captive insurance times
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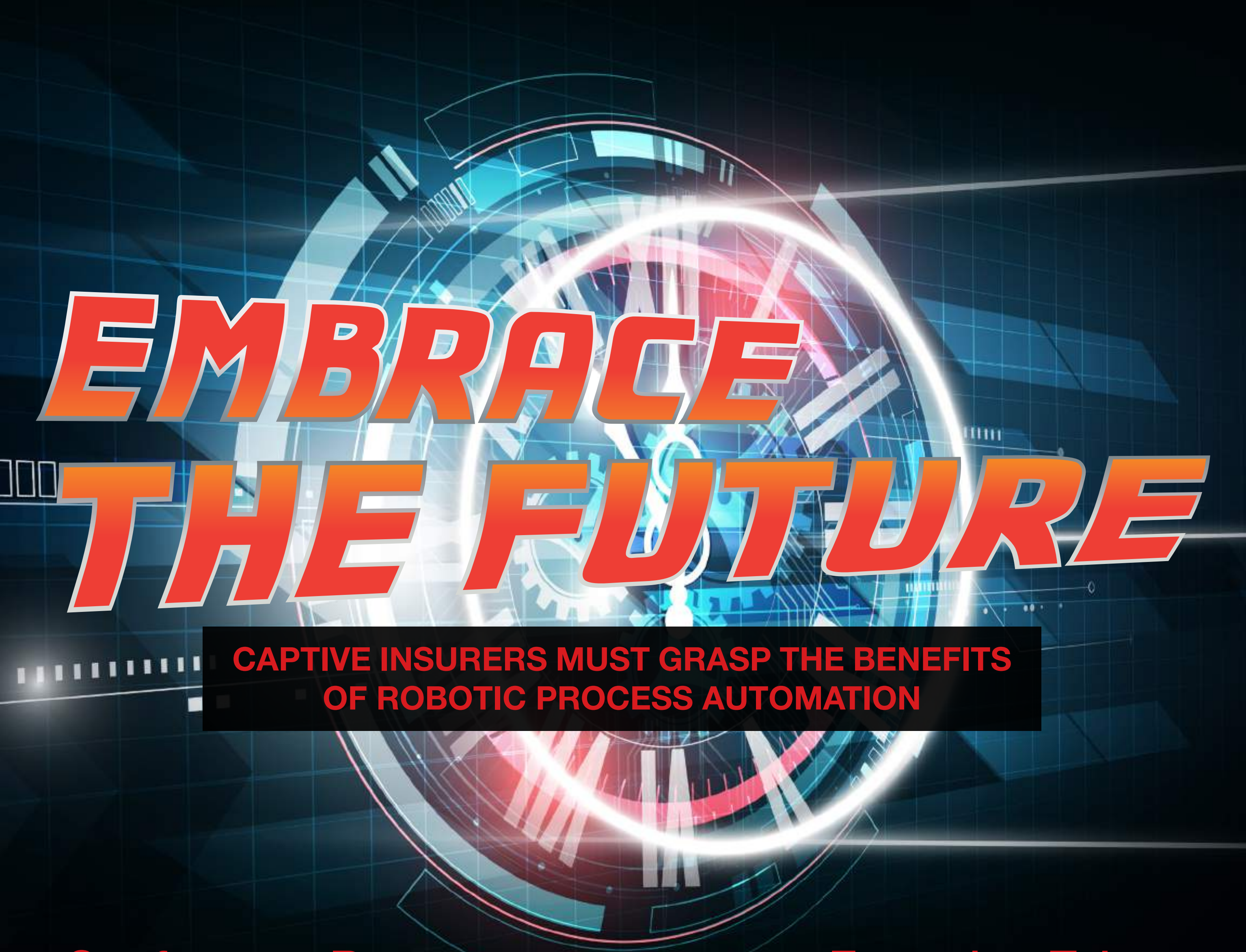

EMBRACE THE FUTURE

CAPTIVE INSURERS MUST GRASP THE BENEFITS OF ROBOTIC PROCESS AUTOMATION

Conference Report

2018's Bermuda Captive Conference

Emerging Talent

Eddie Wunderer in the spotlight

Final rule on AHPs issued

The White House and the Department of Labor has issued a final rule on association health plans (AHPs).

AHPs are group health plans that allow small employers access through associations to the regulatory and economic advantages available to large employers.

The reform allows AHPs to be treated as a large group health plan for the purposes of the Affordable Care Act, which is hoped to allow them to obtain health coverage at a lower cost.

Additionally, the rule allows AHPs to be formed based on a geographic test, such as a common state, city, county, or a metropolitan area across state lines.

The rule will also allow working owners without employees to join.

The Congressional Budget Office estimates that four million Americans, including 400,000 who otherwise would lack insurance, will join an AHP by 2023.

The legal, regulatory or preemption framework of Multi-Employer Welfare Arrangements (MEWAs), of which AHPs are one, will not be impacted by the rule.

Under the new rule, as of 1 September 2018, all associations will be able to form a fully-insured AHP.

All associations will be able to form a self-funded AHP from the 1 April 2019 onwards, unless they are existing associations that sponsored an AHP before or on the publication date of the final rule in the Federal Register, which will be able to form self-funded AHPs from 1 January 2019.

Phil Giles, vice president of sales and marketing at QBE North America, suggested the rule may have a future impact on the medical stop-loss captive market, but not for three to five years.

Giles predicted 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.

