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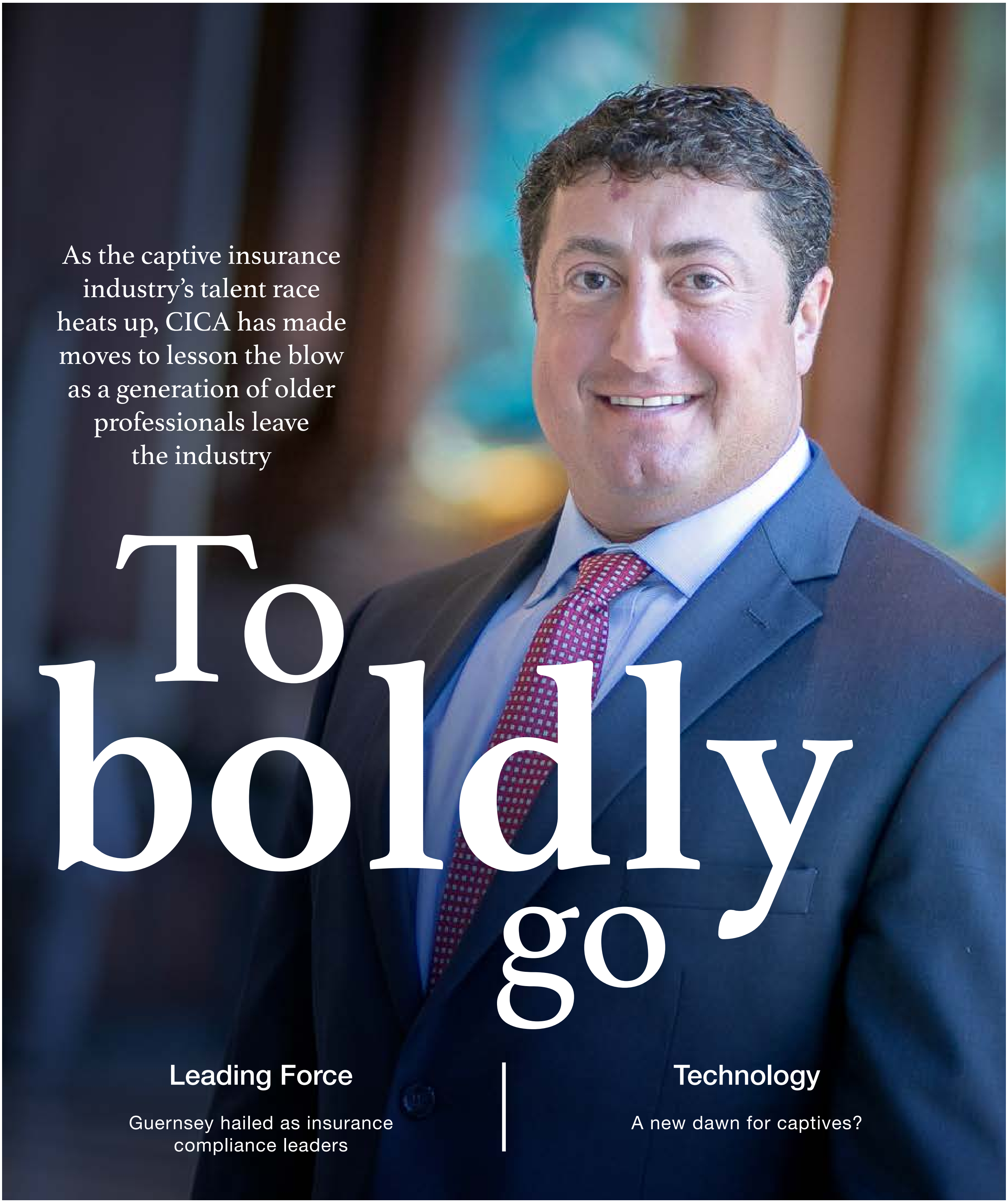
10 July 2019 - Issue177



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To boldly go

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Technology

A new dawn for captives?

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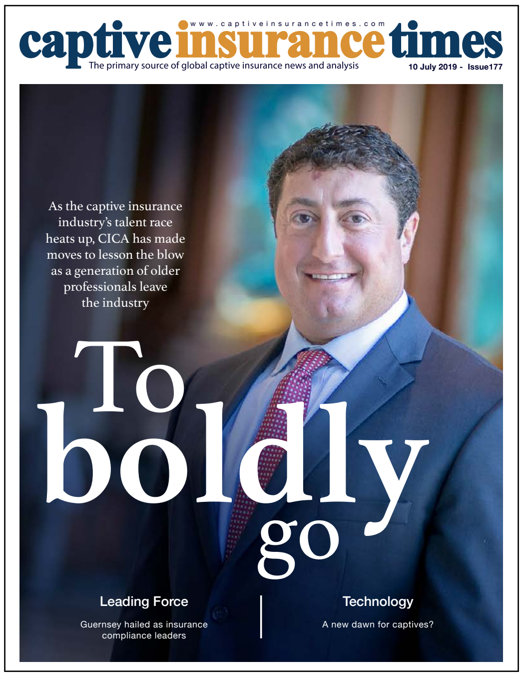

