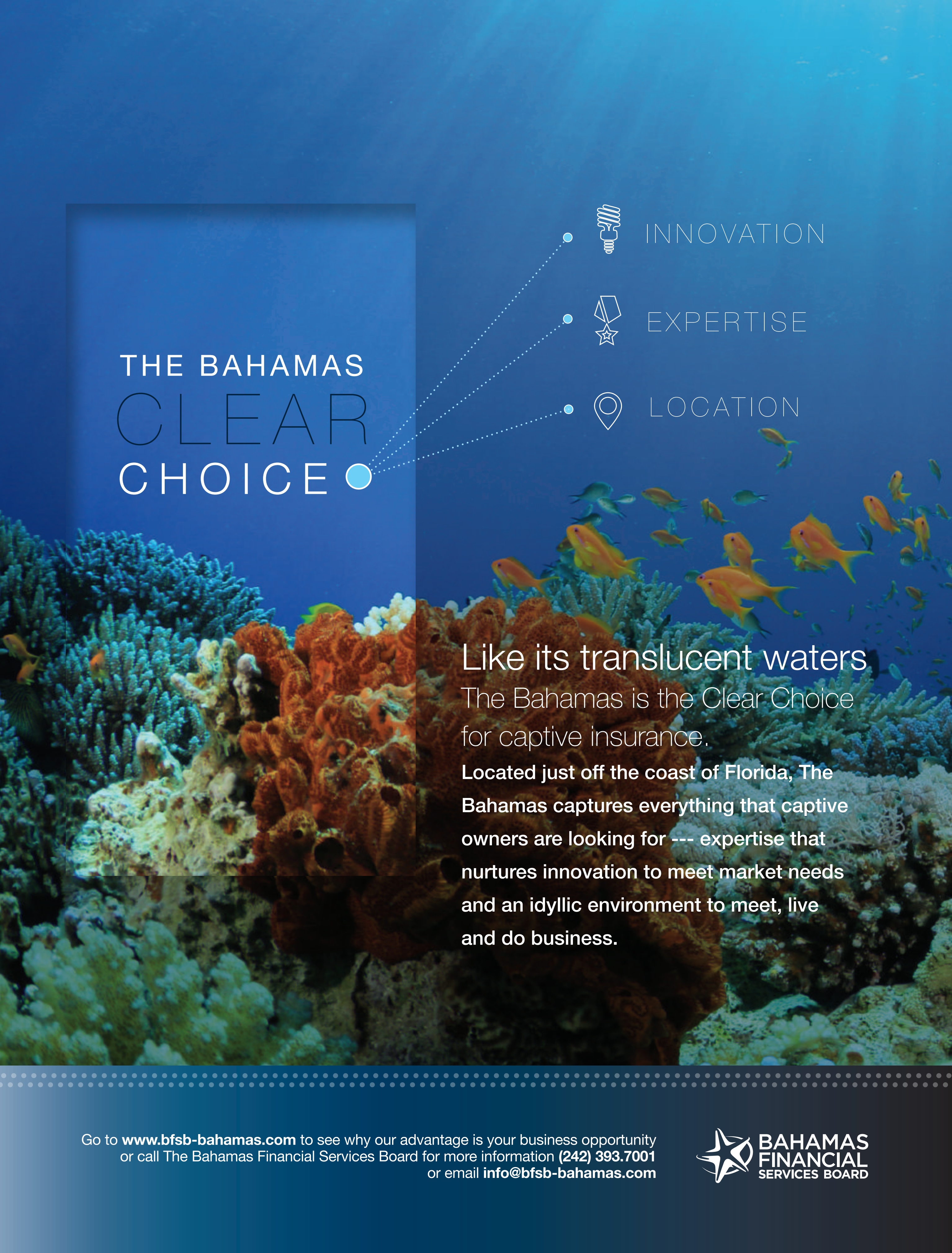
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AHP rules could effect the captive market

The US Department of Labor's (DOL) proposed rules on association health plans (AHPs) could have a future impact on the medical stop-loss captive insurance market, according to Phillip Giles, vice president of sales and marketing at QBE North America.

The rule, which is still in the proposal stage, would make it easier for groups or associations of employers to band together to form an AHP.

These AHPs would be treated as a large group health plan for the purposes of the Affordable Care Act.

It is hoped that this would allow them to obtain health coverage at a lower cost.

Giles suggested the rules will "effectively amend regulations within the Employee Retirement Income Security Act (ERISA) to make it easier for individual employers to band together and be treated (regulated) as if they were one single large employer rather than numerous separate entities ... hould the ruling be adopted, it would not impede a state's ability to regulate Multiple Employer Welfare Arrangements (MEWAs) but, it would allow for broader expansion of of MEWAs."

"I would hope that the finalised rules would create more uniform regulation across all states."

Giles predicted the AHP rules will have an impact on the captive insurance market, however, he said that the effects will be seen three to five years after the regulations are passed.

AHPs are primarily targeted at small employers, allowing them to be collectively treated as one entity for the purposes of regulation and underwriting.

Giles speculated that most AHPs will establish as and remain in a fully-insured structure until sufficient mass (over 1,000 lives) and credible track record (five years) can be attained.

After which point, he expects a large number of AHPs to convert to a self-insured structure as this will allow them to capitalise on a self-insured plans ability to preempt state insurance regulation and benefit mandates.

Giles added: "A significant number of the self-insured AHPs would then explore the assumption of stop-loss risk in a captive as a way to maximise the effectiveness and efficiency of the overall programme."

"I expect that AHP legislation will pass in some form; this will enable broader formation of MEWAs."

He explained: "Once the self-insured AHPs first establish appropriate solvency and credibility, the market should "see a fairly significant number placing medical stop-loss into a captive."


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National Interstate establishes group rental captive

National Interstate Insurance has launched TowCap Premier, a group rental captive, designed exclusively for the towing and recovery industry.

The towing and recovery industry captive, which is the first of its type, is a response to the instability experienced in the industry's insurance market recently.

Available across the US, TowCap Premier offers coverage that includes auto liability, auto physical damage and garagekeepers, on-hook cargo, general liability and workers' compensation.

Director of speciality transportation for National Interstate Mike Winchell stated: "We are thrilled to bring TowCap Premier to the towing and recovery industry."

He added: "Throughout 2018, we look forward to working with our founding members to further improve their operations, reduce their overall cost of insurance and raise safety standards throughout the industry, while bringing much needed stability to the towing insurance market."

PRA proposes Solvency II reporting amendments

The Prudential Regulation Authority (PRA) has proposed multiple changes to insurance reporting requirements under the Solvency II directive.

The proposed changes, which were released in a consultation paper on 11 January, aim to diminish the burden for Solvency II firms and mutuals while concurrently sustaining the PRA's ability to meet its statutory objectives and supervise firms.

Changes were suggested that reduce the content required in a number of the PRA's national specific templates, with the aim to decrease the amount of firms required to submit the templates and therefore lessen the burden on smaller firms.

The paper also suggests a proposed adjustment to the PRA's approach to granting quarterly reporting waivers, as well as an alteration which exempts mutuals from submitting annual controller reports if they do not have a controller.

According to the PRA, its paper is relevant to all UK Solvency II firms, Society of Lloyd's and its managing agents and mutuals.

The proposals are part of PRA's adjustments in reflection to the experiences of the UK's implementation of Solvency II and include areas highlighted by the Association of British Insurers (ABI) and discussed with the Treasury Committee.

Steven Findlay, head of prudential regulation at the ABI, commented: “We estimate Solvency II has resulted in the reporting burden on UK insurers increasing by between four and eight times.”

“Today’s move by the PRA proposing some reductions to this is another step in the right direction and will be particularly helpful to smaller firms in easing this disproportionate burden they are facing.”

The consultation closes on 13 April 2018.

Captives must be mindful of changes implemented in Trump’s tax reform

Captives need to be mindful of the changes brought by Trump’s US tax reform plan, despite its positive effect on the insurance industry in general, according to John Dies, managing director of tax controversy at alliantgroup.

The Tax Cuts and Jobs Act, which was signed into law on 22 December 2017 by President Trump, brings a permanent cut on corporate tax rates and a temporary cut on individual rates.

The decrease in tax rate means improved profitability and therefore represents a positive for the insurance industry in general.

Although this improved profitability will in turn impact the competitiveness of the market, Dies explained that while rates may go down, he doesn’t expect this to have a huge effect on the captive market.

He said: “I don’t expect captive insurance to take a competitiveness hit.”

”Although, it’s undeniable that insurance rates and other things may go down as these companies margins go up because they’re going to try and compete with each other.”

He continued: “I don’t think it will have a huge impact on the captive market. Now I will say captives need to be mindful. Where captives will see this is in underwriting, in feasibility studies, and things like that when you’re setting up your captive or revisiting your premiums.”

The Tax Cuts and Jobs Act will also impact captives utilising the 831(b) tax provision, known as micro-captives, and the captives using passive foreign investment companies (PFIC) and controlled foreign corporations (CFC).

For micro-captives, the reform is a mixed bag. The cuts may allow them to afford insurance they couldn’t before, or to get higher policy amounts, allowing them to be better insured.

However, a decrease in tax rates means the importance of deductions goes down because when people pay less taxes the utility of deductions is impacted.

In addition, people will owe less in tax so their needs for deductions are likely to be reduced and one of the benefits of 831(b) captives, that the payment of premiums is a business expense which is a deduction, will be affected.

Dies suggested that this swing in deductions across the market is unlikely to make a material difference.

He said: “The majority of folks who are using 831(b) captives will not use any of these changes as a reason to stop. Either they will get more coverage or they will stay where they are.”

Trump’s tax reform plan will have a more negative impact on those captives using PFICs and CFCs.

New tax laws may now catch some offshore captives under the harsh PFIC regime and reduce the benefits as US tax (and potentially interest) will be applied to income earned.

In addition, US companies with foreign captives will now face an expanded definition of US shareholder for purposes of CFC determination. The new law will look to the value of ownership, or weight of vote in the foreign company, rather than just on weight of vote as was previously the case.

Furthermore, any prior CFCs will face the “deemed repatriation” provisions where any prior untaxed earnings and profits from CFCs will also now be included as income and taxed in the US.

Dies explained that these two changes will mean an adjustment on the treatment of foreign companies and foreign-owned companies that have US ties, some of which may be captives.

He added: “PFICs and CFCs are going to have to look at what these changes do for them and their bottom lines.”