Read more on p6

captive insurance times

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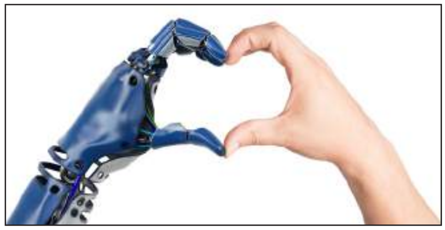

Final rule on AHPs issued

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After which point, Giles 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 explained: "I would expect that 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."

He added: "The legislation will enable the broader formation of MEWAs."

"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."

Kirk Watkins, practice leader of captive insurance programmes at Trion Group, a Marsh agency, said he also expected AHPs to impact the US captive market.

He explained: "In the US, core medical tends to be either fully insured or self-funded, due to the additional expense of a premium tax, if it were to be self-insured."

"I believe the AHP ruling will impact the US captive market in the formation of additional stop-loss captives for new larger associations, and/or increased activity of existing group stop-loss captives as new associations join the existing group."

CICA and ICCIE partner to aid ACI graduate development

The Captive Insurance Companies Association (CICA) and the International Centre for Captive Insurance Education (ICCIE) have launched a new partner programme to support the career development and educational needs of captive professionals.

The partnership means that, retroactive to 1 January 2018, all new associate in captive insurance (ACI) graduates will receive a complementary one-year CICA membership, which will extend through the next fiscal year, ending 30 September 2019.

The membership will allow ACI graduates access to CICA's mentorship programme and attendance to the annual CICA conference, which should aid their development as captive professionals.

A captive professional who earns an ACI has to complete 12 credits every three years to maintain the designation.

The annual CICA conference, which provides almost 30 hours of education, offers a robust resource for graduates to earn education credits toward maintaining the ACI certification.

Dan Towle, president of CICA, said that the association recognises that career growth is a top priority for many young insurance professionals.

He explained: "62 percent say it's a deciding factor on the industry they choose."

"This partnership will help recent ICCIE students who have earned their ACI to advance their career in captive insurance."

"Including allowing them to participate in our mentorship programme, which can be a key component to career advancement."

ICCIE executive director Mitch Cantor said giving ACI graduates the membership was a "great fit".

She added: "It allows them access to CICA's mentorship programme and related opportunities that nicely complement their work to maintain their ACIs."

"It also allows them to further develop their professional network with other CICA members, which is important in advancing one's career."

Recent ACI graduate Yubei Lu, financial examiner at the Utah Captive Insurance Division, said she was excited to receive the complimentary membership.

She continued: "I am also very interested in the mentorship programme, which will help me further my career."

FERMA calls for ethical rules on artificial intelligence

The Federation of European Risk Management Associations (FERMA) has called for urgent attention to two priorities relating to artificial intelligence (AI) and corporate organisations.

The European Commission appointed a 52 expert High Level Group on AI (AI HLG) earlier this month and FERMA has called on the Group to immediately address the lack of ethical rules relating to AI.

The AI HLG was created to support the implementation of the European strategy on AI, including the development of ethical guidelines by the end of 2018.

There are currently no clear ethical guidelines relating to the use of data generated by AI tools and FERMA has requested that the AI HLG define ethical rules for the corporate use of AI, for employees, suppliers and all actors of the value chain.

AI tools will allow an increased and constant monitoring of a high number of parameters and the risk management profession believes that the expanded use of this data could create concerns among stakeholders and reputational risk.

Additionally, FERMA has called for the Group to draw a clear line between the opportunities brought by AI technologies and the threats they pose to the insurability of organisations due to an over-reliance on AI during decision-making processes.

Jo Willaert, president of FERMA, said a dialogue between regulators and AI users must start now and the AI HLG and European Alliance represent the ideal settings.

He explained: "FERMA stands ready to bring its unique expertise in enterprise risk management methodology and tools, such as risk identification and mapping, risk control and risk financing, to the discussion so we can manage the threats and opportunities posed by the rise of AI to our organisations and society within acceptable risk tolerances."

"FERMA argues that the new possibilities offered by AI must remain compatible with the public interest and those of the economy and commercial organisation."

He added: "AI is already a reality in many organisations and it is going to disrupt our comprehension of the future."

"Public authorities have a key role to play to ensure that there is a human judgement as a last resort."

R&Q completes reinsurance transaction for airline captive

Randall & Quilter Investment Holdings (R&Q) has issued a reinsurance agreement assuming the legacy liabilities of the Bermuda-domiciled captive of a US corporate airline by R&Q Insurance Malta.

R&Q will provide the corporate economic relief from their legacy liabilities and look to provide solutions to meet the needs of our counterparties.

Ken Randall, chairman and CEO of R&Q, explained: "We are delighted to complete another transaction with another large

US corporate. This deal highlights our continued efforts to service the US corporate market and become a trusted counterparty for reinsurance transactions of this type."

RRGs remain financially stable

Risk retention groups (RRGs) remain financially stable and continue to provide specialised coverage to their insured, despite political and economic uncertainty, according to a report by Demotech's senior financial analyst, Douglas Powell.

Powell's 'Analysis of RRGs', which covers the Q1 2018 also found increases in cash and invested assets, at 2.2 percent, total admitted assets at 2.5 percent, and total liabilities at 0.7 percent compared to Q1 2017.

Additionally, over the same time period, RRGs saw a collective increase in policyholders' surplus of 5.5 percent, which represents the addition of almost $255 million.

Powell explained that these results "indicate that RRGs are adequately capitalised in aggregate and able to remain solvent if faced with adverse economic conditions or increased losses".

Collectively, RRGs reported almost $1.5 billion in direct written premium in Q1 2018, a decrease of 0.5 percent from Q1 2017.