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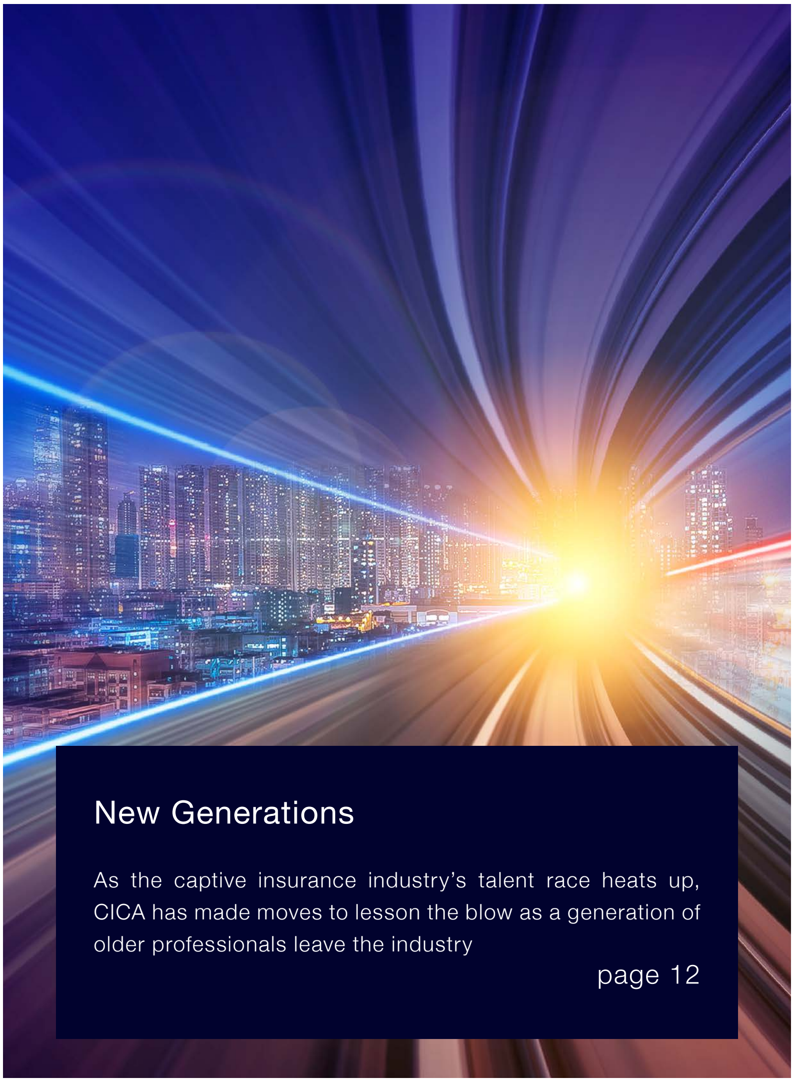

Tokio Marine Kiln Insurance portfolios to be placed into run-off

Tokio Marine Kiln (TMK)'s UK insurance company, Tokio Marine Kiln Insurance, will be placed into run-off, alongside portfolios of UK property, liability, marine and engineering risks it is currently underwriting.

TMK Insurance will stop accepting business from 1 July 2019. Japanese accounts will be unaffected until 1 January 2020, after which it will be underwritten by TMK's sister company Tokio Marine HCC.

The company will ensure a neat run-off and that all policies and valid claims will be serviced accordingly.

Charles Franks, CEO of TMK, said: "This reorganisation enables TMK to play to its strengths, ensuring increased focus and investment on our Lloyd's business which has been operating since 1962."

He added: "We will continue to pursue our strategy to grow our specialist classes profitably and efficiently, with the financial and global strength of Tokio Marine."

"We are committed to supporting our customers, brokers and employees through this change."

Tokio Marine HCC will continue to use and enhance its specialty business through Tokio MHCC Insurance, Tokio Marine Europe and Lloyd's Syndicate 4141.

Its lines of business are unaffected by this reorganisation.

The decision is part of Tokio Marine Group's strategy to develop and enhance its profitably and efficiently in specialist businesses in the UK and Europe. ■

"We will continue to pursue our strategy to grow our specialist classes profitably and efficiently, with the financial and global strength of Tokio Marine."

Charles Franks,
CEO of TMK

SOBC DARAG secures Innovative Physicians Solutions RRG acquisition

SOBC DARAG has acquired Innovative Physicians Solutions (IPS) Risk Retention Group (RRG), following approval from the Vermont Department of Financial Regulation.

Mark Tabler, current COO of IPS, will move to SOBC DARAG after the sale in order to help with the development.

Stephanie Mocatta, CEO of SOBC DARAG, said: "This is our second acquisition in Vermont of an RRG in recent months and our fourth overall."

