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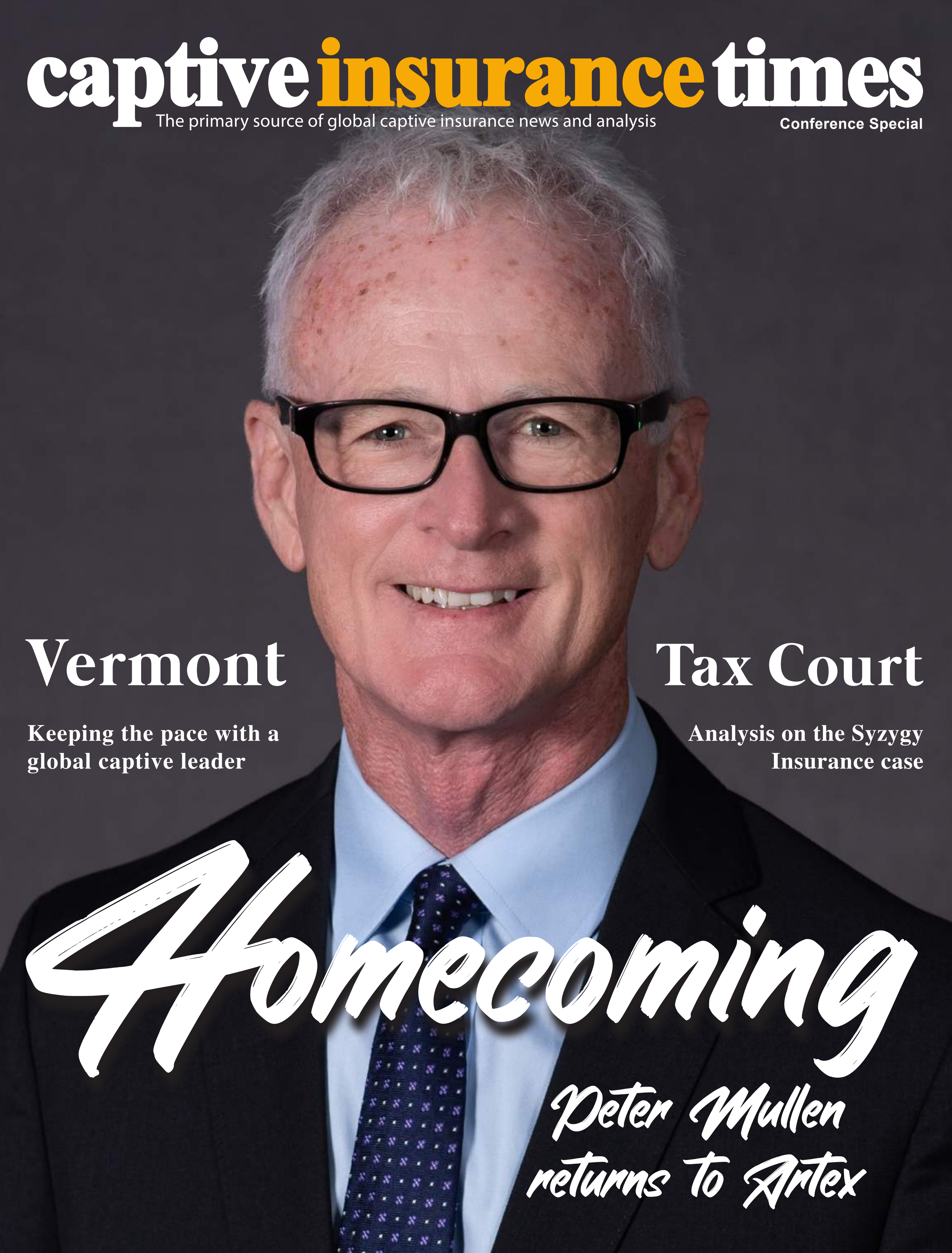
Conference Special



Vermont

Keeping the pace with a global captive leader

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Homecoming

Peter Mullen returns to Artex

Willis global captive practice CEO Owens to retire

Willis Towers Watson has announced that Paul Owens, CEO of its global captives practice, will retire later this year after nearly 30 years of service with the company.

Owens joined Willis Group in 1990 and has held multiple senior roles at the company, including COO of Willis Limited, COO of global businesses, and COO of global specialties.

He was appointed CEO of the global captives practice when it was newly formed in January 2014.

John Merkovsky, head of risk and analytics at Willis Towers Watson, thanked Owens for his “considerable dedication and loyalty to Willis Towers Watson”.

He added: “Over his 30 years Paul Owens held numerous roles and he was unambiguously successful in each. In his latest role he successfully grew and strengthened our captive business into the leading global captive practice it is today.”

“Owens will continue to work with us to appoint a successor through this transition period as we continue to invest in our captive business.”

Owens commented: “It has been an enormous privilege to lead the captives business from its inception and to see it grow into the powerhouse it is today.”

“I wish Willis Towers Watson and its thriving captive community every success for the future.”

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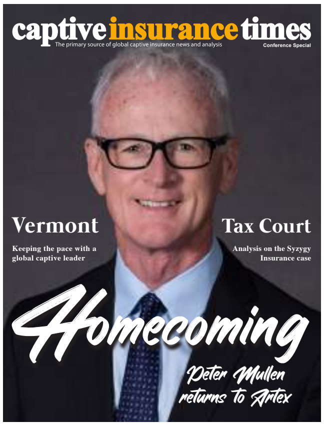

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Bermuda welcomes EU tax blacklist removal

Bermuda's industry groups have welcomed the EU's decision to remove the domicile from its blacklist of non-cooperative tax jurisdictions.

The EU Council removed Bermuda from the blacklist on 17 May, alongside Barbados and Aruba, two months after the domicile was originally placed on the list in March 2019.

The list is part of the EU's strategy to clamp down on tax evasion.

Bermuda will now be moved to the greylist, which includes jurisdictions that have undertaken sufficient commitments to reform their tax policies.

Following placement on the blacklist, Bermuda acted quickly to try and ensure removal.

Finance minister Curtis Dickinson and premier David Burt traveled to Europe and met with EU commissioner Pierre Moscovic, who is responsible for economic and financial affairs as well as taxation and customs, on 29 March.

On 1 April, they met with Lyudmila Petkova, chair of the Code of Conduct Group on Business Taxation.

They both also visited the German and French Ministries of Finance.

Stephen Weinstein, deputy chair of the Bermuda Business Development Agency (BDA), said the Agency applauded the decision and praised Burt and Dickinson for their efforts.
He said: "We're thankful for the efforts of our premier and finance minister to engage with the EU and provide transparency into Bermuda's world-class regime."

"Our jurisdiction's updated regulatory and legislative framework mirrors existing practices in our international business market, exemplifying the highest standards of compliance and economic substance."

BDA CEO Roland Burrows said the decision is "the right one".

He added: "We welcome it as a testament to the top-tier reputation we've worked hard to build over many decades."

"We thank the government for its proactive response, as well as the regulator and all our industry stakeholders."

The domicile's stock exchange and industry associations all applauded the decision, including Kathleen Bibbins from the Bermuda International Management Association (BIMA).

Bibbins commented: "BIMA is pleased Bermuda has been removed from the EU list of non-cooperative jurisdictions for tax purposes."

He concluded: "The decision today by the EU recognises Bermuda's commitment to full compliance and tax transparency." ■

No captive industry in Tennessee without 'catalyst' McPeak, says TCIA president Doherty

There would be no captive industry in Tennessee without departing Tennessee Department of Commerce and Insurance (TDCI) commissioner Julie Mix McPeak, according to Tennessee Captive Insurance Association (TCIA) president Kevin Doherty.

The TDCI announced on 15 May that McPeak was leaving after more than eight years in the role, effective 14 June.

Deputy commissioner Carter Lawrence will serve as the department's interim commissioner until a permanent commissioner is selected.

McPeak was appointed as commissioner by former-governor Bill Haslam in 2011 and has played an integral role in the creation and growth of the Tennessee captive insurance industry.

Doherty said McPeak had been "excellent" for the state's captive industry and that the TCIA was "sad to see her go".

He commented: "I would say if it weren't for Julie Mix McPeak we wouldn't have a captive industry in Tennessee, she was the catalyst who got it started when she first became commissioner."

"McPeak took the steps when she first took office eight years ago to initiate the legislative process to get a good captive law in place, and she has supported the growth of the captive division and encouraged the private sector as well."

Doherty added that he was not concerned about the future of the state's captive industry following the commissioner's departure.

He said: "I think the captive industry is really strong right now in Tennessee and is supported by all political factions,

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SunTrust

BMA issues first innovation sandbox licence to insurtech AkinovA

The Bermuda Monetary Authority (BMA) has issued the first licence under its innovative Insurance Regulatory Sandbox to AkinovA, an electronic marketplace for the transfer and trading of reinsurance risks.