Net premium written, however, was up 5.3 percent over Q1 2017, with RRGs reporting over $945 million in Q1 2018.

The ratios pertaining to premium written appear to be conservative.

The report revealed that in regards to underwriting gains and losses, RRGs were collectively unprofitable through Q1 2018 as they reported an aggregate underwriting loss of $53.5 million and a net income of $36.3 million.

Powell noted: "RRGs have collectively reported a net income at each year-end since 1996."

The ratios relating to the income statement analysis appear to be appropriate and have remained within a profitable range.

Powell emphasised the importance of RRGs' unique ownership structures, which is restricted to the policyholders of the RRG and could be "a driving force in their strengthened capital position".

On top of this, Powell explained that the results of RRG's indicate that "these speciality insurers continue to exhibit financial stability".

BDA plans additional executive forums in London and Miami

The Bermuda Business Development Agency (BDA) will host two more overseas multi-industry executive forums later this year.

The forums, which are intended to showcase the island's talent pool and business opportunities, will take place in Miami, in mid-October, and in London, at the end of November.

The events will follow a similar format to the BDA's previous forums and feature high-level experts across a variety of industry spheres.

Most recently, the BDA hosted a cross-sector event in New York, which brought together over 300 attendees and 60 industry executives from Bermuda to discuss a range of topics including tax, blockchain and insurance technology.

Interim BDA CEO Sean Moran said previous forums have been an extremely effective vehicle to bring all Bermuda's industry talent together.

Moran added: "By producing these events ourselves, the BDA can leverage our impressive pool of industry stakeholders, focus on timely themes and trends, and combine the breadth of sectors that make Bermuda so unique, from shipping, funds, captives and reinsurance to fintech and family offices."

"It's a successful formula—and a powerful story to tell."

Jereme Ramsay, interim head of business development at the BDA, explained that the new events were focused on markets that had been attracting interest.

He said: "Miami is our gateway to Latin America for captive insurance, emerging technologies, and high-net-worth business, and major law firms with

No ratings impact from US Tax reform for rated captives says A.M. Best

The US Tax reform will be a mixed bag for captive insurance companies and has not affected the credit ratings of A.M. Best-rated captives, according to a new A.M. Best briefing.

A.M. Best's briefing, 'Tax Reform: No Impact on Captive Ratings Anticipated', outlines how particular provisions of the Tax Cuts and Jobs Act may impact captives.

The report says that making a "one size fits all assessment" of the reform's impact on captives is "impracticable".

It notes that in some cases the tax reform may be positive for offshore captives that have made the section 953(d) election under the Internal Revenue Code, which allows them to be taxed as US corporations.

According to the report, some parent companies are considering alternative strategies due to the sweeping changes.

Despite the new tax law changes coming into effect in the 2018 tax year, the reduction in the corporate tax rate and the repeal of the alternative minimum benefits captives in 2017, as the rate reduction required that captives revalued their deferred taxes at the new lower corporate tax rate of 21 percent.

The report revealed that none of the A.M. Best-rated captives' credit ratings have been impacted by the tax reform.

A.M. Best concluded: "In many cases, the reduced corporate tax rate has resulted in higher net income, but for others, changes to the business structure may have affected operating performance."

"US-parented captives in foreign domiciles are working to achieve the most efficient solutions from an operations and cost perspective."

"Management teams considering strategic alternatives in the wake of tax reform continue to keep A.M. Best abreast as they contemplate changes to existing business or new corporate formations."

influential decision-makers there have Bermuda on their radar."

"London is a longtime partner market for reinsurance, asset management, trust and private-client business."

"It's important to enhance those relationships and keep our presence felt."

NJ Tax Court denies J&J $55 million refund

The New Jersey Tax Court has upheld the denial of Johnson and Johnson's (J&J) request for a $55 million refund on self-procurement tax.

The court granted a summary judgement in favour of the New Jersey Department of Banking and Insurance (DOBI) and John Ficara, the director of the Division of Taxation, and denied J&J's motion.

The summary judgement required the court to interpret the insurance premium statutes and the calculation of self-procurement tax under N.J.S.A. 17:22-6.64.

J&J contended that the Nonadmitted and Reinsurance Reform 2010 (NRRA) and the 2011 legislative changes to the insurance premium statutes didn't alter the calculation of self-procurement tax, on which basis they would be entitled to a refund of $55 million, plus interest, for the extra tax paid since the legislative changes.

J&J has a Vermont-domiciled captive, Middlesex Assurance, but is itself based in New Jersey and has paid self-procurement tax in the state since 2008.

In February 2017, J&J filed a motion for a summary judgement and in October 2017, DOBI and Ficara filed a cross-motion for a summary judgement.

But, ruling in favour of DOBI and Ficara, the court found that the "New Jersey Legislature intended to incorporate the authority afforded it under the NRRA through the enactment of amendments to both the Surplus Lines Law and the self-procurement statute".

The court added that the legislature's intent is "clear and purposeful", despite the "problematic" addition of a paragraph in the self-procurement statute relating to surplus lines policies.

J&J did not immediately reply to a request for comment.

Aon Inpoint: Cyber premiums will grow fastest by 2021

Cyber insurance premiums will experience the most rapid growth of any insurance product premiums by 2021, according to Aon.

A series of global studies conducted by Aon Inpoint, Aon's data, analytics, engagement and consulting team, looked at insurance purchased by corporate, public sector and non-profit organisations between 2013 and 2017 and forecasted trends into 2021.

The studies found that cyber premiums had seen the most significant growth, 23 percent annually.

It predicted that worldwide premiums will be worth $4 billion by 2021, a compound annual growth rate of 14.1 percent.