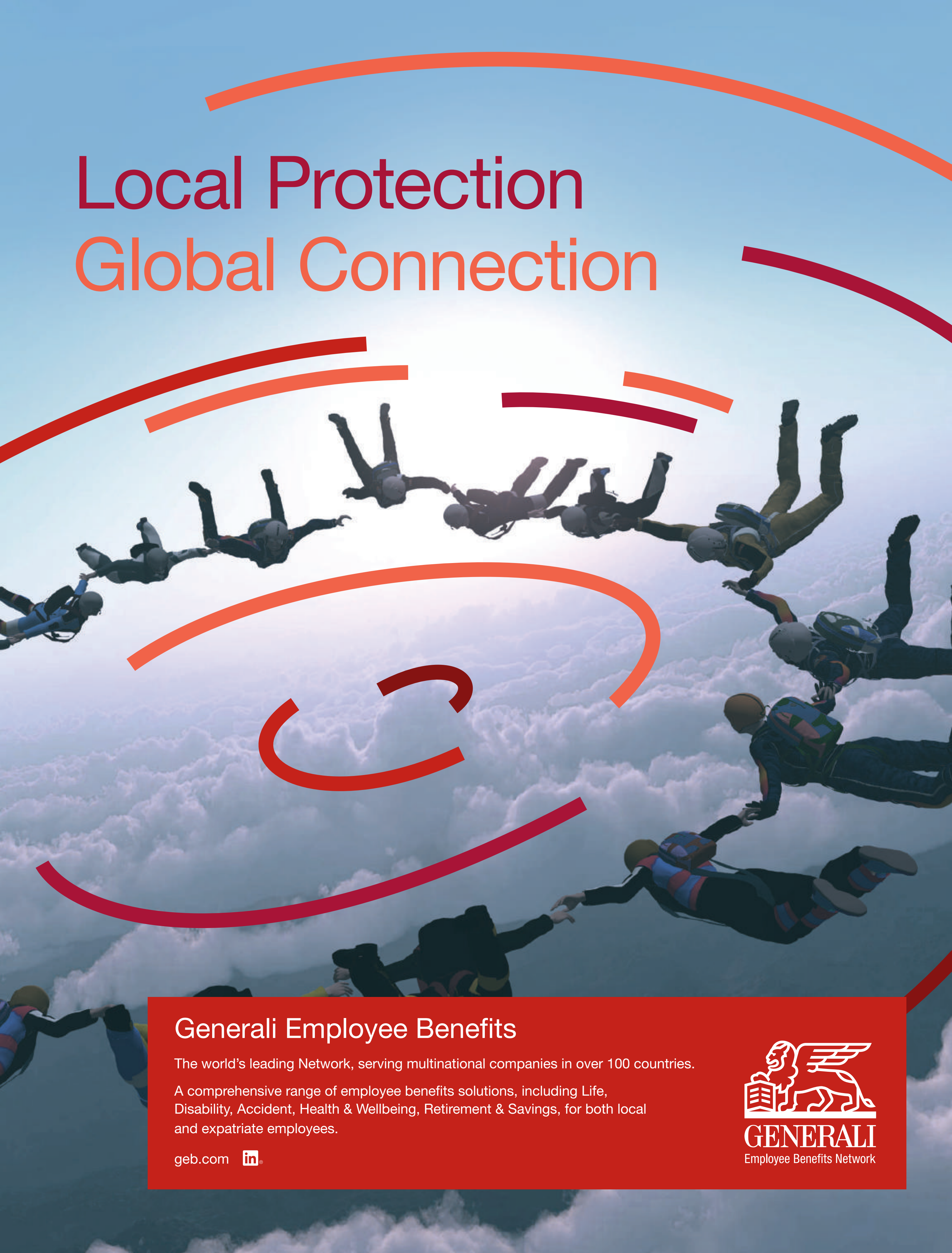
R&Q sells captive operations

Randall and Quilter Investment Holdings has sold its insurance services and captive management operations to Davies Group, a UK-based operations management, consultancy and digital solutions provider.

The transaction will see Davies acquire the entire capital share of JMD Specialist Insurance Services Group, as well as its subsidiaries, R&Quiem, John Heath & Company and AM Associates Insurance Services.

Randall & Quilter Bermuda and its Quest subsidiaries will also be acquired in the sale.

The sale reflects R&Q’s decision to simplify its operations and focus on the acquisition of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run-off portfolios and the use of its licensed companies in the US and EU as conduits for niche and profitable books of insurance business, primarily to reinsurers.

The accepted valuation of the businesses being sold is £20 million, after deducting net debt applicable to the business, the net cash consideration payable by Davies is approximately £18.6 million.

The transaction is expected to have a broadly neutral impact on R&Q's book value and earnings, after allowance for transaction expenses, related incentive payments, working capital adjustments and goodwill written off.

R&Q chair and CEO Ken Randall stated: "The insurance services and captive management operations are market leading, well-developed and scalable and we are confident the operations will prosper under the stewardship of Davies."

He added: "The sale will enable us to focus further on our core operations where we remain excited about the growth potential in the current year and beyond, underpinning the Group's financial performance and distribution policy."

Vermont welcomes 24 new captives

The Vermont Captive Insurance Division licensed 24 new captive insurance companies in 2017, in comparison to the 26 that it licensed in 2016.

The 24 captives included, 11 pure captives, five sponsored captives, three risk retention groups (RRGs), three special purpose financial insurers, one branch captive and one industrial insured captive.

The healthcare sector continued to grow last year, with five new healthcare captives formed taking the total to 100 active healthcare captives.

With an active total of 90 RRGs, Vermont continues to hold a dominant market share with over 60 percent of all RRG premium volume being written by Vermont companies.

The state now has a total of 1,112 domiciled-captives, 556 of which are active.

Ian Davis, Vermont's director of financial services, said: "The new licensing activity in 2017 reflected a wide diversity of lines being written and industries served, highlighting our state's ability to evolve and meet the risk management needs of the market."

Vermont governor Phil Scott added: "It's great to see another strong year of growth for captive insurance in Vermont."

"This industry continues to be an incredible example of how our state can support growth in important business sectors."

Martin & Company opens EB division

Martin & Company has established an employee benefits consulting division and expanded its life, accident and health department.

The developments are part of Martin & Company's attempt to provide a broader scale of services and offer a more comprehensive package of outsourcing solutions including all lines of business.

The new employee benefits consulting division will offer guidance and outsourcing solutions to employers seeking to more effectively manage their costs, remain compliant with the changing regulatory requirements, and provide better coverage for their employees.

Paul Martin, Martin & Company president, stated: "We have seen a trend with our valuable clients who we've served in the property and casualty business for years, now having the need for additional support with products such as disability, life, accident and health, and other employee benefit services."

He continued: "Martin & Company has expanded our life, accident and health team and created an employee benefits consulting division to enhance our capabilities to meet customer needs across all insurance lines."

Utah sees 63 new captives

The Utah Insurance Department licensed 60 new full captive insurance companies in 2017, in comparison to the 68 that it licensed in 2016.

The department's year-end statistics show there are a total of 417 Utah-domiciled captives as of 31 December 2017.

There were also three new cell captive formations last year taking the total number of active cell captives to 69 and the total number of captive companies as of year-end 2017 to 486.

Travis Wegkamp, Utah Insurance Department's captive director, commented: "We experienced a steady stream of new licence applications throughout the year."

"While not seeing the high numbers of new licensees we experienced a few years ago, that is to be expected given the soft market for commercial insurance and recent regulatory/tax changes at the federal level from the PATH Act."

He continued: "I feel the current optimistic outlook on the US economy, as evidenced by strong GDP growth and record stock market gains, will result in increased interest in captives for companies seeking an alternative risk financing approach."

Acrisure agrees first acquisition outside North America

Acrisure has agreed to acquire UK reinsurance brokers Beach & Associates.

The agreement, which will see the US brokerage acquire 100 percent of Beach from the existing shareholders, is Acrisure's first acquisition outside North America.

Beach will retain its name and will continue to operate as an independent advisory and transactional broking business within Acrisure.

The entirety of the Beach management team will remain after the transaction is completed, and have elected to become Acrisure shareholders upon completion.

Acrisure offers a range of insurance solutions including captives, property and casualty, personal lines and sureties.

The agreement is subject to regulatory approvals and expected to be completed in Q1 2018. Terms of the transaction were not disclosed.

Gregory Williams, CEO of Acrisure, commented: "We look forward with real enthusiasm to both supporting Beach's growth and to partnering with a world-class executive team as we grow our collective business."

Beach CEO Grahame Millwater added: "The cultural fit is remarkable, our business ambitions are aligned and we have a deep regard for Acrisure's management team and their strategy."

Arizona welcomes 11 new captives

The Arizona Captive Insurance Department has licensed 11 new captives as of 31 December last year, compared to the seven in 2016.

Arizona now has a total of 80 pure captives, 22 pure reinsurance captives, five industry group captives, two association captives, one agency captive, one protected cell company and 10 risk retention groups.

Of the 121 captive insurers domiciled in the state, 27 of them are from the healthcare and social assistance industry; 27 are from the finance and insurance industry; 17 are from the construction sector; eight are from the transportation and warehousing industry; 10 are from manufacturing; four from retail trade; and 28 from the other category.

The figures also showed that three captive licenses were terminated last year.

MS Amlin creates new special purpose reinsurer in Bermuda

Specialist reinsurer MS Amlin has created a new Bermuda-domiciled special purpose reinsurer. Viribus Re will provide collateralised capacity support for MS Amlin Syndicate 2001's global reinsurance portfolio in 2018.

The special purpose reinsurer entered into a quota share agreement with MS Amlin, incepting 1 January 2018, under which it will reinsure more than $60 million of the firm's worldwide property catastrophe excess of loss portfolio.

In addition to MS Amlin, who committed $5 million, capital was committed by a number of third-party investors.

Aon securities were the sole structuring and placement agent for the transaction, while Willkie Farr & Gallagher UK acted as deal legal counsel.

James Few, global managing director of reinsurance at MS Amlin, said: "This is an important long-term strategic initiative for MS Amlin as we continue to seek ways to build capacity and relationships with capital market partners, whilst providing us with greater scope and flexibility to support the evolving needs of our clients."

He added: "We are delighted to have secured funding for Viribus Re from a range of new partners whom we look forward to working with closely in the future."

Ratings of PFI affirmed by A.M. Best

A.M. Best has affirmed the financial strength rating of "A+ (superior)" and the long-term issuer credit ratings of "aa-" for Prudential Financial's (PFI) domestic life/health insurance subsidiaries (Prudential).

The ratings agency has also affirmed the long-term issuer credit ratings of "a-" of PFI and all existing long- and short-term issue credit ratings of the group.

In addition, A.M. Best has assigned the long-term issuer credit ratings of "a-" to two recently issued senior unsecured notes, due 2047 and 2049.

Prudential's ratings are reflective of its very strong balance sheet strength, strong operating performance, very favourable business profile and very strong enterprise risk management.

According to A.M. Best, Prudential's balance sheet strength is enhanced by the favourable financial security it gains from the access to various sources of liquidity and the proven ability to access capital markets of its parent, PFI.

Partially offsetting this is Prudential's substantial use of captive insurers to finance redundant reserves for its term and universal life products.

The firm's operating performance is considered strong, as a result of its favourable return metrics, which have generated positive statutory income in each of the past five years.

In addition to its insurance businesses, Prudential now has over $65 billion in funded pension account values from its long-term operations in the pension risk transfer (PRT) marketplace.