The sandbox, which launched in July 2018, is a framework allowing companies to test new technologies and innovative products, services and delivery mechanisms to customers in a controlled environment.

The licence authorises AkinovA to enable cedents and intermediaries acting on their behalf to transfer (re) insurance risk to investors using its electronic platform.

Additionally, it permits AkinovA to provide integrated news, data, analytics and communications to marketplace participants.

Henri Winland, CEO of AkinovA, said the company chose Bermuda as its first regulated operating base due to the domicile's "willingness and desire to innovate within the insurance sector".

Winland explained: "The regulators understood, right from the word go, the need to establish an appropriate regulatory framework for what AkinovA is building for its users, to ensure AkinovA's independence as an infrastructure provider and a digital marketplace.''

"It was really important that AkinovA is not set to compete with the very ecosystem it serves whilst being able to provide more than basic trading with the inclusion of news, data, analytics from its users and partners and secure communications to marketplace participants."

Brad Adderley, AkinovA's Bermuda counsel and partner at Appleby, said his firm was "very pleased to help AkinovA forge and continue to develop what they need to serve their clients".

He commented: "We are grateful for the support we have had, and continue to have, from the BMA to develop the right framework needed for AkinovA to serve its clients as a pure play infrastructure provider, whilst preserving its independence."

The sandbox is part of Bermuda's strategy to remain at the forefront of providing innovative solutions in the insurance, insurance-linked securities, and captive markets.

David Burt, premier of Bermuda, said bringing developments to market in a regulatory landscape that does not always provide the necessary flexibility is "one of the largest hurdles facing the global insurance sector".

He added: "The AkinovA team brings with it an extensive and somewhat unique blend of experience from insurance, capital markets and technology that we believe is needed to launch a successful electronic marketplace for the (re) insurance industry."

"We are confident that under the Bermuda regulatory framework, they will help drive growth and innovation in the insurance market." ■

and when we have legislative issues we almost always have a unanimous vote in the legislature."

Doherty concluded: "I think we have a very well rounded and strong industry, and I expect that to continue, which is thanks to McPeak and her leadership over the past eight years."

"Eight years is a long time. We have had a good chance to get up and running and I think we will continue to thrive."

Asia Pacific domiciles poised for captive growth

The Asia Pacific captive market remains tipped for significant growth, despite challenges, as businesses continually seek new and more sophisticated ways of risk management and control, according to A.M. Best.

The 'Best's Market Segment Report' on Asia Pacific captive domiciles, showed that despite the large economies in the region, such as China and Japan, the captive industry is small. In 2018, there were an estimated 6,337 captives globally, with just 2.8 percent domiciled in Asia Pacific.

However, A.M. Best suggested that as the growth of small and medium-sized enterprises (SMEs) fuels a rise in the prominence of Asia's economies, the capital and risk management strategies of these SMEs will need to evolve.

The ratings agency said that not only will captives become more of a focus as part of a robust internal risk management strategy, but that captive domiciles in the Asia Pacific region will also thrive.

According to A.M. Best, there is "abundant growth potential in the region", particularly in Singapore, Labuan, and Hong Kong.

The report highlights Singapore, Labuan, and the Federated States of Micronesia

(FSM) as the region's established domiciles, but also noted the recent emergence of China and Hong Kong.

According to A.M. Best, both the China Banking and Insurance Regulatory Commission and Hong Kong's Insurance Authority are keen to develop captive insurance in their jurisdictions.

The report outlines two key challenges which have meant growth remains relatively slow in the region, despite the tremendous potential.

Firstly, the persistently competitive insurance market over the last decade or so has meant a low captive insurance penetration rate, as with abundant capacity available at cheaper costs, the benefits of establishing a captive may not seem particularly attractive.

The second challenge is the inherent lack of knowledge and understanding of captive insurance.

A.M. Best explained: "Not only is there limited information available on captive insurance and its benefits in Asia, but also there are few avenues for businesses to turn to for more information."

"This general lack of awareness has resulted in the low captive insurer count in this region"

Additionally, A.M. Best explained that though tax management issues have traditionally been the reason for setting up captives in more established domiciles, the fact that most of the Asian domiciles have committed to implement and abide by the Organisation for Economic Co-operation and Development Inclusive Framework on base erosion and profit shifting means "this factor is likely to be downplayed".

Despite these challenges, the Asia Pacific captive market remains tipped to grow by A.M. Best.

USA Risk Group senior management completes buyout from Spencer Capital

The senior management team of leading independent captive management firm USA Risk Group has completed a management buyout from Spencer Capital Holdings.

The buyout includes operations from all captive domiciles that USA Risk currently operates in.

The existing management will remain in place to manage all current and new clients.

Paul Macey, a captive industry veteran with more than 35 years' experience, will lead the new senior management team as president.

The new senior management team includes Rob Leadbetter, senior vice president; Charmain Aggarwal, vice president; Jeanne Crawford, senior vice president of the company's Barbados office; John Tortell as general manager of the Malta office; and Steven Lill as assistant vice president in the Cayman Islands office.

The company will keep its name and initially operate in 10 domestic and international captive domiciles.

Global investment firm Spencer Capital originally acquired USA Risk in 2015.

Macey stated that despite the deal, the focus would continue to be on "client's needs first".

He added: "My colleagues and I have been working together for many years and we're excited to continue knowing our clients well and helping them achieve their business goals with their captives."

Leadbetter said the buyout represented a "new chapter" for the company, but added that it was also "business as usual".

He noted: "It was important to have our entire management team and employees onboard to show not only our credibility and commitment to our clients and the success of their captives but our dedication to each other and the next chapter in USA Risk Group's story. We're also appreciative that our former chairman and original founder, Lincoln Miller, will be involved in an advisory role."

Crawford commented: "Clients can continue to expect and receive our commitment to manage their captives with our extensive knowledge and experience."

"Our diverse book of captive business demonstrates our experience and understanding of the captive industry and we are looking forward to continuing to provide thought leadership in the captive space."

TRIPRA expiration could result in ratings downgrade

The possible expiration of the Terrorism Risk Insurance Programme Reauthorisation Act (TRIPRA) of

2015 could result in a potential rating downgrade in ratings for property and casualty (P&C) insurers, and therefore captives, according to A.M. Best.

The expiration date of TRIPRA 2015 is 31 December 2020 and A.M. Best has suggested that its extension "remains in doubt" due to the "hyper-partisan atmosphere pervading Washington and the difficulty of bringing legislative proposals to a vote and ultimately enacting legislation".

TRIPRA 2015 extended the expiration of the original bill, referred to as the Terrorism Risk Insurance Act, which was passed in 2002 in response to the 9/11 attacks and was authorised to address the availability and affordability crisis for those commercial businesses in need of terrorism insurance.

A.M. Best noted that the federal backstop aids with liquidity and reduces the financial impact of a terrorist event, but overreliance on the mechanism "isn't a substitute for sound risk management".

The ratings agency added that while "the vast majority of catastrophe-exposed insurers typically rely on reinsurance to mitigate catastrophe risk, insurers that have substantial terrorism exposure might also rely on TRIPRA to stay within their stated risk tolerances".

A.M. Best's key concerns with regards to terrorism are: "insurers' net loss exposures to terrorism excluding the benefit of TRIPRA; aggregate exposures of risks in certain geographic areas; the number of locations in those areas; and the impact on risk-adjusted capitalisation".

The ratings agency will begin compiling a list of rated insurers with exposure to terrorism at mid-year 2019.

Companies which it deems to have a material terrorism exposure and a reliance on TRIPRA will be asked to

Bermuda, Barbados, and Aruba removed from EU tax blacklist

Aruba, Barbados, and Bermuda have been removed from the EU's blacklist on non-cooperative tax jurisdictions.

Bermuda and Barbados will be moved from Annex I of the conclusions (the blacklist) to Annex II (the greylist), which includes jurisdictions that have undertaken sufficient commitments to reform their tax policies, while Aruba will be removed completely from both.

> "Barbados has made commitments at a high political level to remedy EU concerns regarding the replacement of its harmful preferential regimes by a measure of similar effect, whilst Aruba and Bermuda have now implemented their commitments."

The list contributes to the EU's ongoing strategy to prevent tax avoidance and promote good governance, such as tax transparency, fair taxation or international standards against tax base erosion and profit shifting.

Jurisdictions were assessed based upon three criteria: tax transparency, good governance, and real economic activity, as well as one indicator, the existence of a zero corporate tax rate.

The list was established in December 2017 and was revised to include Aruba, Barbados, and Bermuda in March 2019, following an in-depth review of the implementation of the commitments taken by third country jurisdictions that are part of the process.

In justification of the decision, the European Council noted: "Barbados has made commitments at a high political level to remedy EU concerns regarding the replacement of its harmful preferential regimes by a measure of similar effect, whilst Aruba and Bermuda have now implemented their commitments."