According to the report, global commercial property and casualty were worth approximately $730 billion in 2017 and are predicted to rise to nearly $900 billion by 2021.

Michael Moran, CEO of Aon Inpoint, commented: "As we look ahead, we are seeing a broad shift of companies putting a greater value on intangible assets, such as cyber and intellectual property."

"There are multiple reasons for the increased focus and increased premiums ranging from financial statement protection due to a business interruption to the constantly evolving global regulatory environment including the EU's General Data Protection Regulation."

Kevin O'Donnell, president and CEO of Renaissance Re

Understanding climate change is vital for protection

Understanding the impact of climate change is a big component of providing protection in exposed areas, according to Kevin O'Donnell, president and CEO of Renaissance Re.

Speaking at the 'Climate and Environment Change' panel at BCC 2018, O'Donnell explained: "Our business is providing protection in exposed areas and we need to understand how the events of the past would be different today."

O'Donnell added: "The way we build our risk distribution and think about pricing risk is to build models that represent the physics of extreme events."

"Those models are then altered by our observation of weather, which is influenced by climate change."

"So it all fits together, in us thinking about what is happening today in the context of what is happening over the longer term."

"If we look at the data we can certainly see a rise in temperatures and one can argue what the effects of this are, I happen to agree that it is going to increase the severity of large events and probably the water intensity of those events as well."

According to O'Donnell, the events of 2017, which was one of the worst years on record for insured natural catastrophe losses, represents a potential opportunity for the captive industry.

He said: "Looking specifically at 2017, there was $330 billion of losses and only about $130 billion of that was insured."

"What that represents is an opportunity for us as an industry to think about how we can protect people's lives more wholesomely, that can be through resilience, through new products or better coverage."

Multiple networks an advantage for captives

Having multiple networks is advantageous for captives, according to panellists at the BCC 2018.

Speaking on a panel discussing employee benefits at BCC, Jessica Bynum, senior director of global benefits for Nike, said having more than one network has two main advantages for a captive insurance company.

Bynum explained: "One is being able to cover our footprint, there wasn't any one network that could fully cover our footprint, so when we combined two we were able to get to the majority of our policies and programmes."

"There is also the healthy competition created between the two networks in countries where there is an overlap."

"If one network isn't performing or is having issues, we always have the option of bringing in the other fronting network so that helps us maintain the service levels we need for our employees."

The panel's moderator, Brian Quinn, managing director, Granite Management, added: "There are strengths and weaknesses for every network, there are countries where they are strong and weak."

Quinn explained: "Generally you select where the network is strong in one country and you usually keep two networks depending on your size."

He stated: "When you're in a captive, you're in a partnership."

"That partnership works very well together when those two networks speak and work together."

"My advocate is not to have them competing against each other it is to have them working together," Quinn said.

Another panellist, Ricardo Almeida, regional director for the Americas, Maxis GBN, said from the networks' perspective the competition may help grow employee benefits in the captive industry.

Almeida stated: "We are at the beginning of this journey, in terms of employee benefits and captives and I think competition is a great thing."

"I think the competition is really going to help us driving forward and making this business much larger and I think it is good for all of us."

'Wait and see' if captives utilise BMA regulatory sandbox

It remains to be seen if captives will utilise the Bermuda Monetary Authority's (BMA) insurance regulatory sandbox, according to Mark Allitt, managing director of KPMG (Bermuda).

The sandbox will allow companies to test innovative, new products and technology to a limited number of policy holders in a controlled environment.

The sandbox is one of two parallel innovation tracks, alongside an innovation hub, launched by the BMA to help maintain a regulatory environment that both protects policyholders appropriately and promotes, and is conducive to, the use of technology.

Following a companies proposal, the BMA will determine the regulatory and legislative requirements which will be modified for the sandbox testing.

After a company successfully completes the sandbox testing period, it will be re-licensed according to existing classes and will be fully subject to the relevant legal and regulatory requirements.

Speaking at the 2018 Bermuda Captive Conference, Allitt suggested that the sandbox represented the "perfect place for companies to trial new technology", as it was "there to create a safety net for a business to develop".

He said: "It was created by the BMA as a development sandbox, somewhere that companies can play with new technology in a real-life way, under increased regulatory scrutiny."

"I think it will be significantly utilised by the commercial market, but we will have to wait and see whether it is utilised by captives."

Refreshed And Updated

Bermuda welcomed over 800 delegates for the 14th annual captive conference, which boasted a refreshed feel and focused on the power of diversity

Ned Holmes reports

The Fairmont Southampton welcomed over 800 delegates between the 11 and 13 June for the 2018 Bermuda Captive Conference, as members of the captive industry from around the world descended on the island for its 14th annual captive conference.

Before the event conference chair Mike Parrish told me that in his first year as chair he wanted to refresh and update the event's look and feel through alterations to the conference layout and schedule, a change to the brand, and an increased use of technology–including the use of an app. According to Parrish, these changes were successful and well received.

"The delegate response has been overwhelmingly positive," he explained, "everyone felt it was a big improvement and greatly increased networking opportunities."

The refreshed and updated conference had a forward-thinking theme that was focused around the issue of diversity, not just diversity of talent and gender, but also of culture and of risk.

The keynote speaker Derreck Kayongo, a business visionary and humanitarian, emphasised the importance of diversity not just for the sake of equality but for its power in business. According to Kayongo, diversity in the western corporate marketplace was as powerful as diversity in the African savannah.