PFI's rating affirmation is reflective of its extremely diversified earning sources, considerable financial flexibility, strong liquidity profile and strong debt service capabilities.

The cash and short-term holdings at PFI exceed $4 billion, allowing ample liquidity to fund shareholder dividends, share repurchases and potential acquisitions.

Partially offsetting PFI's positive rating factors is the increasingly large concentration of annuity reserves, primarily due to the growing number of PRT transactions, relative to its total statutory general account reserves.

A.M. Best is also concerned about the companies continued reliance on captive insurers to help manage redundant life-reserve financing requirements.

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Tailor made

With the scope of cyber threats evolving, and commercial insurance unable to offer suitable coverage, captives can provide a tailored alternative solution to meet individual company exposures

Ned Holmes reports

Cybercrime is one of the fastest evolving risks for businesses, with a report from Cybersecurity Ventures predicting that by 2019 ransomware alone will breach a businesses' cyber security every 14 seconds.

The 2017 Crime Report by Cybersecurity Ventures also identified the "cybercrime epidemic" as the greatest threat to every company in the world, suggesting it could cost the world $6 trillion annually by 2021.

The Equifax data breach and the WannaCry ransomware attack in 2017 exemplified the magnitude of the impact that cyber attacks can have, in terms of both finance and business interruption.

Not only is the attack surface widening as the number of interconnected devices worldwide increases, with the internet of things predicted by Cisco to reach 50 billion by 2020, but the volume and variety of threats posed by cyber risk is also growing.

Jeff Sharer, senior manager in the insurance and actuarial services practice of Ernst & Young, explains: "Cyber risk is not exposure to one specific risk; instead, it is exposure to a group of risks, which differ in technology, attack vectors, means."

He says: "As the cyber threat landscape evolves exponentially as firms become digital, the cyber risks that were once considered unlikely are now becoming regular occurrences. Meanwhile, the cyber risks that were once unimaginable must now be viewed as a potential occurrence."

Companies are beginning to take cyber risk increasingly seriously, but there appears to be a gap between awareness and action.

Aon's Global Risk Management Survey 2017 found that while cyber risk was perceived by the participating companies as the the fifth top risk (number two for participants with annual turnover of over $1 billion) just 33 percent had purchased cyber insurance.

Anup Seth, managing director of Aon's Global Risk Consulting practice, says that this is due to a lack of coverage available.

Historically, cyber risk coverage has focused on data loss, however, with the cyber threat landscape changing, the type of coverage required by companies is broadening making it difficult for the commercial market to keep up.

Seth explains: "It's because the product that was available until the middle of last year wasn't really covering the exposures that they had. If you look at who was buying cyber it was what we would call the data holders."

"The product that was available, let's call it cyber 1.0, was really covering the loss of data. Other companies have other exposures relating to cyber and they felt that that particular product wasn't addressing their exposures and their needs."

Captive solution

This is where the alternative solutions offered by captive insurance companies can be advantageous.

A captive's flexibility allows companies to have broader policies that recognise cyber as a standalone peril and address all of the exposures and needs.

Where historically coverage is focused on data loss, one of the key benefits of using a captive is that it allows an organisation to include coverages specific to their exposures that would not usually be addressed, such as business interruption or physical damage resulting from a cyber event, and write those policies through their captives.

In addition to broader and more flexible coverage, using a captive also offers a pricing advantage.

Seth suggests: "With the captive taking the equal retention, the excess layers will obviously be an increase layered factor type approach or you may choose to buy a large quota share excess of the captive retention. Either way, you will make a saving when you look at your total cost of risk."

Captives can also be beneficial for an organisation's post-breach response. They can allow organisations to have a predefined process in place in the case of a cyber breach to reduce business interruption, one of the most concerning consequences of cyber attacks for businesses.

According to Seth, putting cyber insurance through your captive, and having a pre-defined claims management and response process, will help to reduce business interruption in the scenario of a cyber attack.

"That's another big advantage. Having that claim and cyber response team all mapped out prior to actually binding your policy," Seth adds.

"This will not only influence the insured loss, but also the economic loss from a parent company, and limit their reputational damage and brand impact."

The advantages a captive can offer work best in a combined structure alongside commercial insurance. Either using the captive to supplement commercial insurance and fill the gaps left in the policy or using the captive to write the coverage's primary layer while using an excess-of-loss programme and reinsurance to purchase additional limits.

Salil Bhalla, AIG's UK head of complex multinational accounts, says a combined approach is ideal "as very few captives can provide sufficient capacity for cyber risks without the support of the commercial market. Very few captives will have the underwriting appetite, balance sheet strength or technical expertise to provide the full limits required."

Bhalla explains: "The size of the captive retention will depend on its risk appetite, with most captives taking a very cautious approach towards cyber risk. Ideally the captive needs a partner with both cyber underwriting and captive fronting capabilities to provide a seamless cyber insurance solution."

Review first approach

Vital to structuring captives correctly for cyber coverage is the identification and understanding of the danger posed to a company by cyber, and the impact that an attack may have.

A review first approach, which involves cyber risk assessments and exposure analyses prior to the production of a cyber policy, is therefore critical to ensuring the appropriate coverage is purchased.

Seth suggests: "Getting that exposure analysis done is really critical. That will drive your premiums, it will drive the underwriting process and also the sort of coverage that you can get."

"It's almost akin to an engineering report. When insuring a property most underwriters will insist on an engineering report so we are trying to follow the same logic. If you're a cyber underwriter and we're now treating this as a separate standalone peril, you want to see the cyber resilience review," he adds.

Enhanced regulations

An additional consideration in cyber coverage is the upcoming implication of the General Data Protection Regulation (GDPR) on 25 May 2018. GDPR aims to provide enhanced and uniform regulations for data protection in regards to personal information for all individuals across the EU and will impose a number of requirements ensuring data is properly acquired, held and protected by companies.

AIG's head of cyber, Europe, the Middle East Africa, Mark Camillo says: "The area that is receiving the most attention from companies is the potential fines and penalties that can be levied—up to 4 percent of global turnover."

"Due to the potential increase in costs and exposure, more companies will want to make sure that their insurance addresses data security and privacy concerns, whether through a captive or through commercial insurance."

Looking ahead

While commercial insurance is evolving in cyber, and advancements in coverage are predicted this year as cyber begins to be recognised as a standalone threat, the benefits that captive insurance offers for cyber risk coverage means that it will likely remain an extremely viable alternative solution in a market that is expected to see huge growth over the next few years.

From its 2017 cyber report, Aon expects global premiums for cyber to be between $5 billion and $7 billion in three to five years time, up from around $2 billion in 2017.

Seth suggests that captive insurers will play a part in this growth.

He explains: "All the signs are there for this area to grow significantly and encouragingly we are seeing that the market has also evolved and is providing broader coverage and certainly the captives have an important role to play in facilitating this risk transfer process." **CIT**

US tax reform and foreign captives

The US tax reform will bring sweeping changes across nearly every aspect of the tax code. John Dies explains the implications for foreign captives

The Tax Cuts and Jobs Act, passed by Congress and signed by US President Donald Trump on 22 December last year, is the first comprehensive tax reform to take place in the US since 1986. From accounting methods, to child tax care credits, nearly every aspect of the tax code will be touched in some way by this sweeping legislation. Captive insurance companies are no different.

Beginning this year, the tax landscape will be changing immensely. More importantly, these changes will not be slow and they will not be gradual. Many of them will occur immediately and all at once. For example, corporations will pay a flat corporate income tax rate of 21 percent for tax years beginning after 31 December 2017. Previously, corporate income tax was determined based on a graduated scale, with a top bracket percentage of 35 percent.

There are several other general business provisions, which will have an immediate impact on captives in the coming year. In addition to the corporate income tax rate reduction, the corporate Alternative Minimum Tax has been repealed and certain classifications of property will be subject to immediate bonus depreciation of 100 percent. These reductions in corporate tax liability are also accompanied by new limitations on net operating losses and business interest deductions.

The act also contained a number of provisions that are specific to insurance generally, such as an increase in the discount factor applied to reserves. However, this article will focus on significant changes to the US tax rules as applied to foreign structures.

As readers well know, offshore captives have a number of potential benefits, such as captive friendly regulators, more flexibility for investments, lower capital requirements, and larger access to reinsurance and pools. Additionally, offshore captives have been established as a tax-efficient method of obtaining coverage.

Even so, captives are not immune from the fundamental shifts in the way the US taxes international companies following the enactment of this tax reform. Few areas of the tax code saw such radical and impactful reforms. Not only have there been significant changes to the way multinationals are taxed, these changes may have an impact on taxpayer's 2017 income tax returns.

While the new rules add increased complexity and potentially harsh consequences, a properly structured organisation can still maintain significant tax benefits to an offshore captive. Captive structures will need to be evaluated as US tax reform provides for a number of new provisions that will impact offshore companies in general and the captive insurance industry. The actual impact of these new laws will depend largely upon how your organisation is structured.

Impact to passive foreign investment companies

One provision of the act, regarding passive foreign investment companies (PFICs), specifically targets offshore captives. The PFIC regime is burdensome for owners of smaller interests in captives (or any offshore investments for that matter). These rules reduce the incentive for offshore investment by potentially taxing phantom distributions and imposing onerous reporting requirements. If there is no choice but to be a PFIC, the harsh consequence of high-tax rate and interest charges may be alleviated if certain (timely) elections are made. Failing to properly report PFICs comes with penalties and the waiver of certain important elections.

Offshore insurance companies are able to avoid PFIC status by meeting the active insurance exception. However, to meet this exception, a certain level of active insurance assets must be present. For example, loss and loss adjustment expenses and specific other reserves must exceed 25 percent of total assets. There is an additional provision if a company is in a run-off position.

One challenge always present with holders of PFIC shares is the ability to obtain information and influence the decision makers of the offshore entity. Due to ramifications of falling into PFIC status, smaller owners in offshore insurance companies will want to take affirmative steps to protect themselves.

While PFIC provisions specifically target offshore insurance companies, many of the other changes to the international tax rules can have a major impact on offshore structures.

New base erosion anti-abuse tax

Companies doing business internationally will also have to be aware of the new base erosion anti-abuse tax (BEAT). BEAT is intended to ensure that companies doing business in the US pay a minimum level of tax. This minimum tax is computed by disallowing certain related-party payments to companies outside of the US. BEAT applies to taxpayers with average annual US gross receipts of at least $500 million over the three-year look-back period and a base erosion percentage of at least three percent. BEAT rate is 5 percent in 2018, increased to 10 percent until 2025 and then 12.5 percent thereafter.

Premiums paid to an offshore captive would be a form of disallowed payment, however, there are a number of inputs that will influence the calculation of any new BEAT tax due. Whether or not BEAT will apply will require a look at not only insurance premiums, but all related party payments, so a holistic analysis would be required to determine if your benefit from a captive would be impacted.