"At the same time, Bermuda remains committed to addressing EU concerns in the area of collective investment funds."

There are 12 jurisdictions remaining on the blacklist, including Guam and the US Virgin Islands.

> "Bermuda remains committed to addressing EU concerns in the area of collective investment funds."

The EU list is a dynamic process, and the Council will continue to review and update the list regularly in 2019.

It has requested a more stable process from 2020, which will include two updates to the list per year. ■

present detailed plans on how they plan to mitigate this exposure in the event that the act is not renewed.

A.M. Best commented: "Although private terrorism reinsurance is currently available, a rating concern will be the future availability and affordability of reinsurance if the federal backstop is eliminated or changes significantly."

"Insurers that currently would be materially affected by the absence of TRIPRA, and that cannot provide a sufficient action plan to reduce exposures to terrorism risks, likely will face negative rating pressure by year-end 2019."

CIC Service's appeal of IRS Notice 2016-66 denied

CIC Services' challenge of Internal Revenue Service (IRS) Notice 2016-66 has been denied by the US Sixth Circuit Court of Appeals.

The Court of Appeals' judges affirmed the decision made in the district court in November 2017 to dismiss CIC Services complaint against IRS Notice 2016-66 and request for an injunction delay Notice 2016-66 for micro captives. CIC had argued that Notice 2016-66 was unfairly labeling micro captives as tax avoidance schemes and was an illegal law because it violates the Administrative Procedures Act (APA).

Published in November 2016, Notice 2016-66 identified micro captives as having "a potential for tax avoidance or evasion" and imposed requirements and potential penalties on taxpayers engaging in them, and on material, advisors aiding in them.

In the decision, the Court of Appeals' judges referenced the fact that the IRS had established a tradition of not complying with the APA but ultimately held that as Notice 2016-66 was involved in the collection of taxes an APA challenge to the notice were not in the federal courts' remit.

There was, however, a dissent issued by one of the Court of Appeals' judges, Judge Nalbandian.

Nalbandian suggested that the argument brought by the IRS that the Anti-Injunction Act blocks CIC's suit was not valid.

Writing for Forbes, Jay Adkisson, partner at Riser Adkisson, said the notice had already served "99.9 percent of its intended effect".

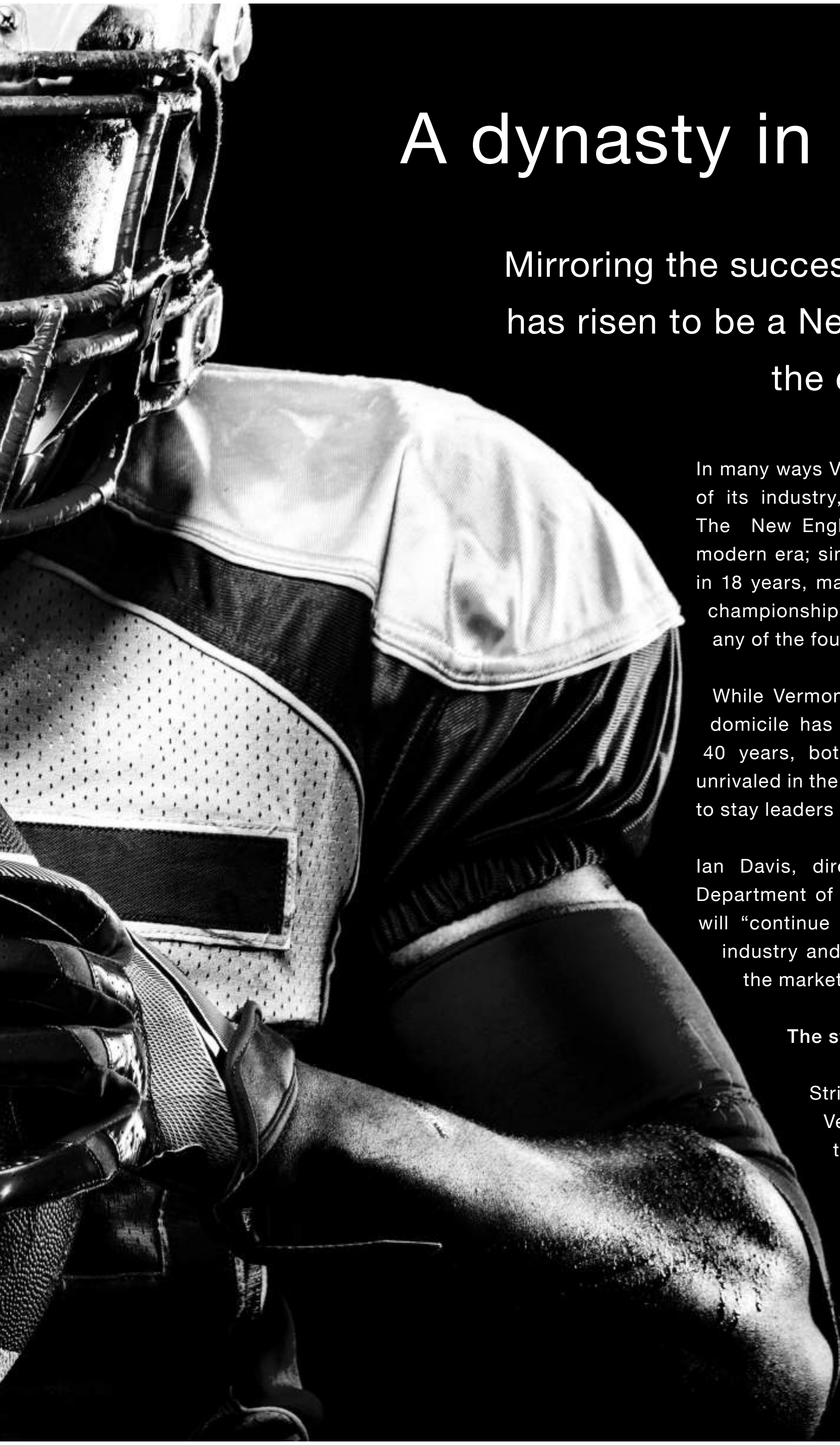
Adkisson suggested this effect was "to cause promoters such as CIC Services to disclose their client lists and other information to the IRS, and to cause their clients to come to the realisation that their spiffy captive deal might instead be an abusive tax shelter leading to not just the denial of deductions but also substantial penalties as well".

He added: "With a reported over 600 risk-pooled 831(b) captive cases now docketed before the US Tax Court, there can be little doubt that Notice 2016-66 has served its purpose, and that well."

Marsh: Captives writing terrorism risk up 10 percent in 2018

The number of Marsh-managed captive insurance companies that accessed the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) to write property, workers' compensation, general liability, and cyber risk rose 10 percent in 2018, according to a Marsh report.

The 2019 Terrorism Risk Insurance Report revealed that 182 Marsh-managed captives accessed TRIPRA to write coverages for their parent companies last year, up from 166 in 2017. The report notes that captive owners have often found the total cost of implementing terrorism insurance programmes compares favourably to the cost of buying from commercial insurers. ■



A dynasty in New England

Mirroring the success of the Patriots, Vermont has risen to be a New England powerhouse in the captive insurance industry

In many ways Vermont is similar to another New England titan of its industry, the six-time Superbowl champion Patriots. The New England Patriots have dominated the NFL in the modern era; since 2001, they have won sixteen division titles in 18 years, made nine Superbowl appearances—winning six championships—and hold the highest win percentage in of any of the four major American sports.

While Vermont's longevity dwarfs that of the Patriots', the domicile has been a true global captive leader for nearly 40 years, both New England-based dynasties have been unrivaled in their dominance and both have continued to adapt to stay leaders in their field.

Ian Davis, director of financial services at the Vermont Department of Economic Development, says the department will "continue to work diligently to make sure our captive industry and regulations and keep pace with the needs of the market".

The standings

Striving to remain an industry leader has seen Vermont amass 558 active captives, according to figures from year-end 2018. The domicile licensed 25 new captives in 2018, but, amongst soft global market conditions 23 captives licenses were lost (either through mergers, dissolutions or relocations) meaning there was not a significant net growth.

In Vermont, these figures continue to be viewed optimistically. Davis suggests

(Shutterstock, Inc: By Mike Orlov)

the domicile feels “particularly good about where we stand”, while Anne Marie Towle, executive vice president and captive practice leader at JLT Group, notes: “The landscape remains very steady from a growth perspective.”

Davis notes that while captive owners continue to strive to fully utilise their captives by expanding their programme through new lines and coverages, one area of particular recent growth in Vermont is the healthcare sector.

“Last year we licensed six new captives from the healthcare industry,” says Davis, “bringing our active total to 100—our largest and fastest growing industry sector.”

‘Gold standard’ regulation

The Patriots success has been accompanied by slogans such as “do your job” and “one more”.