The power of diversity

In his rousing industry keynote speech, John Reiss, CFO of Hamilton Insurance Group, reiterated Kayongo's statement about the power of diversity. Using statistics from the McKinsey report on diversity and inclusion, Reiss indicated that there were significant financial incentives to becoming a more diverse and inclusive company.

He said: "There is more than enough of a financial incentive to get this done."

"Organisations that have embraced diversity and inclusion, and actively focus on it, are better managed and produce superior results because of it. McKinsey just updated their seminal report on diversity and inclusion, it adds to the litany of proof that companies that embed diversity and inclusion in their business are more profitable."

Reiss called for the captive industry to be brave and make a collective difference on diversity.

JONATHAN REISS
CHIEF FINANCIAL OFFICER
HAMILTON INSURANCE GROUP

“Go back to your companies and be brave, talk to your CEOs and your boards. Make sure your boards know this is an important topic, I think collectively we will make a difference”

He said that finding a solution to the “devilishly complex issue” would be a “marathon and not a sprint” and challenged delegates to try and make a difference.

He stated: “As our children grow up into adulthood, the environment needs to be far more diverse and entirely inclusive. In other words, far healthier. It needs more and more of us to work on this, I want all of you to go home and open the dialogue.”

“Go back to your companies and be brave, talk to your CEOs and your boards.”

“Make sure your boards know this is an important topic, I think collectively we will make a difference.”

According to Reiss, the industry is not making enough progress and in some cases was actually losing ground.

He added: “I believe we are at an inflexion point, attitudes are getting better but the current rate of progress is not good enough. More and more organisations are realising that they must work harder on diversity and inclusion, and frankly be much more fearless in changing the status quo.”

Reiss’ belief that more work was needed to ensure a better gender balance in the captive industry was echoed by Laurie Forkas, senior assistant general counsel at Marsh and McLennan.

Speaking at the ‘Women in the Captive Industry: Empowering Industry Awareness’ session, Forkas quoted the World Economic Forum’s 2017 report on the global gender gap which notes that it will take 217 years to close the economic global gender gap.

“That is astonishing,” commented Forkas. “In the last four years the number has risen, so there is lots of work to be done.”

She added that those at the top need to understand why women or underrepresented employees are leaving and understand their needs.

She explained: "They need to have the courage to change things and they need certain policies and practices in place to help pay equity and advancement in careers. There need to be policies on how to move people forward."

Another of the panelists, Sophia Greaves, director at Conyers Dill and Pearman, said it was not just enough for companies to "have the diversity box checked".

Greaves stated: "It is one thing to check a box, but it is another to have diversity of thought."

"It is very important to have people that are genuinely thinking about things differently."

She added: "One of the many challenges young women face is this pressure to have to fit a certain mould and I think that is hugely defeatist."

Moderating the 'Captive Owner Round Table Discussion', Grainne Richmond, vice president of Dyna Management Services, emphasised the need for organisations to address their own policy on diversity first.

"Diversity starts at your own front door," said Richmond. "You need to look at your own organisation and how you are approaching diversity."

"When you stop and look at yourselves, it is fine for the reporters in the papers to focus on companies that aren't diverse, but unless you're addressing it at your own front door, it is not going to get any better."

"It is one thing to check a box, but it is another to have diversity of thought. It is very important to have people that are genuinely thinking about things differently"

Sophia Greaves
Director
Conyers Dill and Pearman

According to Richmond, the surprise felt by millennials over the recent gender pay gap figures shows things are moving in the right direction.

She said: "I was surprised by the huge gender pay gap, and so were the millennials in the office which I think is a good message."

Breaking down barriers

Millennials and their potential impact on the captive market was another common talking point at the conference. Teniko Eve, captive associate at Marsh, described the barriers to entry that the captive industry has and said there was no easy fix.

He explained: "There are a lack of graduate positions readily available, most of the positions are for account managers, which mostly require three to five years of industry experience."

"Furthermore, there are less insurance or risk management roles in captives today than 20 years ago."

"It is definitely something we are looking at but it is a hard fix because if the jobs aren't there, they aren't there, no small company is just going to create a risk manager or insurance role if they don't need it."

"That is a problem that we see and we've been trying to think how to address it but it is very difficult to address something like that."

Bermuda

As with every year, the conference was a celebration of Bermuda's captive industry, which boasts 740 captives and generates over $55 billion in annual gross written premiums. Bermuda insurance veteran Brian Hall, a legend of the captive industry, was awarded the Fred Reiss Lifetime Achievement award and 11 captives were admitted into the hall of fame after completing 25 years of business in the island's market.

What separates the island as a captive domicile, according to panelists at the 'Captive Owner Roundtable Discussion', was its "human capital".

Scott Reynolds, president and CEO of Member Insurance, said: "The attraction of Bermuda is not the beautiful scenery, it is the people and the infrastructure. I think Bermuda is unlike any other jurisdiction because it is blessed with tonnes of resources, I know that there is ongoing threats that come and go but I don't see any major change in that."

Dageria Morgan, treasury manager at Linamar Corporation, echoed Reynolds comments on the domicile. She said: "We came to the conference last year and were just blown away, so impressed by the human capital and the infrastructure. We saw the domicile as a one-stop shop where we could get everything we needed."

Another of the panellists, global director of risk and insurance at General Motors, Alan Gier added: "The capability of the island differentiates it, anything you need to do can be done here by highly capable people."

"I've looked at other domiciles and I don't see the infrastructure Bermuda provides."

Speaking on a panel dedicated to healthcare captives, Adam Bates, vice president and pricing actuary at Allied World Assurance Company, stated that Bermuda's strong relationships with its clients would help it navigate through the challenges of a tough pricing market for healthcare captives.