Impact to controlled foreign corporations

There are two major revisions to the rules surrounding US controlled foreign corporations (CFC), which may have an impact on captives. Firstly, the ownership rules for determining if you have a CFC have changed significantly. Previously, the ownership rules required US shareholders to control 10 percent of the company's voting power for more than 30 days to qualify as a CFC. Now, a CFC may be found if either 10 percent of the voting power or 10 percent of the total value of the company are owned by US shareholders for one day during the taxable year. In addition, ownership attribution rules have been modified to now permit, for constructive ownership rules, attribution to look through foreign parents for CFC determination. These changes are not relevant for wholly owned captives, but shared owners should take note.

Secondly, the new global low-taxed intangible income tax (GILTI) looks to make sure a minimum level of tax is paid by CFCs. The calculation in effect grants a 10 percent minimum tax after an 80 percent foreign tax credit allowance if the taxpayer's offshore tax rate is not met. The identification of what type of income is subject to the minimum tax is important in this calculation.

Required transition tax

From a US international tax perspective, the major headline is that these rules transition the US from a corporate worldwide tax system to a modified territorial system. This change allows dividends from offshore earnings to be brought back to the US without taking a tax hit. This modification ends the historic 'lock-out' effect.

In exchange for moving to this territorial system, many offshore companies will face the 'deemed repatriation' transition tax. This toll charge is a one-time hit to legacy offshore earnings that were not previously subject to US tax. Offshore captives organised as CFCs that have held many years of earnings deferred from US tax, will be subject to this tax. Many companies are spending time zeroing-in on historical earning and profit (E&P) numbers, as these amounts rarely resulted in tax due to the Internal Revenue Services historically. The rate of tax paid on cash held by the company is 15.5 percent and all remaining E&P will be taxed at 8 percent. This tax will apply regardless of whether cash is actually distributed back to the US, and must reported on taxpayers 2017 tax returns.

A note to 953(d) captives

Captives rules have not been changed regarding offshore insurance companies that have made the 953(d) election to be taxed as US companies. However, it is important to keep an eye on these international rules even though they may not be currently applicable. As everyone is aware, in this post-Avrahami world, it would be a worthwhile exercise to evaluate the implications if IRS challenges are upheld that would invalidate the 953(d) election.

From a big picture perspective, the simple but most impactful outcome of tax reform is a significant drop in the corporate tax rate. Nonetheless, the desire to manage global effective tax rates is ever-present. While there are numerous new tax hoops to jump through, the benefits for offshore captives remain. The challenge will be to manage these new complexities to make sure that new traps do not bite your structure. Captive owners and managers would be well suited to consult with their tax advisors to determine what, if any, impact these new laws will have on their captive. **CIT**

“Captive owners and managers would be well suited to consult with their tax advisors to determine what, if any, impact these new laws will have on their captive”

John Dies, managing director tax controversy, alliantgroup

Optimising equity allocations

Equity income strategies can be useful for captive insurers protecting their portfolio. Eric Hovey and Frank Lee of Payden & Rygel explain

With equities globally producing another year of strong returns, investors in many markets have enjoyed one of the longest equity bull markets in history. As just one example, the S&P 500 has rallied more than 250 percent over the past nine years.

Although the fundamentals of global equity markets continue to be supportive of valuations, the duration and magnitude of the market rally is driving captive insurance companies to look at introducing strategies that reduce equity beta while allowing for continued upside participation. Our favoured strategy is an equity income allocation that checks these boxes and provides the added benefit of higher income.

Lower volatility

One byproduct of higher dividend yielding stocks is lower volatility. You might question the need for lower volatility in an equity portfolio given the extremely low levels of volatility exhibited in the markets over the past year, but like a rubber band, the calm can be snapped back at any moment.

While the US equity volatility index dropped to new record lows (Chart 1), there are ample examples of potential sources of instability. Even though the rubber band survived frequent tests from countless negative global political headlines and multiple terrorist attacks in 2017, any one event this year might still trigger a break, leading to a market correction. In our opinion, the risks are not evenly weighted between maintaining historically low volatility and experiencing a technical correction.

This begs the question: how do high dividend stocks perform in down markets? Over the past 50 years, high dividend stocks have captured just 34 percent of the down market, while maintaining 100 percent of the up-market (Chart 2). If the S&P 500 was down 10 percent, high dividend stocks would have only been down 3.4 percent in the same period, significantly protecting gains realised over the bull market. The positively-weighted risk/reward profile is attractive for managing asset volatility on a captive's balance sheet, while participating in positive equity momentum.

If a captive wants to reduce equity beta, why not just sell equities and move into cash or fixed income? The primary argument against this move is the downfall of attempting to time the market over short-term periods. Staying true to your long-term asset allocation, while optimising the risk/reward of each sector, is a more prudent approach. In addition, global growth is strong and corporate earnings are expected to see double digit growth for 2018. This expectation combines with other positive factors to give a favourable fundamental equity outlook and we continue to believe an equity allocation is beneficial over the medium-term for captives that can take the risk. Moving into high dividend paying stocks allows an investor to participate in a market rally, while prudently protecting the portfolio to the downside. Again, historically high dividend stocks have captured 100 percent of the up move in the S&P 500, while limiting the downside.

More income

Over the past decade insurance companies have taken on more risk in the search for higher investment income by moving down the credit quality spectrum, extending longer in duration, or expanding more internationally.

However, dividend paying stocks are often overlooked as sources of income despite providing yields comparable to most fixed income securities. To begin 2018, there are several high-quality dividend-paying companies that offer yields above 4 percent, such as AT&T with a dividend yield of 5.3 percent in the US or Atlantia paying 4.1 percent in Europe.

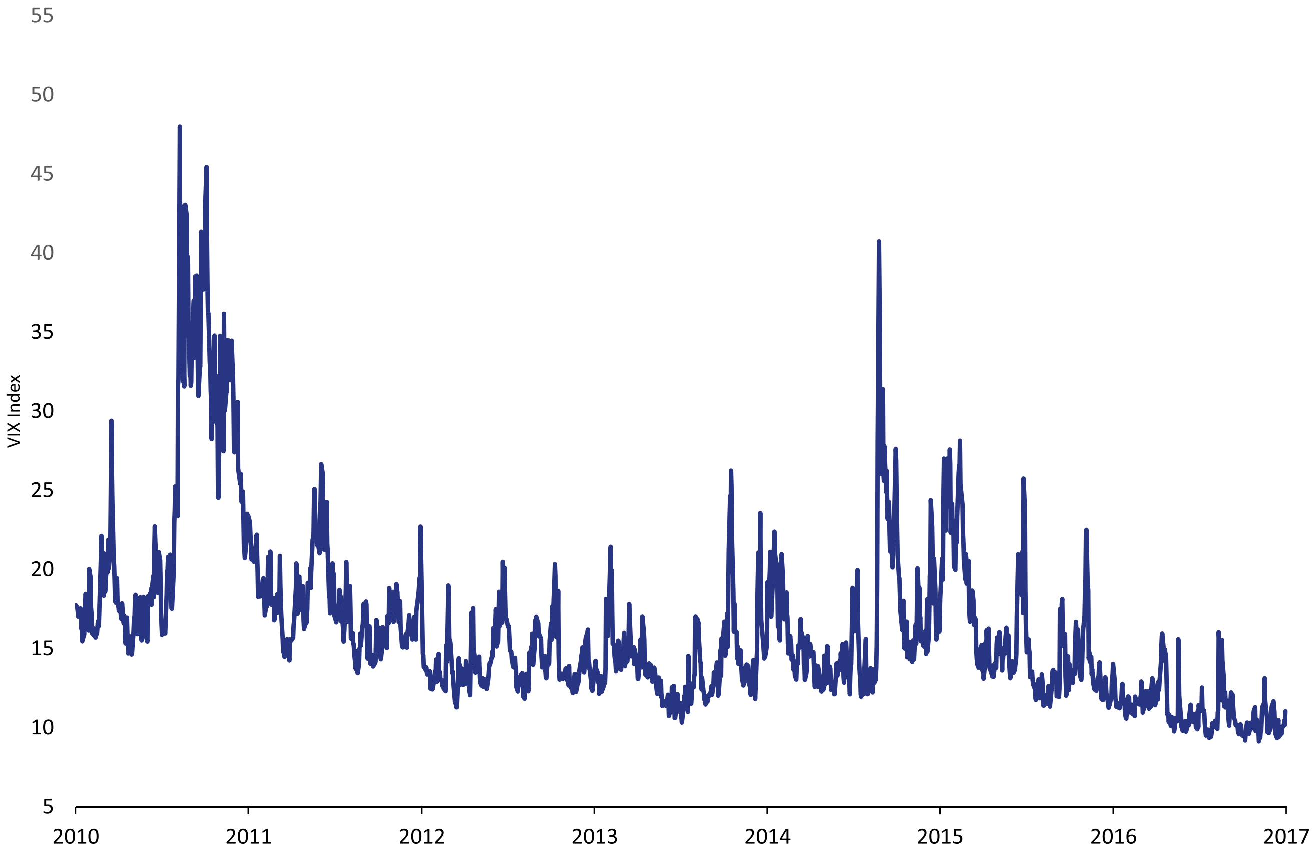
Granted, companies subject to letters of credit, risk-based capital constraints, or other restrictions may find their haircut- or capital-adjusted yields to prefer fixed income markets, but another attractive characteristic of dividend paying stocks is dividend growth. Unlike longer duration bonds, increasing dividends can serve as a hedge against higher interest rates and inflation, providing a growing income stream for investors. That is a feature found only in the floating rate coupon realms of fixed income.

How Payden & Rygel approach equity income strategies

The Payden equity income strategy is managed with the goal of continuing to deliver high levels of income and superior risk-adjusted returns. Unlike many dividend stock strategies, Payden combines common stocks with real estate investment trusts, preferred stocks, and master limited partnerships to optimise the return profile with increased diversification.

Additionally, we take a bond investor's approach to analysing company cash flows for stability and growth potential. We leverage our 34 years of fixed income expertise to make stock investment

Chart 1: US Equity Volatility Index (VIX)



decisions, searching for high levels of consistent income from high-quality companies. Our global industry analysts conduct proprietary research up and down the entire capital structure, seeking companies with the ability and willingness to continue covering their dividend payments, and preferably grow them over time. Over 80 percent of the issuers held in the equity strategy are also held in fixed income portfolios within the firm. The strategy seeks to be well-diversified across common stock sectors and security types, not concentrating on the historical dividend plays of utilities and telecommunications. Many strategies are also focused solely on the US markets, however, expanding the large cap dividend universe to include global markets increases the opportunity set by 150

> **Equity income strategies present a great opportunity for captive insurers looking to protect gains in their portfolio, while maintaining participation in the broad equity market**

Eric Hovey, SVP senior portfolio manager insurance accounts, Payden & Rygel

Chart 2: High Dividend Stocks – Strong Upside Capture, Low Downside Capture

50 Year Total Return (1967-2016)

	High Dividend Stocks	S&P 500	Difference
Total Return (Annualised)	12.01%	9.04%	2.97%

Up Markets: 102% Market Capture (40 positive return years)

	High Dividend Stocks	S&P 500
Total Return (Annualised)	16.89%	16.56%
Calendar Year “Wins”	22 Years	18 Years
Market Capture (%)	102%	

Down Markets: 34% Market Capture (10 negative return years)

	High Dividend Stocks	S&P 500
Total Return (Annualised)	-5.57%	-16.50%
Calendar Year “Wins”	7 Years	3 Years
Market Capture (%)	34%	

Source: Kenneth French

percent. Payden currently offers the strategy through separately-managed accounts and commingled vehicles.