In Vermont, success appears to be built around the notion of the “gold standard” in the quality of the captives in the industry and, more importantly, in the state’s regulation.

The state has a dedicated division focused on captive regulation, the Department of Financial Regulation’s captive division, which is one of the

largest dedicated captive divisions worldwide and is larger than Vermont's traditional insurance division.

Towle highlights the regulatory regime as Vermont's differentiator, suggesting what sets the state apart is "the number of staff with a high level of expertise that are dedicated to the captive industry".

Rich Smith, Vermont Captive Insurance Association (VCIA) president, adds: "What sets Vermont apart is the deep experience and knowledge base of both the regulators and service providers."

"The regulators have very strict guidelines and that 'gold standard' is very important. But they're very flexible and will work very closely with the captive owners and service providers to make sure that the captives are functioning well and doing what they need to do."

He says that the "gold standard" of regulation has helped Vermont to become and remain a leader in the industry.

"For the most part the state has been a leader. That leadership has come not only from the industry but also from the regulators."

An example of this leadership is the introduction of the affiliated reinsurance company (arc) legislation in May 2018.

In response to the introduction of the Base Erosion Anti-Abuse Tax (BEAT), new legislation was passed in Vermont, which provided companies affected by the imposition of BEAT on reinsurance ceded to offshore affiliates with an onshore alternative.

Vermont is already reaping the rewards of the legislation, as one arc has now been formed in the state and Smith is clear that the leadership of the regulators was key to its implementation.

He says: "Although it was sparked by a question from a VCIA member, it was really David Provost, Vermont DFR deputy commissioner of captive insurance, and his team that pushed through the wording and how it was going to be structured. That is the kind of leadership that's here and that is the sort of response that you're not going to see in other domiciles."

Vermont are already looking ahead to the next legislative session, and according to Smith, the domicile is targeting potential changes to "help streamline and better regulate legacy portfolios".

He says: "We are seeing a growing interest in legacy, which is only natural. Captives have a cycle and if you're able to show an organisation that there is a streamlined and orderly process to unwind a captive I think that is very helpful."

A Brady and Belichick bond

While the expertise and flexibility of Provost and his team are major factors, the close relationship between them and the industry is potentially more vital. Just as the relationship between coach Bill Belichick and quarterback Tom Brady has been key to the Patriots' success, the strength of the working and personal relationships between the industry and the regulators in Vermont has cemented their place as a leading domicile.

Smith explains: "The key is not only that there is an understanding and an expertise, but the relationship between the regulators and captives is different."

Towle adds: "The ability to interact and liaise so directly with Provost, Sandy Bigglestone, Christine Brown, and Dan Petterson—their four key people who are very visible in the industry—is extremely useful. They're very friendly and willing to take the time to share their expertise."

6 new healthcare captives in 2018, including:

American Academic Health System, Vertex Pharmaceuticals, Non-Acuity Physicians & Physician Groups, Long-Term Care Facilities, The Crestwood Group and CARE Professional Liability Association

100 ACTIVE HEALTHCARE CAPTIVES

According to Davis, the state "has long been known for having some of the most approachable, knowledgeable and experienced regulators in the industry".

He continues: "I am proud to call them my colleagues and friends, as I know many in the industry are as well."

Obstacles

Vermont's position at the pinnacle of the captive industry does not mean it is free challenges.

Unfortunately for the industry there is no captive insurance draft, and attracting the next generation of talent remains a pressing concern, despite the work that is done to involve students at the VCIA conference.

Tax concerns and potential attacks, both from the Internal Revenue Service and from states without captive legislation (Washington and Maryland, for example), are also obstacles, as is the increasing number of captive domiciles and, particularly, the increasingly congested US captive market–with more than 35 states having developed legislation.

Smith believes what Vermont and the industry has to fear most is "a death by a thousand cuts", but says the VCIA is working with other influential players in the captive industry, including the Captive Insurance Companies Association, to counteract this.

Davis believes one way the industry can avoid these obstacles is by doing a better job of framing what it does and how captives "help organisations of all sizes and from all industries achieve their risk management and risk financing objectives".

He explains: "The negative news coverage that has proliferated in the industry over the last few years serves to undermine that reality. Captives have a compelling story to tell, and, in my opinion, if we can get back to doing it effectively, we will be better positioned to address these dynamic challenges."

Looking downfield

Despite being the current Superbowl champions, the New England Patriots future remains hazy due to the fact that the 41-year-old Brady is not getting any younger. The same cannot be said for Vermont, and the domicile's position at the pinnacle of the industry seems secure moving forward.

Towle says this is a fact that she remains "bullish" over. She explains: "I am positive. I think Vermont will continue to grow and think that the captives that are currently licensed here will continue to expand because, as we always say in the captive industry: if you do captives properly and for the right reasons, people will continue to utilise it as a very successful tool".

Smith says Vermont's 'pipeline' of future business looks healthy and unless something changes in the traditional insurance marketplace, that the domicile will see "steady growth but no spike one way or the other".

Davis also expects the "steady growth" seen in 2018 to continue, however, he emphasises that net captive growth is not necessarily indicative of the overall health of the industry.

"Captives continue to play an important role in the broader insurance marketplace," Davis comments.

"As more organisations look to captives to manage new, complex and emerging risks, Vermont will be there to help support those efforts."

Whether the Patriots continue to dominate is undoubtedly worth questioning, but one thing seems for sure: there will be at least one dynasty in New England for the foreseeable future. ■

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Not buying what risk-pooled 831(b)s are selling

Jay Adkisson, partner at Riser Adkisson, reflects on the recent Syzygy US Tax Court case and explains why risk-pool 831(b)s could be in trouble in future cases

(Photograph: Jay Adkisson)

In Syzygy Insurance Company v Commissioner of Internal Revenue, US Tax Court Memo 2019-34, released 10 April, judge Robert Ruwe hands us the third of a trifecta of decisions by that court on risk-pooled 831(b) captive insurance companies, following the two well-known previous debacles in the Avrahami and Reserve Mechanical cases.

The Syzygy decision is mostly limited to risk-pooled 831(b) captive insurance companies, although in this decision the court seems to purposefully avoid discussing whether the quota-share arrangement found between the captive, Syzygy, and its two fronting companies, for 2008 to 2010 being US Risk Associates Insurance, and for 2010 and 2011 being Newport Re, would pass muster when analysed from a risk-distribution viewpoint–judge Ruwe simply does not go there.

Frankly, judge Ruwe didn't need to wade into the risk-distribution swamp because the facts surrounding the operations of Syzygy were so bad that any hopes that the captive arrangement might pass were utterly forlorn.

As with the two previous 831(b) risk-pooled captive opinions, Avrahami and Reserve Mechanical, the evidence here lead to the inescapable impression that Syzygy's underwriter, Greg Taylor of Alta Holdings, was simply pulling numbers from sky.

The premium numbers were round, they bore no apparent relationship to commercial premiums and there was not any evidence to support how the premium amounts were arrived at.

To the contrary, Taylor as much as admitted this, writing in an email that the underlying operating business, Highland Tank, could pay from $500,000 to $800,000 in annual premium as a "will [sic] ass guess" (presumably a 'wild ass guess').

But not just were the premium numbers apparently selected at random, but the Syzygy insurance policies suffered from sophomoric defects, such as an excess policy for an underlying policy that didn't exist and an apparently chronic inability of Alta to crank out the policies before the insurance policy term had expired.

Jacob's mistakes

These defects in the Syzygy arrangement were bad, but perhaps not fatal. What was fatal was the testimony of one of Highland Tank's co-owners, John Jacob, whose testimony demonstrated a particular penchant for shooting himself in the foot and then reloading.

Jacob's first fatal blow to his own captive comes about because he never bothered to have Highland Tank make over $100,000 in claims to Syzygy.

When asked about this, Jacobs responded that he was simply too busy to bother with making those claims. It didn't take much for judge Ruwe to implicitly ask something like: 'Uh, isn't this the reason that you formed Syzygy for in the first place?'

Jacob's second fatal blow was a direct result of the first. As Highland Tank wasn't making claims against Syzygy, the underwriting projections of Alta Holdings appeared badly off, and so Alta Holdings advised Syzygy that it needed to decrease its premiums to reflect the absence of claims. Jacobs responded to this not by decreasing Highland Tank's premiums paid to Syzygy, but instead by firing Alta Holdings and presumably finding a captive manager with less scruples who would take Syzygy on as a client. Here, Jacobs testified to the effect that it didn't make any sense to reduce premiums because of the overhead of the captive, for example, Highland Tank's tax shelter wouldn't be as efficient as Jacob wanted it to be with lower premium numbers.