Bates said: "Heightened claim severity is impacting pricing. We are seeing clients start to take higher retentions and/or pay higher premiums and that also speaks to where we are in the insurance cycle. I don't think the current pricing is sustainable. I don't know what the right answer is but I don't think we are there today."

He added: "One of the benefits of the Bermuda marketplace is the longevity of relationships with clients, people have been coming out here for a lot of years and I think those relationships are going to help us navigate through these challenges."

"We can discuss with clients about where the market is, where pricing is at and what needs to change so things are sustainable for the long term."

Sunny outlook

Parrish said he sees the conference as reflecting the domicile's reputation as a leader and innovator, and the ever-evolving nature of the captive industry.

A large part of this was through the conference agenda, and Parrish celebrated the wealth of talent that was on display over the course of the three days.

He said: "From my perspective, the highlight was the strength of the agenda and a huge amount of credit should go to our Agenda Committee for gathering such an array of world-class intellectual capital for our many industry sessions."

"With 806 attendees, this was one of the best attended conferences on record. It was particularly pleasing to see more captive owners attending, which means we must be offering topical and relevant content."

"All-in-all, we set a high bar, but I am confident we can rise to the challenge and make the Bermuda Captive Conference 2019 an even greater success for our sponsors and delegates." **CIT**

Emerging Talent

Showcasing the new generation of captive professionals

Edward P. Wunderer III, ACI – Risk management consultant with Oxford Risk

Personal bio

Eddie is a graduate of Towson University with a Bachelor of Science in Finance. He received his Associate in Captive Insurance (ACI) designation in early 2018. In his spare time Eddie enjoys playing golf, traveling, attending Baltimore Orioles and Baltimore Ravens games. Eddie resides in Towson, Maryland.

Professional profile

Eddie joined Oxford Risk Management Group in early 2014 while completing his studies at Towson University. For a year and a half Eddie worked and trained with the sales team on numerous projects, including working with senior sales team members to generate new client opportunities.

As a Risk Management Consultant for Oxford, Eddie is responsible for new client sales and internal management. He works with trusted client advisors throughout the country educating and conducting feasibility analysis on the formation of captive insurance programs. In addition to the client and advisor education, Eddie manages the inside sales team assisting the Sales Associate members with their professional development and new lead generation.

How did you end up in the captive industry?

During my junior year in college I began evaluating where I wanted to take my career. I wanted the opportunity to consult with business owners and help solve intricate problems. While reviewing other industries, I stumbled in the insurance industry and all the different avenues of which it was composed. I came across Oxford Risk Management Group and was instantly fascinated with the alternative risk management programmes they were providing for their clients.

I spent time researching on the internet and studying a book written by the two owners of Oxford. Before I knew it, I became an intern and began learning all aspects of the captive insurance industry. At that time we were a relatively small company so the Oxford family took me in and entrusted the vision that Mike DiMayo, principal of Oxford had for not just the company but for me as an individual.

What has been your highlight in the captive industry so far?

The highlight of my captive career thus far is really two things. The first being that I completed my ACI designation, which was phenomenal and instrumental in my development. This programme enabled me to learn about different types of captive programmes from some of the best professionals in the industry.

The second highlight of my captive career was being involved in the 2018 Founders Meeting in the Grand Cayman Islands where Oxford celebrated the launch of a new enterprise risk management structure. All this hard work further deepened my passion and dedication to provide the best experience for each of our clients. We received unbelievable feedback and I truly think we have paved the way for the enterprise risk captive market with this solution.

What is your impression of the industry?

The industry as whole is extremely interesting. I find it intriguing all the different types of captive programmes that are out there and the level of complexity.

Through the many different programmes there is a huge potential for growth within the industry as captive providers become even more sophisticated. Along with industry growth, I feel my personal and professional growth are limitless. You can take so many different routes within the captive industry and be successful. I would love to see more young professionals join the industry and see what there is to offer.

What advice do you have for someone considering a role in the industry?

Evaluate all aspects of the business before diving into one area. When I first began with Oxford Risk Management Group, I spent time with all the departments, including implementation, underwriting, client services, claims management, legal and renewal, before deciding that the captive consulting area was where I wanted to focus. The cross training spent in the other departments helped me better my knowledge and ultimately shape my future. If nothing else, read about the different roles within a captive insurance organisation and find what best suits your career goals, objectives and of course, interests.

> "Eddie is an excellent example of emerging talent, and we as an industry need to find more young people like him. I've watched him grow from a college intern to one of the most productive business development officers at his firm. The principal characteristics that make Eddie an emerging talent and a certain future leader in our industry are his curiosity, his work ethic and his disposition."

Jeffrey Simpson
Director
Gordon, Fournaris & Mammarella

Edward P. Wunderer III

The droids you're looking for

Ian McGregor, vice president of sales for Europe, Middle East and Africa at UiPath, explains why captive insurers need to grasp the benefits of robotic process automation

Ned Holmes reports

Captive insurers increasingly offer genuine flexibility in financing the newer, and potentially more severe, risks that businesses now face. Data breaches, cybercrime and terrorism to name but three.

It seems inevitable that as this market appetite increases, more businesses facing these risks will use the skills and unique capabilities of the captive sector.

These new market opportunities require creative responses so that practitioners can come up with competitive propositions more quickly and profitably. The problem, as ever, is that innovation is usually in short-supply when it takes so much time and energy to keep the engine running.

Advantages

The big question is whether the captive insurance industry has grasped the potential of robotics. Most mainstream commercial insurers are already deploying software robots in claims and applications processing, achieving more than 60 percent increases in productivity and 95 percent increases in accuracy while simultaneously reducing costs. Innovative businesses are also moving into the automation of decision making in front-office functions such as underwriting.