Equity income strategies present a great opportunity for captive insurers looking to protect gains in their portfolio, while maintaining participation in the broad equity market. It is also important to note that not all equity income strategies are the same. We believe a diversified portfolio of income producing sectors and security types delivers the upside participation, lower volatility, and higher income that meets the needs of a captive insurance company. **CIT**

“Unlike longer duration bonds, increasing dividends can serve as a hedge against higher interest rates and inflation, providing a growing income stream for investors”

Frank Lee, SVP, senior equity strategist, Payden & Rygel

Full steam ahead

Senior insurance executives give their predictions for the captive insurance industry in 2018

What are your predictions for the captive insurance industry in 2018?

Travis Wegkamp
Captive director
Utah Insurance Department

Though the soft insurance market persists, I feel the current optimistic outlook on the US economy, as evidenced by strong gross domestic product growth and record stock market gains, will result in increased interest in captives for companies seeking an alternative risk financing approach.

Additionally, now that the industry has weathered through the first year of implemented the Protecting Americans from Tax Hikes Act changes, with those issues sorted out and adjusted too, we'll begin to see more robust growth in the smaller captive market, perhaps not like in years past, but positive growth nonetheless.

Debbie Walker
Senior deputy commissioner
North Carolina Department of Insurance

The 2018 outlook for the captive insurance industry in North Carolina is bright. We anticipate that businesses of all sizes will continue to utilise captive insurers to manage risks. Federal tax reform measures and the activities of the Internal Revenue Service, such as the Avrahami case and the Notice 2016-66 disclosure requirements, have resulted in some companies making the decision to discontinue their captive insurer or not to pursue the formation of a new captive insurer. However, as more companies learn about the benefits of captive insurance, it is expected many will decide that captive insurance is a useful risk management tool to address their needs. Finally, we predict businesses and their advisors will seek new ways to use captive insurance. For instance, continued growth in captive insurers formed by employers to address employee health benefit costs is anticipated.

John Talley
Captive programme manager
Missouri Department of Insurance

This year, we expect to see a steady growth in captive formations and redomestications. In the heartland of the nation, Missouri's two largest cities, St. Louis and Kansas City, are the hubs for some of the largest businesses in the US.

Additionally, Missouri is one of the states that enjoys a large agribusiness economy. We are expecting new and continuing growth from these areas.

Carl Culmer
Deputy manager
Policies and Practices Unit
Insurance Commission of The Bahamas

The Bahamas' legislative and regulatory environment remains robust in facilitating the needs of new captive insurance companies. At year-end 2017, the captive industry experienced a year-on-year increase in both licensed and registered captive entities operating from within The Bahamas. During 2018, we anticipate sustained growth in the number of segregated accounts, or 'cell captives', as the cost structure for these entities are more favorable than operating a standalone captive. Additionally, we envisage modest growth in the international small- and medium-sized enterprises (SMEs) establishing standalone captives in the jurisdiction.

The captive environment in The Bahamas continues to be supported by a public/private partnership between The Bahamas Financial Services Board (BFSB) and the Insurance Commission of The Bahamas. BFSB's role is instrumental in promoting the jurisdiction as a competent and competitive captive jurisdiction. The commission supports the captive industry by streamlining the application process and maintaining a robust regulatory and supervisory framework which meets international standards.

It is envisaged that this relationship will continue into 2018 with special emphasis on attracting international captive insurance managers that effectively bridge the risk and reward gaps under-utilised by SMEs. As a result, we envision an increase in the number of captive insurance managers domiciled within The Bahamas to facilitate the growth in both standalone captives and segregated accounts.

Ian Davis
Director of financial services
Vermont Department of
Economic Development

Cyber continues to be a very topical issue at the moment, with 2017 seeing an abundance of high profile data breaches and cyber attacks.

As companies' reliance on technology continues to grow, the scale and impact of these events will inevitably increase as well. In Vermont, we have convened working groups, are conducting market research and are working towards positioning the state to be at the forefront of regulating these new and emerging risks.

For example, last year the staff of the Captive Insurance Division and other members of the Department of Financial regulation included cybersecurity training sessions as part of their annual continuing professional education requirements and cybersecurity considerations are now emphasised in our examination programmes.

In 2018 I expect that we will continue to see companies expand the use of their captive programs to account for these exposures, and Vermont's captive industry remains well positioned to support those efforts.

Do you have anything exciting in the pipeline?

Missouri: We have been in discussions with several captive managers, corporations and insurance brokers that have expressed interest in formation of new captives in the state and redomestication of existing captives to Missouri. We are looking to these conversations to come to fruition in 2018.

The Bahamas: In December 2017, The Bahamas Government passed the Commercial Enterprises Act, which is designed to encourage international persons to establish a domestic presence as a specified commercial enterprise. The captive insurance and reinsurance industry, amongst other industries, were specifically named in the legislation as areas of economic interest. The legislation is intended to provide economic incentives for investment in approved business undertakings. This legislation, demonstrates the government's commitment to expand areas of industry and trade within The Bahamas generally, and specifically, to further evolve The Bahamas' footprint within the captive insurance space.

The legislation also seeks to liberalise the granting of work permits to international investors desirous of establishing a specified commercial enterprise within The Bahamas. From this initiative, it is envisioned that The Bahamas will see a resurgence of material interest within the captive industry over the next few years. Furthermore, it will allow SMEs to yield the benefits of the synergies that exist between the insurance market and other financial services providers that aid in the development of innovative products and services. More information on captive insurance in The Bahamas can be found at www.icb.gov.bs.

Utah: We will continue to make improvements to our online forms and applications, as well as provide additional online resources accessible on our website at insurance.utah.gov/captive, but otherwise nothing big planned for the captive industry in Utah at this moment.

Vermont: Vermont's captive insurance industry is off to a great start in 2018. In terms of new licensing activity, we have already licensed three captives in the first two weeks of this year and expect that momentum to continue. We are also extremely excited to welcome home University of Vermont Health Network's captive insurance company from Bermuda, a move that underscores Vermont's position as a global leader in the industry. Vermont's reputation of offering a predictable and stable regulatory environment for captive insurance continues to make the state an attractive alternative to offshore jurisdictions.

This year Vermont Captive Insurance will also be unveiling a new marketing and communications plan, refreshed brand and new website. The goal is to revitalise our messaging, look and feel which will in turn help support all aspects of our marketing approach. These enhancements will reflect not only who we are, but where we want to go. Stay tuned!

North Carolina: Commissioner Mike Causey obtained funding for three new analyst positions during the 2017 legislative session. As a result, we hired three experienced insurance accounting professionals to fill those positions. With the additional staff, we are able to continue our appropriate regulation of North Carolina captive insurers and responsive, timely customer service to the North Carolina captive insurance industry. During the first weeks of 2018, we are diligently working to complete our evaluation of pending captive insurer applications filed at the end of last year. As we have in the past, staff will be attending and exhibiting at the World Captive Forum, the CICA 2018 International Conference in March, and RIMS 2018 Annual Conference and Exhibition in April 2018. In addition, we will be participating in other national, regional, state, and local state captive events, including the North Carolina Captive Insurance Association 2018 Annual Conference, 20 to 22 August, 2018 in Charlotte, North Carolina. Last year was a successful year for the North Carolina captive insurance industry, and we anticipate continued growth in large and small captive insurers as well as growth in the development of the captive insurance service provider industry. **CIT**

Future perfect

Jay Branum, director of captives at the South Carolina Department of Insurance, discusses his predictions for the industry, and explains what the domicile has in store for 2018

Broadly speaking, the South Carolina Department of Insurance anticipates three trends for the onshore US captive world in 2018, the first is related to captive structures and the root motivations of their owners, the second is related to larger or more established captives, and the third is related to the presently indistinct regulatory status of captive managers.

Regarding the first trend, we anticipate that many 831(b) captive owners in the US will continue to reassess the viability and raisons d'être for their captives in light of the 2015 PATH Act and subsequent developments. Some will restructure their ownership arrangements to preserve eligibility to take the tax election in accordance with the 2015 Act, others will probably shut down their captives. Frankly, I don't see either scenario as a net negative for the captive industry. We may see the risks placed with these small captives move in from the fringe enterprise risk captives (ERC) exposures seen in recent years and start to correspond more closely to traditional lines of insurance. They may well generate higher premiums and produce more real losses, and generally start to resemble more small-scale versions of the mainstream captives that have been around for decades. I see nothing undesirable or threatening about such developments.

Of course, some domiciles have tied themselves very closely to these so-called ERCs, a term I've always considered to be nothing more than a euphemism intended to avoid using the 831(b) label. South Carolina is not one of those domiciles.

Although we do have some captives in our portfolio that make the 831(b) election, we look at those captives the same way we look at other captives in terms of our licensing decisions and overall regulatory scrutiny. I should add that we certainly don't want to discriminate against small-sized companies wishing to avail themselves of the advantages of captive ownership for real risk management and risk financing reasons, but we are also not interested in serving as a haven for tax-driven or estate-planning-driven vehicles, with all the uncertainties and questions about the sustainability and even the legitimacy of such structures.

Regarding the second trend, we are seeing a wider recognition of the threats posed by emergent risks such as cyber, supply chain, and terrorism. Along with the dense webs of interconnectivity among today's corporate operating exposures—together, all these dynamics will continue to fuel interest in captives, and in addition, prompt owners of more established and financially robust captives to consider expanding their captive utilisation plans to encompass new risk exposures and possibly higher limits of coverage.

In other words, owners of solidly capitalised captives with a track record of good earnings from well-priced and prudently reserved business will become more alert to ways to put their captives' accumulated surplus to work to protect the operations, earnings, and reputations of their parent organisations.

Regarding the third trend, we expect to see a heightened focus on the qualifications of captive managers and the whole question of whether they currently escape regulation of any kind and should be licensed, and if so, under what sort of standards regime and by what regulatory authorities. This is a fairly fraught subject about which some regulators—myself included—have quite strong views. In a nutshell, I think the licensing of managers is an ill-conceived, largely defensive or reactive idea that could open the whole captive sector in the US to unwanted intrusion by forces skeptical of—if not outright hostile to—the captive sector.

But there are some regulators who seem to be attracted to the idea of licensing managers, and I predict that in 2018 the, until now, behind-the-scenes informal conversations about this subject will erupt into a full-blown public discussion, with consequences that are not only hard to foresee but also potentially beyond what any captive industry stakeholders might desire, intend, or have any ability to control.