Takeaways

What guidance do we get from the Syzygy decision? Arguably, the most important takeaway is not something that judge Ruwe expressly states, so much as the relatively short length of the opinion and its often abrupt reasoning and occasionally dismissive language. The message that comes through is that the US Tax Court simply is not buying what the risk-pooled 831(b) taxpayers are trying to sell it. Both Avrahami and Reserve Mechanical were reflective of the complicated legal issues facing those courts, but Syzygy has relatively little such analysis but a healthy does between-the-lines of "it's just like Avrahami and Reserve Mechanical so the taxpayer loses here as well".

In other words, if a risk-pooled 831(b) captive case fits the general mould of Avrahami and Reserve Mechanical, the US Tax Court is not going to waste much time with it going forward. With a reported 600 plus similar cases docketed before it, that court is not going to spent much time in case-specific analysis but will instead run subsequent cases through the same filter. That is very bad news for the captive cases coming later.

Another takeaway from Syzygy is that anything less than true arm's length negotiations to arrive at coverage and premium pricing will not pass muster. This means that somebody from the side of the operating business must demand the most coverage at the lowest price, and somebody from the captive side must demand the least coverage at the highest price, and somewhere in the middle there is an agreement on coverage and premiums. In the absence of such give-and-take, there is no arm's length transaction and thus no true captive arrangement for tax law purposes.

Which is to say that the modus operandi of the vast majority of small captives is that the captive manager does everything in terms of deciding coverages and determining premiums, and then usually passes that under their client's nose for approval (almost always with few or no changes).

The Syzygy decision tells us in no uncertain terms that method simply does not work, and indeed nothing like that has much of a chance of rising to the dignity of an arm's length transaction. That particular practice has to end, at least for captives attempting to qualify as such for US tax law purposes.

The final major takeaway is that the methodology of premium pricing has to be heavily documented for each and every policy issued. In the absence of such documentation, the US Tax Court will be unlikely to find that the premium amounts are defensible.

Simply putting forth a bunch of unsubstantiated round numbers does not cut it, and makes the arrangement look like the premiums were derived from little more than how much the captive owner wanted to deduct in taxes. Notably, this is something that is true of all captives, small and large, and not just those of the risk-pooled 831(b) variety.

The bottom line for all these issues is that captives must be run like non-captive insurance companies for all purposes, and there are no special exceptions available under US tax law which create any special immunity from this tax law requirement.

But to run a captive like a non-captive insurance company would likely mean greatly reduced premiums, and a lot of work for those involved, which is anathema to those simply seeking a tax shelter with the largest possible premiums and the little possible effort to obtain the tax benefits.

But that is exactly why the tax shelter captives are now blowing up with such consistency: Tax shelter captives and real captives are simply incompatible concepts. ■

Tax Court takeaways

Following another IRS victory against micro captives in the US Tax Court, Ned Holmes speaks with Alan Fine, partner in charge of insurance advisory services at Brown Smith Wallace, to break down the Syzygy Insurance case

(Shutterstock, Inc: By Mega Pixel)

In April, the Internal Revenue Service (IRS) claimed another victory against micro captives in the US Tax Court, as judge Robert Ruwe ruled in its favour in the Syzygy Insurance v Commissioner of Internal Revenue case.

Syzygy is a micro captive insurer of Highland Tank and Manufacturing Company, which was licensed in Delaware in 2008, and established by John Jacob, Highland Tank chairman of the board, secretary, treasurer, and vice president, and Michael VanLenten, Highland Tank president.

Judge Ruwe ruled that the captive's front carriers–US Risk Associates Insurance between 2008 and 2010, and Newport Re between 2010 and 2011–were not bona fide insurance companies and therefore did not distribute risk or accomplish significant risk for federal income tax purposes.

Judge Ruwe found that the arrangement between Syzygy, its parent company Highland Tank and Manufacturing Company, and its fronting carriers, were not insurance transactions, meaning that Syzygy's section 831(b) election is invalid and it must recognise the premiums it received as income.

We spoke to Alan Fine, partner in charge–insurance advisory services, Brown Smith Wallace, to get his opinion on the case verdict, his takeaways and concerns, and what he feels the decision means for the captive industry.

> You have to respect the nature of the captive as a regulated insurance company and treat it no differently than you would a commercial insurance coverage

What are you thoughts on the verdict in the case?

There are some facts in there that just were not supportive of the taxpayers' case. The first, and one of the most obvious, was the fact that they ostensibly went into the captive programme for deductible reimbursement but the person in charge of the insurance failed to submit over $100,000 in eligible claims for reimbursement because of time management issues. Certainly, that starts taking on the appearance that this is not really an insurance arrangement.

Additionally, the fact that the taxpayer moved captive managers because they were dissatisfied that their premium levels dropped year-over-year does not resemble what it would look like with commercial insurance. Nobody is likely to willingly overpay their insurance premiums, unless there is a corresponding tax benefit. So, that was clearly another bad fact.

Some of the policy language was also problematic. First of all, there was no pro rata refund for premiums if they cancel early, which is a relatively standard commercial term. You may have a minimum premium that they will retain but generally after that point they will refund pro rata above that.

These were claims made policies, which in of itself is not a problem at all, but the fact that they only had 30 days from the covered item or seven days from the end of the policy year with which to make a claim. Again, those are not terms you tend to see in a reasonable commercial policy.

All of these things start taking on the appearance that the arrangement was not really about insurance. It has been stated repeatedly that there needs to a primary business, non-tax purpose for the captive. The court didn't mention that specifically but it starts to appear that the arrangement is looking much more like a tax play than an insurance transaction.

The key takeaway is—and not that this is new necessarily, but it is reemphasised in this case—that there needs to be documentation as evidence for what business purpose the captive is fulfilling and it needs to be realistic. You have to respect the nature of the captive as a regulated insurance company. You have to treat it no differently than you would a commercial insurance coverage. In a commercial insurance setting, it would be fairly unlikely to fail to submit a claim where coverage is being paid for. Similarly, in the captive situation, failing to submit claims tends not to make sense, which makes it look like it is something other than an insurance arrangement.

Would you say that you agree with the decision?

Based on the way it is presented in the opinion, my inclination is that the decision was correct. I will say that I haven't read any of the transcripts or listened to any of the testimony, I am taking what is in the opinion at face value but based upon that most of it seems to be the correct decision.

The one issue that I have a problem with is that they denied the deductions to the insured, saying that this was not an insurance arrangement but they still made the captive pick up income, which in my opinion means the taxpayer is getting whipsawed. That part of the opinion I do take exception with. The court said they could not find a rationale to recharacterise it as, for example, a loan or deposit type accounting. Without getting into the specifics, certainly from an accounting standpoint, when an arrangement that purports to be insurance fails to qualify as such

Alan Fine
Partner in charge, insurance advisory services
Brown Smith Wallace

because there is not appropriate risk transfer it reverts to deposit accounting and there is case law which reaches the same result.

It would seem to be that the same application would take place in this situation because again there is no deduction but they're being taxed on the income, that seems to be inherently unfair.

Other commenters have suggested that the case showed the IRS has multiple ways of establishing whether a captive is bona fide insurance, would you say that is one of the takeaways?

There is not a laundry list, so to speak, to start checking off and if you have seven out of ten you qualify as bona fide insurance. It is very much a facts and circumstances test. There are four prongs that you have to meet, but in determining whether the four prongs are met it is very much facts and circumstances.

You have to look at the totality of the situation. Syzygy, for example, doesn't quite read the same way as Reserve Mechanical but Syzygy does include several things that were damaging to their case.

These were not necessarily as egregious as what transpired in the Avrahami case, but, there were plenty of things, which when taken at face value make it seem more of an opportunity to save on income taxes than being about insurance.

One of the takeaways is that you have to look at the totality of the situation, you cannot look at things in isolation. That is certainly the approach the tax court is going to take within the four prong framework for determining whether the arrangement is insurance.

What does this mean for micro captives and the industry?

I think that this decision will force potential captive owners and service providers to do a better job of documenting what the true purpose of the captive is. If it is a tax play or dodge then I think this decision will have a chilling effect on those, appropriately.