In the captive insurance industry there is plenty of emphasis on boosting efficiency and reducing costs through implementation of enterprise-level management software. There is also significant expectation about future blockchain-related applications, as blockchain currently promises more than it delivers.

Yet this does not remove many of the problems faced by captive insurers, which they share with their traditional, commercial counterparts. Many insurers now find themselves having to operate with legacy systems that are too rigid and outdated to cope within an increasingly onerous and complex regulatory environment.

The majority are stuck attempting to innovate on enterprise applications that are between 10 and 30 years old. These systems simply cannot provide the flexibility required, because they were never designed with the capabilities required in today's insurance market.

The cost of complacency

There are rumblings among captive insurers that the investment and risk associated with upgrading legacy systems are prohibitive. In the case of robotic process automation (RPA), this is mistaken. Not only does this technology connect them with the capabilities and features that are essential to remaining agile and competitive, it also allows them to support existing enterprise application integration and business process management architecture while integrating core systems and ancillary software applications in a non-invasive way.

One insurance company, for instance, handles thousands of customer inquiries across two call centres each month. Dealing with direct sales, claims status requests and claims submissions, the business has transformed its operations through an RPA platform that fully integrates with its back-office systems and databases.

Inevitably, when considering such a far-reaching project there were fears about the cost, the length of the project and the risk that it might not pay off. However, with RPA, the fears around each of these challenges have proved to be unfounded. Combining the ability to interface (as humans do) with Citrix, mainframe, and legacy automation technologies, the complexity and cost of back-office issues are easily solved.

For the insurer referenced above, the results spoke for themselves. Agent-assist workstation robots have led to productivity gains of more than 30 percent.

Removing drudgery and boosting profitability

In the captive insurance market, robots will introduce dramatic efficiencies by automating a wide range of routine operational activities such as analysing submissions emails and documents, extracting and loading risk data, dispatching emails to underwriters and actuaries, as well as handling claims processing and financial reconciliations.

Through automation, reinsurers are already achieving 100 percent processing accuracy with the complete elimination of human error. The speed of processing has led to a reduction of 80 percent in the amount of time taken for one reinsurer to achieve reconciliation of monthly bank statements, saving the equivalent of 25 percent of full-time-equivalent staff.

Software robots after all, never need to stop and they allow every process to be monitored with a full audit trail. Their ability to tackle complex routine processes frees talented staff for more creative activities and for the implementation of profitable initiatives to meet changing market demand.

They also obviate human resources issues associated with having to retain or retrain staff, which can be a particular challenge in offshore operations.

There can be little doubt that it is time for captives to turn their attention to RPA so they can unlock the talents of their staff and boost profitability by freeing them from time-consuming, boring and costly drudge-work. **CIT**

"In the captive insurance market, robots will introduce dramatic efficiencies by automating a wide range of routine operational activities"