I would caution my fellow regulators to tread very carefully on this turf, lest we all be consumed by unintended consequences of a distinctly undesirable kind.

As regulators, we already have plenary authority to regulate the captives themselves, and if we're not doing that, then shame on us. From a solvency supervision standpoint, we should be putting the emphasis on the three things that have the greatest bearing on a captive's solvency: capital adequacy, premium-to-risk adequacy, and reserve adequacy.

Looking ahead

Going into 2018 we expect to be an active participant of these discussions about the advisability or inadvisability of establishing a licensing regime for captive managers. I think there are sound alternatives that would be better for the industry as a whole, and will be advancing my ideas about this in the coming weeks.

Secondly, the South Carolina Captive Insurance Association, in collaboration with some of my South Carolina Department of Insurance colleagues, has developed new draft captive legislation intended to be a comprehensive clean-up and modernisation bill, which we expect to be introduced shortly into the South Carolina General Assembly with support from South Carolina Department of Insurance director Ray Farmer and some leading members of the legislature. It would be premature for me to provide details about the draft bill at this stage, but as the legislative path forward becomes clearer, more information will be forthcoming.

My colleagues and I, as well as our industry partners, are very excited about this, and believe that if passed in the current form as approved by the association, the bill will be enthusiastically received by all South Carolina captive stakeholders, and will enhance South Carolina's appeal not only as a captive domicile but also as a base for conducting captive management operations. Thirdly, we will continue to focus on the four core values that have defined our regulatory approach ever since I took over the Captive Division of our Department four years ago: across-the-board professionalism, consistency of execution, the quality of our captive portfolio, and owner value.

We believe that most captive owners, especially of large or mid-sized publicly traded companies, will gravitate toward a jurisdiction that emphasises quality over sheer numbers. By safeguarding our own reputation as a domicile that takes our solvency oversight responsibilities seriously, we help protect the reputation of our captives and their owners and managers as well.

We see ourselves as having an important part to play in facilitating the creation of something that will be of meaningful value to our captive owners for many years to come.

Always forward

Finally, we in South Carolina will not allow ourselves to lose sight of what the whole captive movement is, and always has been, about. In the final analysis, it's all about owner choice and owner value.

The reasons for forming captives in 2018 are as valid and varied as they've ever been. Captives exist to provide business owners and executives with more choices and better tools for managing and financing their companies' risk, so that their companies can go about operating and building their core businesses with less uncertainty and more security. It's both as simple, and as complicated, as that. They are not about elder generation owners of privately held companies trying to find tax-advantaged ways to transfer wealth to downstream generations while getting tax deductions at the parent company level and at the same time escaping tax on underwriting income at the captive level. **CIT**

> **"The reasons for forming captives in 2018 are as valid and varied as they've ever been. Captives exist to provide business owners and executives with more choices and better tools"**

Jay Branum, director of captives, South Carolina Department of Insurance

The Bahamas: clearly focused

Tanya McCartney, CEO of BFSB, explains how The Bahamas are honouring their commitment to tax cooperation and transparency

Globally, there is a commitment to tax cooperation and transparency. Governments across the world are working with their international partners to address the issue of global inequality. This is being achieved largely through the exchange of information. The risks to the financial services industry have never been higher as clients report their offshore accounts via voluntary disclosure programmes, whistleblower claims are increasing exponentially, massive data leaks are becoming more prevalent, and governments are sharing voluminous data through automatic and specific exchanges of information. This spirit of cooperation is coupled with the teeth of enforcement, as the enactment of the UK Criminal Finances Act, extends extraterritorial reach to individuals and entities that fail to implement policies and procedures to prevent the facilitation of tax evasion.

Against this global backdrop, The Bahamas has joined more than 108 countries in the Organisation for Economic Co-operation and Development's (OECD) Global Forum in formally acceding to the Multilateral Convention on the Mutual Administrative Assistance in Tax Matters (the multilateral convention). Arriving at this point required much collaboration between the government and industry stakeholders in The Bahamas in order to address the risks to tax compliance posed by non-cooperative jurisdictions.

The legislative framework for implementation of the Common Reporting Standard (CRS) was initially put in place by The Bahamas in 2016 to facilitate the automatic exchange of information, with most recent amendments being made to reflect the change from a bilateral to multilateral approach.

The Bahamas will implement CRS using the 'wider approach', which means that financial institutions will need to collect and retain the CRS information for all account holders. This approach requires financial institutions to collect and retain the information, ready to report, in relation to all non-residents.

The CRS information will not be transmitted to the Competent Authority until financial institutions are notified to do so by the Competent Authority. Financial institutions will therefore carry out due diligence procedures in relation to all financial accounts even if the account holder (and any controlling person of the account holder) is a tax resident of an overseas jurisdiction that is not a reportable jurisdiction. However, financial institutions are only required to submit the mandatory information regarding reportable accounts to the Competent Authority when requested to do so. The Bahamas has also signed the Multilateral Competent Authority Agreement (MCAA).

The Bahamas entered the Inclusive Framework on Base Erosion and Profit Shifting (BEPS). BEPS has been defined by the OECD as tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. Under the inclusive framework, over 100 countries and jurisdictions

are collaborating to implement the BEPS measures and tackle BEPS. The Bahamas indication of a definitive position on BEPS in December 2017 demonstrates its proactive engagement with international stakeholders as a means of strengthening the positioning of the jurisdiction.

Back in December 2017, The Bahamas Financial Services Board (BFSB) agreed to support the government taking the necessary steps to avoid any adverse impact to The Bahamas as an international financial centre and to pursue initiatives that position this jurisdiction for sustainable growth and development.

In addition to CRS implementation, signing MCAA and entering BEPS, the integrity of the jurisdiction is evidenced by a strong anti-money laundering, counter financing of terrorism regime, and effective implementation of the US Foreign Account Tax Compliance Act implemented (FATCA Compliance).

Anti-money laundering and counter-financing

The Bahamas has always been committed to complying with international best practice and has fared well in its phase two peer reviews by the OECD's Global Forum. In fact, The Bahamas has been deemed "largely compliant" with the OECD's existing standard of exchange of information on request.

The jurisdiction has gone on record with its intention of attaining and maintaining "the very highest levels of conduct as a clean jurisdiction, complying with the highest standards to prevent the abuse of its financial system by money launderers and criminal elements".

It has committed to satisfying recommendations coming out of the Caribbean Financial Action Task Force (CFATF) and Financial Action Task Force (FATF) in relation to simplifying and making more efficient The Bahamas' cooperation with foreign jurisdictions in legal proceedings. Some of the key elements from the rounds of The Bahamas' regulatory reform are as follows:

- In 2000, The Bahamas eliminated bearer shares
- Since 2001, there has been a filing of a register of directors and officers
- The law mandates that financial institutions have known your client/client due diligence as well as counter financing of terrorism processes. Further, regulators have issued guidelines to industry outlining best practices for verifying customer identity and for developing anti-money laundering procedures and measures to prevent terrorist financing
- There is a regulatory framework for the reporting and investigation of suspicious transactions
- Independent inspections and regulatory examinations of financial service providers including corporate service providers for compliance with anti-money laundering and counter-financing of terrorism laws
- The 2000 legislative restructuring included the Evidence (Proceedings in Other Jurisdictions) Act and the Criminal Justice (International Cooperation) Act. The former regulates cooperation by Bahamian courts in civil matters while the latter regulates such cooperation in criminal matters. The 2000 legislative restructuring included the Evidence (Proceedings in Other Jurisdictions) Act and the Criminal Justice (International Cooperation) Act. The former regulates cooperation by Bahamian courts in civil matters while the latter regulates such cooperation in criminal matters

The Bahamas is FATCA compliant

On 3 November 2014, The Bahamas and the US signed their agreement to improve international tax compliance and to implement FATCA based on the first model intergovernmental agreements (IGAs).

To accommodate the non-direct tax system in The Bahamas, the IGA is a model 1B (non-reciprocal) IGA. As an IGA partner jurisdiction, Bahamas based financial institutions will not be subject to a 30 percent withholding tax on US source income, unless they fail to meet the requirements set out in the IGA and in Bahamas domestic implementing legislation.

Under the terms of the agreement, Bahamas financial institutions will provide The Bahamas Competent Authority with the required information. The Bahamas Competent Authority will forward that information to the Competent Authority in the US.

The agreement is an international instrument for exchange of information for tax purposes between The Bahamas and the US.

Our legacy in financial services

Historically, The Bahamas has always sought to provide superior financial products and services and a world class client experience.

It has proven itself to be nimble and responsive to global changes—always mindful of the need to adhere to international standards with respect to compliance, cooperation and transparency.

As a sovereign nation for more than 40 years, successive governments have consistently demonstrated the country's commitment to international best practices, cooperation in the administration of justice, international tax transparency, anti-money laundering and the countering of financial terrorism initiatives.

Bahamian regulators are well regarded and active partners with international peer groups and agencies.

There is collaboration between government and private sector to ensure that The Bahamas remains a well regulated, blue chip international financial centre.

In fact, BFSB was established in 1997 to create a public-private partnership and forum for open dialogue about the challenges and opportunities facing the country's second most important economic sector.

While The Bahamas was not included on the EU's recently released blacklist, we have to be in a state of continuous improvement, and ensure that we remain aligned with international standards. The work doesn't stop.

We know what the focus is. The focus is on tax transparency and cooperation, and the need for jurisdictions such as ours to shed the perception of being an 'offshore tax haven'. We are working to ensure that policy actions are taken to secure this.

The Bahamas' strong regulatory regime and its historic determination to ensure its integrity as an international financial centre as evidenced by its most recent commitments reflect the mindset of a jurisdiction focused on protecting and cultivating one of its key assets. Regulation in fact as it relates to international initiatives is the canvas upon, which The Bahamas wealth management expertise, innovative client-centric products and services and unique geographic tropical location combine to make it an increasingly clear choice for those institutions and individuals seeking a premier provider of financial services. **CIT**

“Historically, The Bahamas has always sought to provide superior financial products and services and a world class client experience”

Tanya McCartney, CEO, Bahamas Financial Services Board

Captive insurance gems

Dennis Silvia and Tony Weller explain why risk retention groups are a viable solution in the insurance marketplace

Risk retention groups (RRG) have long been a viable solution in today's insurance marketplace for association, affinity and other group programmes. The most successful programmes have the ability to leverage specialised risk management, loss control and marketing and sales protocols to the advantage of the members of the RRG. One of the most powerful benefits for participation in a RRG is the long-term stability that they offer to their members. This stability manifests itself in consistent premium charges and the availability of coverages even during tough market conditions. More than that though the policyholders ultimately control the programme, customise the risk management programme; create best practices for participation and ultimately they share in dividends when the RRG is successful. Of course, no insurance solution is a panacea, but in the right circumstances an RRG is a powerful insurance tool.