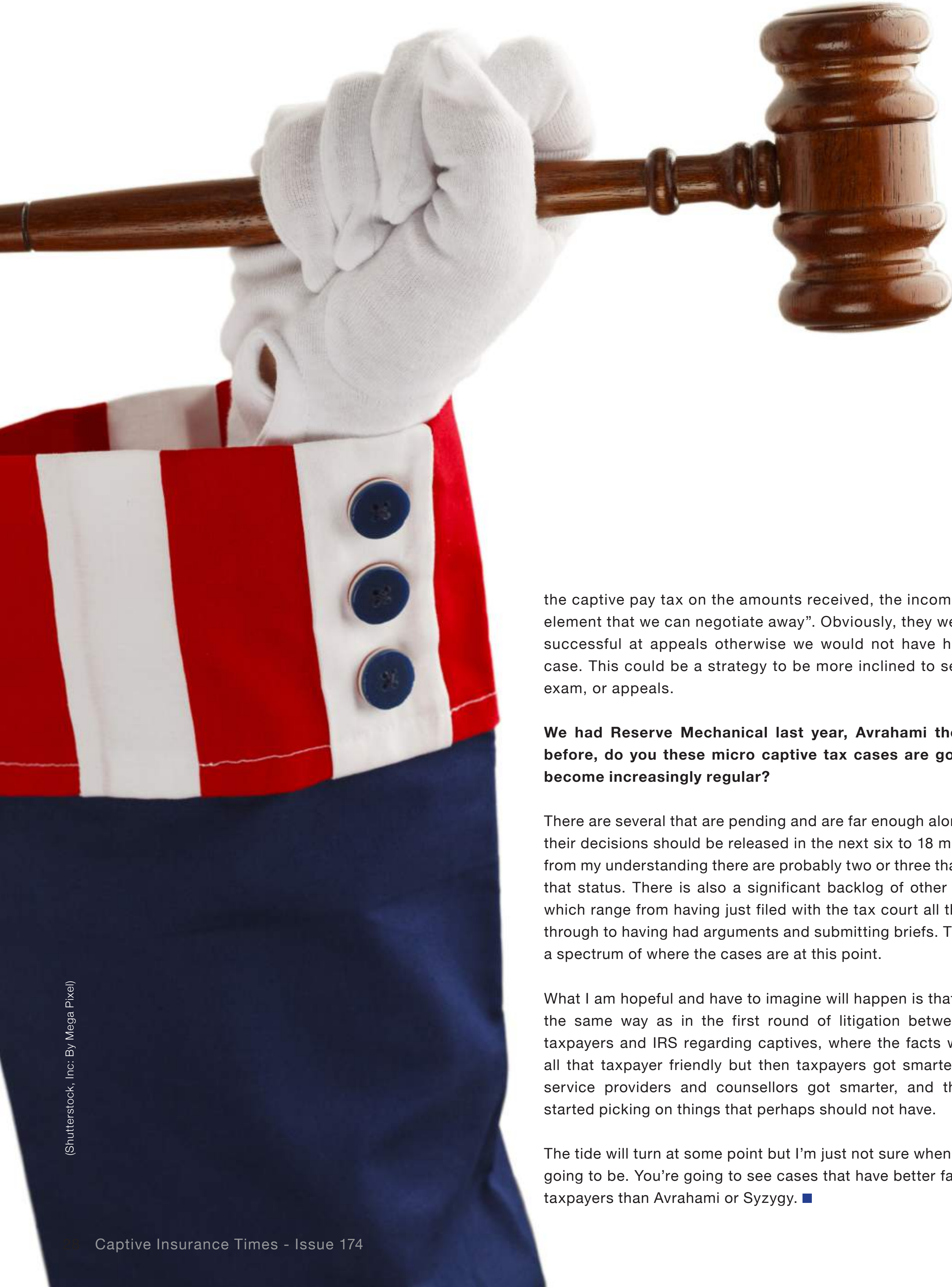
I mentioned that the one element of the case that I did not agree with was that the taxpayer got whipsawed. To me, that is troubling. I think that is grounds for the taxpayer to appeal because I do not think it is the right answer and I am hopeful that they will.

I do not think they would appeal successfully on whether or not it is a valid insurance arrangement but requiring the captive to pick up the amounts that it received into income when was not a corresponding tax deduction is just an inherently unfair result and I would like to see that aspect overturned.

I think captive owners will have to recognise that they have to treat a captive insurance arrangement substantially the same way they would commercial insurance coverages and I think that is something absolutely critical moving forward.

Were you concerned at the way the IRS approached the case?

The IRS's position to propose denying the reductions but make the captive pick up the amounts paid into income is, I believe, a tactic to get taxpayers to settle. That is one of the things that as you go into an appeals process they actually have been relatively amenable to saying: "Notwithstanding the fact that the deductions were denied at exam and the exam also suggests



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the captive pay tax on the amounts received, the income is an element that we can negotiate away”. Obviously, they were not successful at appeals otherwise we would not have had the case. This could be a strategy to be more inclined to settle in exam, or appeals.

We had Reserve Mechanical last year, Avrahami the year before, do you these micro captive tax cases are going to become increasingly regular?

There are several that are pending and are far enough along that their decisions should be released in the next six to 18 months–from my understanding there are probably two or three that have that status. There is also a significant backlog of other cases, which range from having just filed with the tax court all the way through to having had arguments and submitting briefs. There is a spectrum of where the cases are at this point.

What I am hopeful and have to imagine will happen is that much the same way as in the first round of litigation between the taxpayers and IRS regarding captives, where the facts weren’t all that taxpayer friendly but then taxpayers got smarter, their service providers and counsellors got smarter, and the IRS started picking on things that perhaps should not have.

The tide will turn at some point but I’m just not sure when that is going to be. You’re going to see cases that have better facts for taxpayers than Avrahami or Syzygy. ■

Peter Mullen

Peter Mullen has returned to Artex Risk Solutions as CEO after an eight year absence.

Mullen co-founded Artex alongside current chairman David McManus and North America president Jennifer Gallagher in 1997. He served as executive vice president of the company until he left for Aon in 2011. He spent eight years at Aon, as CEO of its captive and insurance management business, before, following a lunch meeting with McManus, taking the decision to return to Artex.

We spoke to Mullen after his homecoming to discuss why he has returned, how the company has changed and what we should expect Artex to look like under his leadership.

What was your motivation behind returning to Artex?

I had been with Aon for seven years, running their captive and insurance management business. I was getting to the point where I needed a new challenge and I had lunch with David McManus, the current chairman, who discussed his retirement with me and wondered if I would be interested in coming back.

I found the thought of returning intriguing, especially the opportunity to work with McManus and Jennifer Gallagher again, as it was the three of us who founded Artex originally. It took a couple of conversations but the opportunity to return to work with close friends and Artex's very impressive growth track record won me over fairly quickly.

One of the things I like about Artex is the commercial flexibility that it has in being able to do smaller merger and acquisition (M&A) deals.

Is returning something you always hoped would happen?

To be honest no. It is not something I had been thinking about until I had that lunch with McManus about 18 months ago.

What has changed in the eight years since you left Artex? Do you feel like you're coming back to a new company?

There's a lot the same but there's a lot that has changed. There were a number of acquisitions while I was away—the two principal ones were the Kane and the Heritage acquisitions—and much of what is now called Artex International, which is run by Nick Heys, didn't really exist before I left, so, it is much more international at this point.

The last few years have also involved a lot of integration of those acquisitions. What is terrific is that during that whole process

(Photograph: Peter Mullen/Artex Risk Solutions)

Artex has been able to maintain a really strong organic growth rate, which is a testament to the new business engine within the company.

How has the start of your second term at Artex been?

I've spent it on the road. I did two days in the office getting set up and then I have spent the rest of the time on the road. I've been in Chicago, Bermuda, the Cayman Islands, Scottsdale, Guernsey and London, so it's been busy just getting out there, visiting teams, and trying to understand the business segments that they operate in now.

I have found groups of very engaged people and some really top notch leaders in the business, all with a singular focus on delivering client service. That sounds like a commercial, but it is really true.

(photograph by Blaire Simmons/Royal Gazette)

(L) David McManus (R) Peter Mullen

McManus said he was excited about the fresh perspective and energy you were going to bring to the role, how is Artex going to change under your leadership?

I don't know yet. I'm not sure any CEO can come in and, after four weeks, say this is how things are going to change, especially when you're coming in to run a company that has been really successful. It would be a peril to make changes for changes sake.

What I am doing is looking at the business by segment, rather than location. I am trying to fully understand the business segments that Artex operates in, the value proposition in each segment and our differentiators. I also want to understand how those business segments align with the operating platforms and talent agenda.

There will be, I think, a couple of decisions to make in terms of those segments as we go forward: firstly do we have a clear focus and clear leadership in all of the segments? And, secondly, how well are each of those segments aligned with the operational platform and the talent that we have? There could be minor tweaks to that alignment, once I've spent some time looking under the hood.

I will emerge from that in about four to six weeks and I think that I will be looking to make tweaks.

My initial instinct is that there are probably three areas that I am going to focus on. Firstly, organic growth, or as they say in McDonalds: "same store sales". I want to make sure our organic growth engine is running really well.

Secondly, we have a project that has been underway for about 12 months called Future Fit, which is where we are developing our systems and processes to fit the business of the future for Artex. I think that is going to be really important, especially from a systems perspective.

Finally, M&A. I am going to focus on buying captive managers, administrators in the insurance-linked securities space, specialty programme managers and MGA's and specialty reinsurance brokers. I will be looking at M&A targets that are strategically well aligned with Artex's current business model.