Ian McGregor, vice president of sales for Europe, Middle East and Africa, UiPath

Captive industry dates for your diary

VCIA Annual Conference

Vermont

August

07-09

vcia.com

NCCIA Annual Conference

North Carolina

August

20-22

NCCIA.org

SCCIA Annual Conference

South Carolina

September

11-13

SCCIA.org

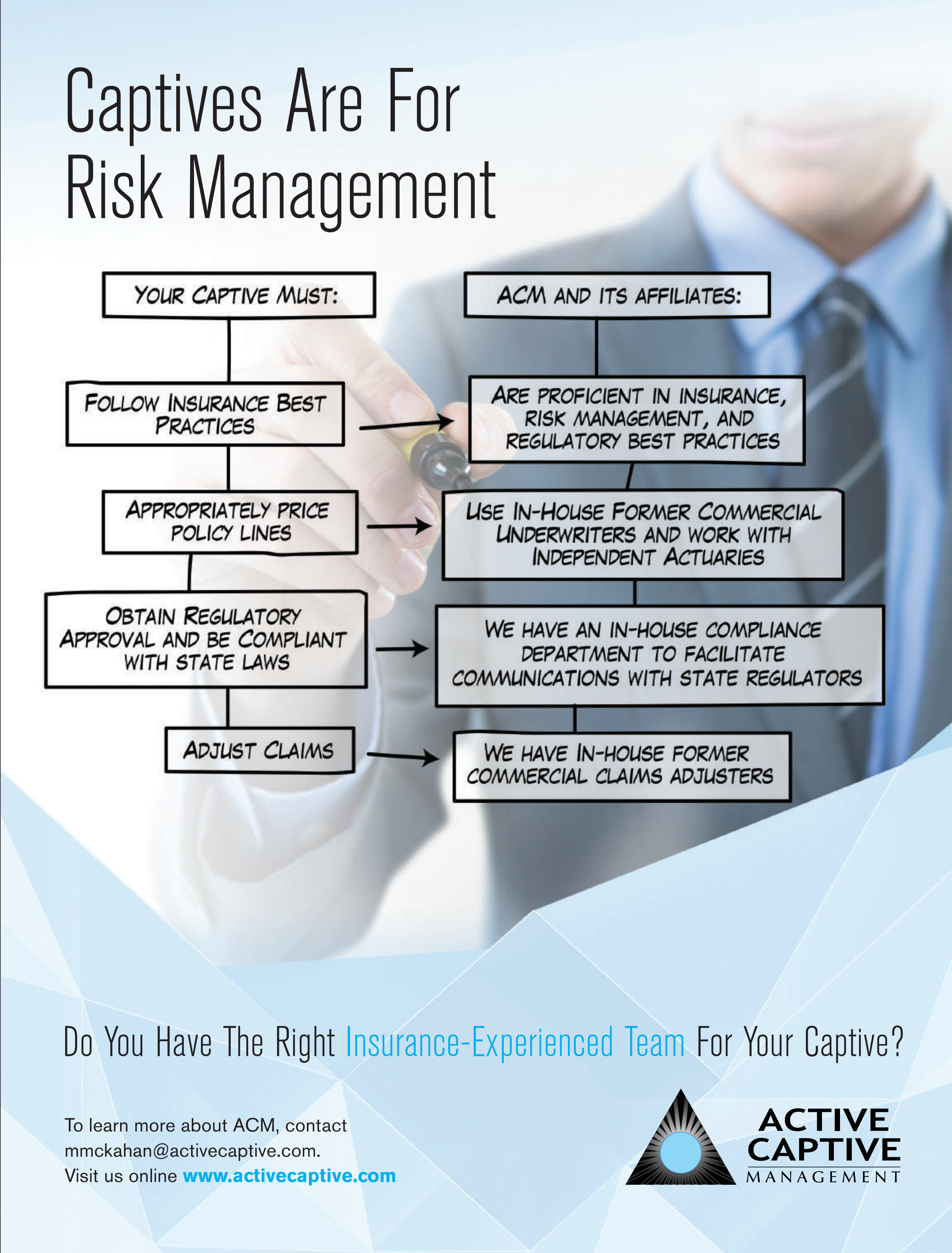
NRRA National Conference

Chicago, Illinois

October

03-05

riskretention.org


Captives Are For Risk Management
YOUR CAPTIVE MUST:
ACM AND ITS AFFILIATES:
FOLLOW INSURANCE BEST PRACTICES
ARE PROFICIENT IN INSURANCE, RISK MANAGEMENT, AND REGULATORY BEST PRACTICES
APPROPRIATELY PRICE POLICY LINES
USE IN-HOUSE FORMER COMMERCIAL UNDERWRITERS AND WORK WITH INDEPENDENT ACTUARIES
OBTAIN REGULATORY APPROVAL AND BE COMPLIANT WITH STATE LAWS
WE HAVE AN IN-HOUSE COMPLIANCE DEPARTMENT TO FACILITATE COMMUNICATIONS WITH STATE REGULATORS
ADJUST CLAIMS
WE HAVE IN-HOUSE FORMER COMMERCIAL CLAIMS ADJUSTERS
Do You Have The Right Insurance-Experienced Team For Your Captive?
To learn more about ACM, contact mmckahan@activecaptive.com.
Visit us online www.activecaptive.com
ACTIVE CAPTIVE MANAGEMENT

Comings and goings at Horseshoe and EBMS

Horseshoe Group has appointed Anna Pereira as senior vice president, head of treasury, and Mark Lavery as senior vice president, head of marketing and communications, in a move to strengthen its global offerings.

The two new appointments will be based in Horseshoe's Bermuda office and play key roles in the firm's global business.

Pereira, who has more than 20 years' experience working in Bermuda's insurance, reinsurance, and captive markets, will take over responsibility for the group's global banking and trustee relationships from Philip Jones, who will be retiring from full-time responsibilities in June.

Previously, Pereira was head of captive and insurance banking at HSBC Bank Bermuda, and also held roles at Everest Reinsurance and Chubb Financial.

Lavery will lead and support Horseshoe's global marketing, communications, knowledge management, and business development efforts.

Most recently the senior manager of markets, at KPMG in Bermuda, Lavery has more than 10 years of financial services marketing and communications experience in the Bermuda and international markets.

Horseshoe CEO, Andre Perez, said: "We are extremely excited to have Anna Pereira and Mark Lavery join our team."

"Their extensive expertise and broad industry knowledge will enhance our level of client service and help further develop our many global capabilities."

"We are confident that their talents and industry experience will enable them to successfully contribute to our expansion plans."

Pereira said she was looking forward to helping Horseshoe service their client base.

She commented: "Horseshoe is known for its high quality service level, industry expertise and highly respected staff and I'm thrilled to be part of the team."

Lavery added: "I'm looking forward to working with this dynamic team to continue to build our firm's brand and reputation, and strengthen the valuable relationships with our clients."

US healthcare solutions provider Employee Benefits Management Services (EBMS) has appointed Alex Schott as CFO and Matt Johnson as corporate counsel and vice president of legal.

EBMS said the move would further its goal of improving the quality, cost, and experience of healthcare for its customers.

The Montana-based company serves more than 275 organisations and nearly 150,000 employees and family members across the US.

Schott will join the EBMS executive team and will lead the firm's financial strategy teams.

Previously, Schott served as senior vice president of strategic operations and interim chief accounting officer at BioScrip, a Denver-based provider of infusion and home-care management solutions.

Johnson, who has extensive experience in the health industry, leaves his previous role as lead counsel at Aetna as the primary counsel to American Health Holdings and Co-Counsel to Meritain Health.

EBMS president Kevin Larson said Schott's accomplishments demonstrate his commitment to excellence in strategic leadership and technical acumen.

Larson commented: "His expertise in building, growing and scaling financial and accounting functions in healthcare organisations will be an asset to EBMS as we continue to expand our products and services to contain costs, improve care and simplify the benefit journey."

Melissa Lyon, executive vice president of EBMS, added: "Matt Johnson will be a great addition to the legal and leadership team in partnership with our clients, brokers, and vendors, as we work together to change the way healthcare is purchased and delivered." **CIT**