RRGs were created by the federal Liability Risk Retention Act (LRRA) and are essentially liability insurance companies able to provide direct insurance coverages to their policyholder owners across the US. The RRG must be formed and licensed in one state but then can expand its operations into other states simply by providing notification to the new states. The LRRA preempted any state from created laws to "make unlawful, or regulate, directly or indirectly, the operation of a RRG". RRG have no requirements for insurance rate or policy form filings to be submitted an approved in any state. Of course, there are some practical considerations to the operation of an RRG like homogeneity of risk, limitations on third-party liability coverages and the fact that policyholders are the owners and only owners can be policyholders. RRGs cannot provide any first person coverages like coverages on insured owned property, nor can they be used to satisfy the requirements to purchase workers' compensation insurance. In this framework, RRG programmes have flourished even in the face of some states wanting to curtail their operations. While states do not have the ability to impact RRG operations that are duly licensed and regulated in another state there has been a lot of pressure exerted through the National Association of Insurance Commissioners (NAIC) to promulgate RRG governance standards. The NAIC has promulgated model laws that have stepped up the oversight and regulatory management of RRG and have used its ability to sanction an uncooperative state to see that these laws are implemented in the domiciles of RRG across the country.

All of this has served to improve the operational characteristics of RRGs and to make them a stronger force in the alternative insurance marketplace.

There are some complications to RRGs as compared to the captive insurance marketplace in general. These sophisticated insurance companies require higher levels of capitalisation to form, in most states at least $1 million, but depending on the coverages being written and the expected to premiums in the aggregate potentially much more. They require professional management more akin to a commercial insurance company than their captive insurer cousins that they are most closely related to. However, they issue policies directly to their owners, so they must maintain robust and effective underwriting standards, but because of the nature of their third-party liability insurance offerings claims adjudication is directed to non-owners and creates a degree of difficulty that demands professional handling for efficacy and compliance with claims settlement regulations. Finally, the financial reporting protocols for RRGs are comprehensive. When the proper partners are chosen these are all hurdles that can be overcome successfully.

A captive manager that has a consulting arm should be the first partner chosen when exploring the opportunity that a RRG might present for the particular insurance solution being sought. Putting together a bespoke framework for the structure of the RRG is critical including sourcing reinsurance partners to limit downside risk and mitigate capital requirements, determining pricing for the RRG coverages with the help of a qualified actuarial firm, designing underwriting guidelines, creating meaningful risk management and loss control protocols and searching for the best domicile all lay a foundation for successful RRG operations. Once a plan is formulated and approved then the captive manager's job is to transition to implementation of the programme within the dynamic of successful operations and compliance.

Even when a RRG has been successfully operating for several years it's not time to become complacent. Like any business enterprise a RRG needs to be dynamic and in touch with the changing needs of its policyholders, reinsurance pricing, technology improvements and the quality of its service providers. The captive manager can play a key role in ensuring that a RRG is monitoring all the facets of its operations and considering changes that would improve and diversify its offerings. By utilising an ongoing review process the RRG can quickly change its policy offerings to meet the needs of its policyholders and potentially attract new policies to participate. Analysis of actuarial results as the programme matures, can inform changes in pricing that either make the RRG more competitive by lowering rates, or ensures the longevity of the programme by adjusting rates upwards. The reinsurance market is always fluctuating and the decision point between buying reinsurance capacity and retaining layers of risk moves annually. Technology related to policy underwriting and issuance is seeing dramatic improvements and needs to be evaluated regularly.

Cedar Consulting has been involved in the alternative risk marketplace since 2005 and its experience actually extend back into the early 1990s. While many companies have moved away from providing management services to RRGs we have been building our staff and capabilities to be able to provide sophisticated consulting and management services for the current body of RRGs and to assist new RRG programmes to evaluate, license, implement and administrate their insurance companies.

As a new entrant to the captive insurance management arena we will have a primary focus on group captive and RRG programmes. Our consulting arm has over 25 years of experience in evaluating and implementing successful group programmes. Our captive management administrators come from the commercial insurance marketplace having provided accounting and administrative services to successful small commercial insurance company operations. In addition, our business partner, Citadel Re provides reinsurance capabilities to the RRG marketplace to mitigate down side risk in the programmes and to potentially mitigate capital requirements required by the licensing state. **CIT**

Tony Weller
CEO
Citadel Risk Group

Dennis Silvia
President
Cedar Consulting

Finding the ERM balance

In 2018, insurers will face an environment filled with uncertainties and concurrent risks that haven't been experienced at this magnitude for some time, according to Anjanette Fowler of Madison Scottsdale

An old adage states, "may you live in interesting times". There is debate about where the saying originated and whether it is a curse or blessing. However, if you view this adage through the market's lens, the financial markets are acting as if nothing interesting at all will happen in coming years.

Equity valuations are at elevated levels, risk premiums on investment grade and high-yield corporate bonds are at or near historical lows. Movements in nearly all asset classes, be they currencies, fixed income or equities, exhibited subdued levels of volatility throughout 2017. In fact, the annualised year-by-year volatility on the S&P 500 in 2017 was the lowest ever, standing at a mere 3.89 percent.

However, the question remains: what will finally cause risk premiums to experience a sustained widening? Several potential catalysts come to mind. If US Treasury bond yields move higher quickly, significant negative total returns could scare certain investors. This is important, as the ownership of domestic corporate bonds has shifted over the past decade.

In 2017, approximately 50 percent of the US corporate bond market was owned by non-US investors and mutual fund/exchange-traded funds, compared to the 29 percent in 2007, which typically are more price-sensitive than insurance companies and pension funds.

A geopolitical event, perhaps with North Korea, Russia or an unknown exogenous shock could also increase market volatility and lead to a spread widening. Inflationary pressures are slowly building and could also put some modest upward pressure on interest rates. Any upward trajectory in interest rates will likely be constrained due to the extraordinary levels of global debt, and the extraordinary amount of negative yielding bonds outside the US.

From an economic perspective, this year looks relatively promising. Global economies are showing more synchronised growth than at any time in the past 10 years. Enormous global central bank accommodation and intervention is finally beginning to have a definitive impact on the world's economies.

US recessionary indicators appear especially serene; the corporate bond market looks healthy. Meanwhile, prices at the pump, while higher, currently present no issues for US consumers. Washington's recently enacted tax law is widely expected to modestly, at say 0.3 percent per year, boost US growth over the next two years.

Unfortunately, much of this good economic news is already priced into risk assets, particularly in the US. The median S&P 500 stock currently trades at valuations, as measured by the Shiller price/earnings and price/sales ratios, that are higher than the last two market peaks. US small cap stocks now trade at their highest level ever.

In our view, these record-setting valuations are primarily the result of historically low interest rates and less justified by expected earnings growth. And while eleventh hour tax reform may extend the amazing run, how companies utilise their unexpected tax windfalls to sustain and support their earnings growth will be the key to further market upside. Stock markets in the rest of the world, while still pricey, are relatively cheaper. Japan, Europe and emerging market equities, primarily in Asia, remain as particular points of emphasis where upside return potential looms positive.

As insurers revel in the returns equity markets have blessed them with surplus growth in 2017, they must also prepare for the realities of increasing probabilities that we are in the beginning phase of a rising interest rate cycle.

While on one hand it will improve investment income prospects for their fixed income portfolios, on the other hand will most certainly negatively impact their portfolio market values and liquidity.

In fact, Madison Scottsdale views this as one of the biggest risks insurers will face and be required to manage with far greater focus and precision than they have for the past 35 years of a bull market in fixed income. Rising rates will eventually begin to negatively impact insurance company portfolios as the Federal Reserve continues its great unwind of accommodative monetary policy and other monetary tools that were created during the 2008 credit crisis.

Thus far, the Federal Reserve increases are primarily affecting only the short end of the yield curve where their downward pressure on market values is less impactful and providing twice the investment income earning potential than existed less than a year ago.

This has resulted in a flattening of the yield curve that has been mostly a function of the Fed raising short-term interest rates three times during the year while longer-maturity bond yields didn't move much due to low inflation and global demand for 'higher yielding' bonds—with roughly 30 percent of global government debt in

negative yield territory, the US remains one of the most appealing options out there.

In the end, these increases on the short end of the yield curve have presented opportunities for insurers that have been accumulating cash or overweight risk and volatility to do some enterprise risk rebalancing in their portfolios.

In 2018, insurers will likely continue to face an environment filled with uncertainties, volatility and concurrent risks that haven't been experienced to this magnitude for some time.

And through it all, they must be able to demonstrate with greater precision, process and documentation, that from an enterprise risk management perspective their risk-mitigation programmes appropriately balance and monitor their investment portfolio related risks with all key aspects of their financial and operational risks within the enterprise. Insurers are being required to more clearly define and institute a corporate governance plan and policies, alongside their enterprise risk management plan.

For companies that are rated by a rating agency such as A.M. Best or file statutory statements with the National Association of Insurance Commissioners, significant changes in methodology in risk-based capital measurement models to assess some of the risks that factor into an insurers risk-based capital, and overall enterprise risk management profile, are being deployed or are in the offing.

Depending on how insurers have navigated and positioned their portfolios to capture yield in this historically low yield environment or leveraged surplus in their equity allocation to further grow surplus, these changes could have material impacts on their risk-based capital assessments and corresponding 'adjusted capital'.

The end of a bull market in fixed income will force insurers and their investment managers to fine tune their focus and reassess their risk tolerance as the forgiving nature of bond market values 'always going up' is seemingly at an end.

Built-up unrealised gains stemming from the past have begun to dissipate as rising yields slowly chip away at market value, and thereby, legacy portfolio liquidity. This will make the importance of building natural liquidity in one's portfolio more critical than ever before and require a refocused discipline of cash flow modeling and bond laddering to ensure funds are available when operational needs dictate.

The probability of this year experiencing as little volatility as 2017 is small when looking at the markets from a historical perspective. Few things hold true in financial markets, but two that we can count on are: markets are mean reverting and trends last until they don't.

Normally, market reversals exhibit large amounts of volatility. If the markets do become more interesting in 2018, insurers will have to decide if the old adage is a blessing or a curse. **CIT**

> **"Normally, market reversals exhibit large amounts of volatility. If the markets do become more interesting in 2018, insurers will have to decide if the old adage is a blessing or a curse"**

Anjanette Fowler, managing director, Madison Scottsdale

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Capturing the benefits

Vittorio Zaniboni of Generali Employee Benefits discusses the evolution of fronting networks to help captives better manage their people risk

Traditionally, the preserve of property and casualty risk, there has been recently a growing awareness of the advantages of funding employee benefits via a captive. Running parallel to this expanded remit over the past few years is the evolution of employee benefits networks from reinsurance transfer operators, to partners of captive managers able to provide specialised technical and data know-how, to help mitigate risk, reduce volatility, stabilise costs, and supply benchmarking data and detailed business intelligence. The latter may be used by risk and human resource managers to help identify all costs, improve processes and identify any problem areas so that solutions may be tailored accordingly.

In this article, we investigate how the role of major players (namely fronting networks, risk managers, human resource managers and of course employees) has evolved, often pushing them to go beyond their initial remit and develop new areas of expertise and involvement.