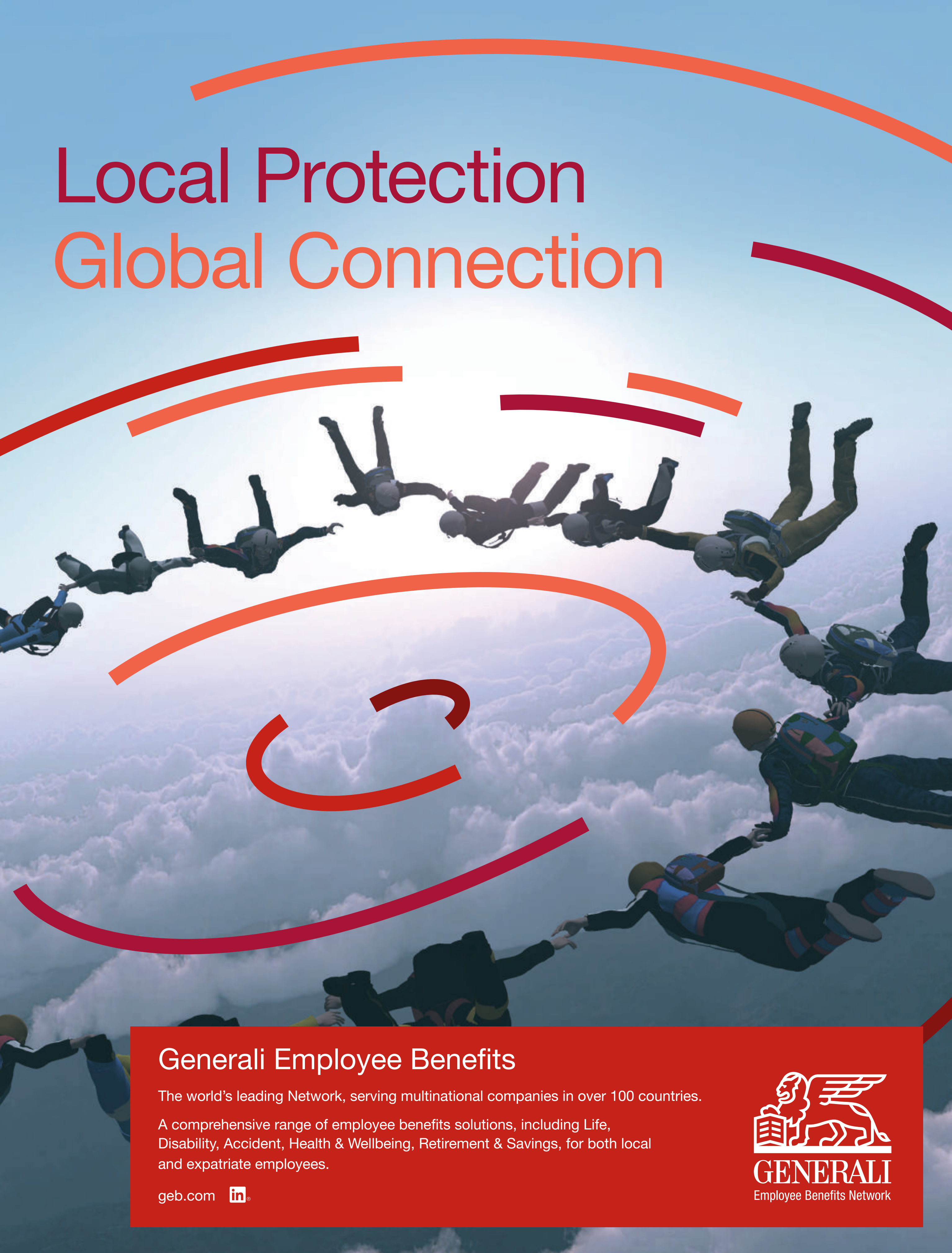
You mentioned making some little tweaks, should we expect any changes in personnel?

I would say no. A significant tweak might be changing out one of the leaders, but that is not going to happen. I have met and talked to all the leaders, and we have a terrific team in place.

When I say tweaks there might be some minor changes in reporting lines or organisational structure but it will be very minor.

What should we expect from Artex in the next 12 to 24 months?

As of right now, I want to maintain business as usual, which for Artex means we continue to grow at the same trajectory. Our combined annual growth rate for the last seven years is 17 percent and if I can continue along that growth rate I'd be very happy. ■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Philosophical matters

Comerica's Stephen Nedwicki explains why its important to have a disciplined approach to your investments

A well-defined investment philosophy may help your captive navigate the unpredictable ups and downs of the financial markets. History shows that it is difficult to predict when interest rates will change and when markets will rise or fall, making it crucial to maintain a disciplined approach to your investments.

Fixed income investments and interest rates

For seven years (from December 2008 to December 2015), the carnage from the financial crisis of 2008 and the Great Recession caused the federal funds rate to remain in a historically low trading range of 0 percent to 0.25 percent.

The Federal Reserve Bank began signaling that it would raise the discount rate as early as 2012. This signaling caused many investors to shun bonds, only to miss out on strong bond performance through the second quarter of 2016.

Bonds did, however, lose value during the second half of 2016 as interest rates eventually rose. Bond prices recovered in early 2017 as interest rates declined once again.

With justification in hand (for example, falling unemployment rate and gradually rising inflation), the Fed implemented an interest rate increase in December 2015. Since then, the Fed has followed-up with eight additional rate increases.

However, Fed Chairman Powell delivered an about face at the January meeting by saying the Fed was on hold (the consensus view has shifted towards the possibility of easing by year end).

The Fed is now focused on the growing risks of a domestic economic slowdown due to slowing growth in Europe and China, along with policy related headwinds from trade disputes, Brexit and the potential for future U.S. Government shutdowns. The fed funds range currently stands at 2.25 percent to 2.50 percent. In comparison, the funds rate was at 5.50 percent prior to the start of the financial crisis & the Great Recession.

Bond markets did well during Q1 of 2019. This was in large part due to the deceleration in real estate that helped offset the inflationary push of higher energy costs during the quarter, and thus serving to keep current and future inflation expectations in check. Tame inflation, coupled with a moderating monetary policy stance from the Fed, served to send interest rates on US Treasury debt down. Bonds also enjoyed considerable demand from investors who had liquidated stock holdings during the last four months of 2018.

The recovery of the major stock indices in the first quarter masked the fact that there was a substantial change in asset allocation following the 2018 decline-one favoring bonds over stocks. It was this demand that not only drove rates down, but served to, yet again, compress yields across the various types of credit instruments.

Corporate and municipal bonds performed well during the quarter as beneficiaries of the declining rate environment and a dearth of new issuance. Scarcity drove demand with investors' need for yield, serving to reverse the 2018 trend of widening credit spreads.

Whether the Federal Reserve raises, decreases, or leaves unchanged the fed funds rate, your investment manager should continue to manage your portfolio based on the stated investment policy and avoid interest rate or duration bets. A conservative captive Insurance fixed income portfolio may hold investment grade corporate bonds, US Treasury and agency bonds and municipal bonds. Maturities are typically matched with the anticipated payout of claims to avoid having to sell a bond before its maturity date and possibly incur a realised loss if interest rates rise.