We have identified three main stages in the evolution of employee benefits captives:

- The reinsurance aggregation stage: when the relationships between providers and captives were based on the mere reinsurance transfer
- The data aggregation stage: when fronting networks were pushed to invest in advanced data analytics capabilities to enable corporate decision-making
- The service aggregation stage: where fronting networks became partners in identifying and combining value added services

The reinsurance aggregation stage

The addition of employee benefits in a captive arrangement came about in response to market demand. Types of benefits typically included are: life, accident, disability, medical, and business travel insurance. Putting a wide variety of employee benefits in a captive helps lend stability to the programme and gain risk diversification. This can be particularly advantageous when property and casualty business is in there too.

Generali Employee Benefits was one of the first market players to accept this challenge. This was largely due to our expertise in international life insurance and our understanding of how to adapt different risk management philosophies and needs to employee benefits, with their specific requirements and dynamics.

Back then, access to local insurance capabilities and a wide network of local partners were key. Our efforts were then concentrated on insuring this access, setting up the network backbone and making it work. Acting as reinsurance aggregators, we had to manage treaties and consolidate reinsurance arrangements into a global flow for each client.

While this phase was instrumental in building the capacity for these solutions, we soon understood it was not enough. Fronting networks entered a new conversation with our counterparts to enlarge and reinforce the added value brought in the partnership with captive managers.

The data aggregation stage

Thanks largely to advances in data analytics, General Employee Benefits and other networks started to focus on the kind of data reporting we could provide.

We were asked to take a more proactive stance by aggregating data in ways that help mitigate exposure to risk—for instance, providing insight on the client's premiums or claim patterns.

Captive clients were not just interested in a historical overview anymore. They wanted to anticipate benefits spend and risk management activities and not necessarily to only reduce costs.

They sought to optimise their investment, ensuring the greatest impact from their benefits plans and improving the way local schemes were underwritten. This was the time in which captive managers started to interact more synergistically with their global human resource functions, involving them more and more into the decision making process on the captive side, as far as employee benefit schemes were concerned.

The need emerged to expand the traditional global annual report to include the monitoring of local trends, for example quarterly drill-down reports, and to a granular view on individual policies in a captive programme.

As ultimate owner of the risk, captives demanded we helped them understand in-depth individual policy terms and conditions, for benchmarking or global consistency purposes. A captive may decide to follow local market practices or ask if possible to modify specific terms and conditions, usually with the objective of harmonising these features across their local subsidiaries in different countries.

In the long term, the visibility and data detail now readily available are pushing fronting networks to move beyond simply aggregating data, towards developing more advanced risk management services.

For example, around five years ago Generali Employee Benefits pioneered the design and launch of new medical reporting tools. This provides companies with unique insights into their medical experience, enabling them to really understand medical consumption. Reports can highlight specific patterns and issues in each country and inform benefits decisions, helping them tackle any underlying medical cost drivers that are identified. Moving forward along these lines, we'll soon launch even more advanced data analytics tools, and technical analysis capabilities, aimed at improving the timely governance of this critical line of risk.

The service aggregation stage

One of the key trends ahead is to develop not only reinsurance and reporting services but a wider range of solutions to better manage the impact of benefits plans on employees, employers and the overall community.

The ongoing need for funding networks to offer easy to read 'data-narrative'—in other words delivering insight through the swift and smart analysis of data—will only increase. In short the market will define more creatively its role as insurance and service provider.

Fronting networks are for instance now heavily investing in health data management and accompanying wellness and prevention programmes.

Other areas of development include:

Renewal support services: In addition to helping further streamline renewals management, captives now expect more direct support from fronting networks in assessing local quotes via a dedicated global underwriting function.

Intelligence services: For example, bridging the human resource and risk management gap. These two business divisions are traditionally siloed but now they have so much in common as 'people risk' is identified as a major factor in organisational success or failure. Intelligence services also extend to market insights and benchmarking. The latter is often overlooked but crucial in the assessment of scheme performance.

Leverage of voluntary benefit plans: Access to quality yet cost effective voluntary benefit plans, and the kind of added-value wellbeing benefits that are usually included with disability benefits, can help support employee recruitment, engagement and talent attraction and retention.

The support a fronting network can provide to a captive may play a crucial role in ensuring access to such services across global corporations.

Local insurer management: Local insurers now face much greater scrutiny by fronting networks. Good local service reputation is no longer enough.

In order to give captives the peace of mind they need on the way their business is managed by third parties, fronting networks must assess partners on various aspects such as administration, data reporting and reserving. These are key requirements to move risk and financials down the reinsurance route.

Applying a risk management philosophy to the employee benefits arena is driving major players to invest in creating value for corporate strategies in order to attract and retain a healthy, productive and engaged workforce—all the essential elements of a successful business.

Long may the collaboration and evolution continue. And with the right investment of focus, time and finance from all parties there's much more to come for employee benefit captives yet. **CIT**

“Long may the collaboration and evolution continue. With the right investment of focus, time and finance from all parties there's much more to come for employee benefit captives yet”

Vittorio Zaniboni, CTO, Generali Employee Benefits

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Comings and goings at JLT, Conyers Dill & Pearman, Aon and more

JLT Insurance Management (JLT IM) has appointed Jocelyn Lyman as a new senior account manager.

Lyman joins from Alterna where she served as senior account manager, responsible for a portfolio of single parent, group captives and protected cell clients.

Having started her career at Willis Management in 2008, Lyman brings 10 years of experience in the captive industry.

Guy Ragosta, CEO at JLT IM, commented: “Jocelyn Lyman has the experience managing captive insurance companies that our clients have come to expect.”

He added: “We believe our clients will quickly discover that she will be an asset in helping guide their captive insurance efforts.”

Paul Naylor has been appointed as the new COO for international law firm Conyers Dill & Pearman.

Naylor will succeed Stephen DeSilva, who is set to retire on 31 March after more than 25 years with the firm.

The incoming COO brings experience in operational roles and joins the company having spent over 10 years in multiple roles at Linklaters. Most recently, he served as business director of its global dispute resolution division.

Naylor stated: “Conyers is a leading international law firm and I am delighted to be joining the management team and working across the global network to contribute to the firm’s success.”

Christian Luthi, director and chairman of Conyers, added: “We would like to thank Stephen DeSilvia for his contributions to Conyers. We are pleased to welcome Paul Naylor and look forward to working with him to ensure the continued smooth running of the firm and fully expect that he will play a key role in helping us fulfil our strategic objectives and build on our place as a leader in our market.”

Alistair Nicoll has been appointed as Aon’s new regional director of captive and insurance management in Singapore.

Relocating from Dublin, Nicoll’s new role will see him focus on aiding clients reduce volatility and improve performance through risk financing solutions.

Nicoll, who was previously leading Aon’s Global Risk Consulting team in Ireland, brings 30 years of experience in the reinsurance and insurance industry.

Nicoll stated: “We have a fantastic client list in the region, predominantly domiciled in Singapore, from very diverse sectors. I’m proud to lead a team that is focused on providing high quality services. We will continue to look for new ways to add value to our clients.”

He added: “There is a growing interest in captives in Asia Pacific most noticeably in China, Hong Kong and Australia. We have ongoing assignments across this region and I look forward to working with our network to introduce new risk finance ideas to our clients here.”

Norton Rose Fulbright has appointed Mina Matin as its new financial institutions and insurance partner.

Matin, a commercial disputes lawyer who represents international insurers, reinsurers and captive insurance companies in international litigation and arbitration around the world, brings particular experience in Bermuda form arbitration in both London and Bermuda.

In addition, the law firm promoted nine lawyers to partner across other practice areas in the US.

Industry Appointments

Norton Rose Fulbright's US managing partner Daryl Lansdale said: "We are incredibly proud of our 2018 partner class and would like to congratulate each of them on this significant achievement."

He continued: "These lawyers reflect the breadth and depth of our service offerings to our US and global clients, representing many key industries in major markets across the US."

Strategic Risk Solutions Europe (SRS Europe) has hired Annette Heaney as associate director and head of finance.

Heaney will focus on the captive management client services delivery platform, as well as supporting the firm's expansion into various European captive domiciles.

Heaney joins SRS Europe after more than 10 years at Marsh Captive Management Dublin, where she worked as an account manager serving large and complex multinational captive owners domiciled in Ireland.

SRS launched SRS Europe in August 2017 to support its multinational captive insurance owners operating in Europe.

Stuart King, president and CEO of SRS Europe, commented: "I very much look forward to welcoming Annette Heaney to SRS Europe. At the start-up phase having individuals that are willing to step up to the mark, work across multiple activities and have a strong client service focus is important."

Heaney added: "SRS is widely known for being a highly client orientated captive management firm and putting their clients' interests first and foremost. I am delighted to get the opportunity to contribute to SRS's future success in Europe and abroad."

Tom Booth, group CFO at Randall & Quilter (R&Q), has resigned from his role of director with immediate effect.

Booth will be leaving R&Q as of 30 June this year to take on alternative opportunities.

Group founder and deputy chairman Alan Quilter will re-assume the role of group CFO.

Other changes include, Mark Langridge, who serves as CEO of insurance investments, will be appointed to the group board and will continue to be responsible for group-wide legacy acquisitions and management.

Randall confirmed he would continue as group chairman and CEO.

Randall said: "We are today announcing a number of internal promotions across the group and there is to be some realignment of senior management responsibilities. We have a highly focused, talented and experienced management team and we are all excited about the prospects for growth."

He added: "The management changes being announced today are designed to enhance business development, capital management and operational efficiency. The simplification of our business following recent and planned disposals, will enable Alan Quilter and I to devote more time to 'hands on' business development."

Robert Cartwright has been appointed as the new president of the Risk Management Society (RIMS) for the 2018 term.

Cartwright, who is concurrently the division manager of environmental, health, safety and sustainability for Bridgestone Retail Operations in the Northeast region, started the new role as of 1 January.

The new president has been a member of RIMS for over 25 years and has served on its board of directors for 10 years.

Cartwright, recipient of the 2009 RIMS Richard W Bland award for exceptional contributions to the Society's legislative initiatives, said: "Risk management has evolved leaps and bounds from just a decade ago and that progress is a direct result of our predecessors' passion and perseverance."

He added: "Today, industry professionals have the same opportunity to become trailblazers, increasing organisational awareness of risk management's diversity and value. As we work to establish our individual legacies, together we will strengthen and solidify the collective legacy of the global risk management community."

Professor John Mamo will become the new non-executive chairperson of the Malta Financial Services Authority (MFSA).

Mamo will succeed Professor Joseph Bannister, who will be retained as an advisor to the Malta government.

The announcement was made by Prime Minister Joseph Muscat during a lunch with the Malta Business Network.

Having served on the boards of several companies both in Malta and other countries, Mamo was also appointed commissioner for Malta at an expo in Milan in 2016.

He was decorated by the Italian government in March 2016 for his work in enhancing Italo-Maltese commercial relations. **CIT**

Do you have an industry appointment we should cover?
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