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

Equities and economic expansions

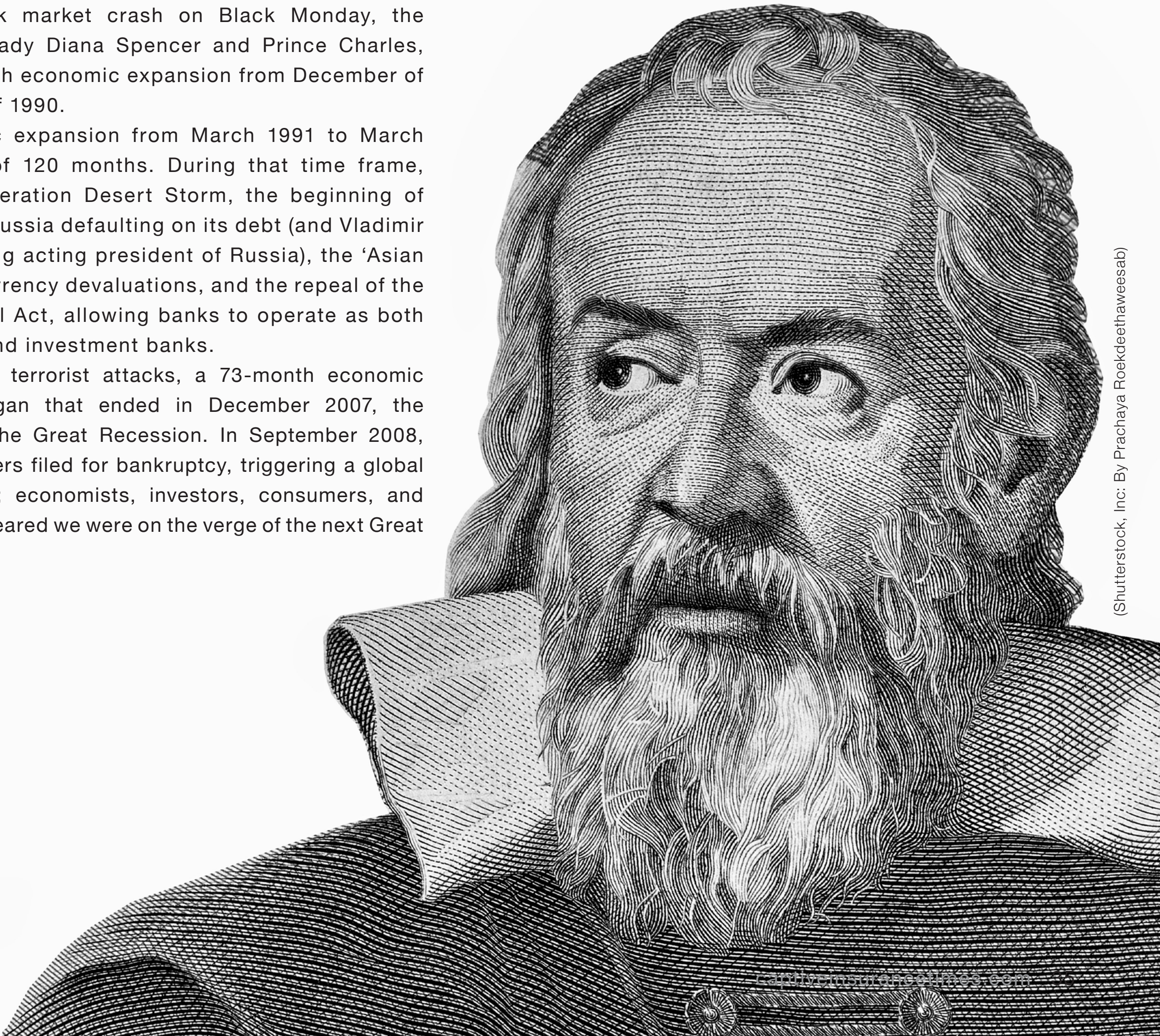
If your captive is mature, with a surplus to invest, your investment manager may be able to add stocks to the investment mix. There is additional risk with equities, however, stocks provide diversification and opportunity for growth because equities have historically out-performed bonds over the long-term.

Since the end of World War Two, despite the current events of the day, the ever-changing economic and political landscape, and various market corrections, the US economy has managed to overcome it all and the equity markets have moved higher time and again. Here are some examples:

- The turbulent 1960s saw the third largest economic expansion in history over 106 months from February 1961 to December 1969.
- In the 1970s, the Vietnam War ended, and the USlived through Watergate, the OPEC oil embargo, the death of Elvis, and two economic expansions spanning 36 months (November 1970 to November 1973); and 58 months (March of 1975 to January of 1980).
- In the 1980s, the US experienced double-digit inflation, the failure of Continental Illinois National Bank and Trust, a stock market crash on Black Monday, the marriage of Lady Diana Spencer and Prince Charles, and a 92-month economic expansion from December of 1982 to July of 1990.
- The economic expansion from March 1991 to March 2001 lasted of 120 months. During that time frame, there was Operation Desert Storm, the beginning of the internet, Russia defaulting on its debt (and Vladimir Putin becoming acting president of Russia), the 'Asian contagion' currency devaluations, and the repeal of the Glass-Steagall Act, allowing banks to operate as both commercial and investment banks.
- After the 9/11 terrorist attacks, a 73-month economic expansion began that ended in December 2007, the beginning of the Great Recession. In September 2008, Lehman Brothers filed for bankruptcy, triggering a global banking crisis; economists, investors, consumers, and politicians all feared we were on the verge of the next Great Depression. The Dow Jones Industrial Average dropped to its modern low of 6,469 on 6 March 2009 (54 percent from its peak of 14,164 on 9 October 2007).
- The current economic expansion will become the longest in history in June of this year, surpassing the March 1991 to March 2001 expansion. Thanks to a stable domestic economy, US equity prices recovered the bulk of their losses from the closing months of 2018, advancing 17 percent from the start of the year to the 21 March peak. This was not unlike the episode from 1987, where equity prices plunged due to badly-distorted valuations, only to recover thanks to a strong economic backdrop.

Portfolio management

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



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Three basic principles should be the foundation of any investment management philosophy. The investment professional hired to manage your captive insurance company portfolio should:

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

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

Goal oriented

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

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

Disciplined, consistent, repeatable

Discipline, consistency, and a repeatable process are keys to investing. These are core elements to ensure that the impacts of emotion and reaction are removed from the investment process. Your investment manager should incur only as much risk as is necessary to achieve your objectives.

During negative market cycles, your investment manager should maintain a disciplined and consistent approach to avoid the temptation of timing when to enter or exit individual investments, asset classes or markets.

When your investment manager is working in your best interest to achieve your goals, and has a disciplined investment philosophy, your portfolio will be able to navigate the inevitable swings of the financial markets. ■

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Don't miss your copy of
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Blockchain Expo Europe Amsterdam	Insurance Innovators Summit London	ICRMC Bermuda
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Industry appointments

Pinnacle Actuarial Resources has added Greg Frankowiak as a senior consulting actuary in the firm's Bloomington, Illinois, office

Frankowiak joins Pinnacle from State Farm, where he spent more than 20 years, most recently holding the position of director.

He brings over 20 years of property and casualty actuarial experience, including expertise in predictive analytics for both pricing and underwriting, product management and strategy development, underwriting/operations, regulatory and filing support, and business intelligence.

Roosevelt Mosley, principal and consulting actuary at Pinnacle, commented: "As a leader in predictive analytic applications, Pinnacle is excited to add Greg Frankowiak to the team."

"Frankowiak's experience in using predictive analytics to improve business processes will be of significant value as we craft unique solutions for our clients."

Atlas Insurance Management has appointed Spencer Caldwell as a new account manager in its Charlotte, North Carolina, office

Caldwell joins from the North Carolina Department of Insurance (NCDOI), where he spent almost two years as a financial analyst.

He joined NCDOI after graduating from the University of South Carolina in July 2017 and became a certified public accountant in November 2018.

Prior to joining the Department, Caldwell spent four months as an accounting and audit intern at accounting firm Carter, PD in 2016.

In a statement on LinkedIn, Atlas commented: "The Atlas team would like to issue a warm welcome to our new account manager, Spencer Caldwell, in joining our Charlotte office."


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Independent actuarial consulting firm Huggins Actuarial Services has added James McNichols as a consulting actuary

McNichols has more than 30 years of experience in property and casualty actuarial services and enterprise risk management.

His specialist areas include structured captive reinsurance solutions, risk capital modeling, financial market risks, and credit and mortgage risks.

At Huggins, McNichols will assist the company to offer a wide range of actuarial and strategic consulting services to a diverse clientele, including insurers, reinsurers, self-insurers, captives and risk retention groups, investment bankers, accountants, lawyers, and risk managers.

Prior to joining Huggins, McNichols served as the chief actuary for multiple international reinsurers including, XL Capital in Bermuda, Greenlight Re in the Cayman Islands and Southport Re in New York.

US law firm Bradley Arant Boult Cummings has added Davis Smith as a partner in the corporate securities and tax practice groups of the firm's Montgomery, Alabama, office

Smith currently serves on the board of directors of the Alabama Captive Association and was a co-author of the 2016 update to the Alabama Captive Insurers Act.He advises captives insurance companies, risk retention groups, and self-insured funds on transactional, regulatory and tax matters.

Additionally, Smith counsels clients on tax and business strategies in a variety of industries, including participants in regulated industries, including insurance companies and investment advisors, and the professional services industry.

Smith's previous role was as a shareholder at Gilpin Givhan, where he spent more than 18 years.

Robert Poundstone, managing partner of Bradley's Montgomery office, commented: "We are thrilled to have Davis Smith join Bradley as a highly regarded practitioner in tax and business strategies."

"He brings nearly two decades of experience, including a particular focus and a track record of success in the captive insurance industry."

Aon has named Jay Demeusy as the new US vice chairman of its Reinsurance Solutions business

Demeusy, who has spent more than 25 years with Aon, will continue to chair the newly formed Global Construction and Inland Marine Practice Group and lead Reinsurance Solutions' US retrocessional solutions team.

Additionally, he is a member of the Reinsurance Solutions US leadership team, focusing on core client strategies.Demeusy will continue to report to George deMenocal, president and CEO of Aon's US Reinsurance Solutions business.

deMenocal commented: "During his long tenure at Aon, Jay Demeusy has performed a wide variety of roles and has demonstrated his leadership and expertise in several core areas of our US Reinsurance Solutions business."

"I know that Demeusy will bring the same commitment and dedication to his new role."