"This is our second acquisition in Vermont of an RRG in recent months and our fourth overall"

She explained: "We continue to provide market-leading solutions for true finality for members of RRGs and are pleased to be building upon previously completed transactions, including the acquisition of American Safety."

Mark Tabler, COO of IPS, said: "The RRG has served its member insureds in a serviceable, respectful and responsible manner over the past 15 years."

He stated: "It was my pleasure to serve as the COO of the RRG. I have full faith and confidence in SOBC DARAG to run out the company in a manner that will be fitting and serviceable to all the members." ■

R&Q agrees Sandell Holdings purchase

Randall & Quilter Investment Holdings (R&Q) has agreed to purchase the entire issued share capital of Sandell Holdings and its subsidiary, Sandell Re.

Ken Randall, executive chairman of R&Q, said the company was delighted to have agreed terms to acquire SHL.

He added: "This is another sizeable acquisition for R&Q following on from our recent completion of the Global Re deal. R&Q takes pride in providing finality for owners and we expect to announce a number of additional acquisitions during the rest of this year."

R&Q acquired Global US Holdings in 2018.

The residual liabilities comprise primarily of contractor's liability exposures are rising in the US. Sandell has recorded net technical reserves of $48.3 million as at 31 December 2018.

The cash consideration payable at closing by R&Q is $25 million with further amounts payable subject to certain conditions being met.

This represents a discount to the company's net assets which, at 31 December 2018, were $40.8 million. In the year to 31 December, 2018 SHL recorded a loss of $2.7 million.

R&Q has also agreed to terminate the joint venture with Phoenix Asset Management Partners, which was announced on 25 November 2014, in order to acquire (re)insurance debt insolvent estates. ■

"R&Q takes pride in providing finality for owners and we expect to announce a number of additional acquisitions during the rest of this year"

IASB releases IFRS amendments

The International Accounting Standards Board (IASB) has tentatively proposed amendments to its International Financial Reporting Standards (IFRS) in an Exposure Draft (ED).

In its discussions regarding primary financial statements, IASB stipulated that an organisation must be required to disclose how it calculated the income tax effect of management performance measure adjustments.

In addition, IASB decided to update the model's scope to be applicable to defined rate regulation, as well as to update the definitions of regulatory assets (the ability to add an amount to the charged rate) and regulatory liabilities (obligations to deduct an amount from the charged rate).

In discussions around a proposed updated analysis of the model's measurements, the board tentatively decided that an entity must implement the cash-flow-based measurement practice for all regulatory assets and regulatory liabilities, unless they relate to expenses or income.

It was agreed that the model would take an "indicator-based approach" when assessing regulatory interest and return rates as adequate for compensation.

Furthermore, IASB proposed deferral of IFRS 17 implementation by one year, to 1 January 2022.

Kamran Foroughi, senior director at Willis Towers Watson, commented: "We are helping clients across the globe with IFRS 17 implementation."

"In our experience, insurers are focusing on solving operational and technology implementation challenges, which are largely unaffected by the ED."

He added: "As well as considering the ED proposals, we believe firms should continue with implementation projects to address these challenges." ■

Toyota's 'A' rating affirmed

Toyota Motor Insurance Company (TMIC) has had its "A" ratings for both financial strength and long-term issuer credit affirmed by A.M. Best.

Furthermore, TMIC received a status of "stable", particularly in its balance sheets, which were reported to be at the strongest level of A.M. Best's Capital Adequacy Ratio, owing to TMIC's implementation of risk-adjusted capitalisation, low underwriting leverage and growth in policyholders' surplus.

Other assessed areas include operating performance, business profile and enterprise risk management (ERM).

TMIC's operating performance was categorised as "adequate", predominantly a result of decreasing profitability from losses in its guaranteed auto protection business.

A.M. Best assessed TMIC's ERM as "appropriate", as a subsidiary and captive of Toyota Motor Insurance Services that has adopted the same "robust and formal corporate management practices".

Overall, A.M. Best's rating with a "stable outlook" expects that TMIC will uphold its strengths and continue to build on its operating performance and business profile. ■

Guernsey hailed as insurance compliance leaders

The Guernsey insurance industry has a "high level of observance" of international practices and standards, as according to the International Association of Insurance Supervisors (IAIS).

In its recently published report, IAIS emphasised Guernsey's compliance with the Insurance Core Principles (ICPs), which has seen an increase in regulated and supervised investment.

The domicile as a whole was recognised for its provision of reinsurance, insurance-linked securities and longevity risk transfers.

As a participant of IAIS, the Guernsey Financial Service Commission (GFSC) in particular was commended for its continued management, organisation, efficiency and compliance.

Dominic Wheatley, CEO of Guernsey Finance, commented: "This report is a welcome endorsement of the strength of our important insurance industry and of a regulator who is seen as approachable, pragmatic and flexible."

Cees Schrauwers, GFSC chairman, added: "We are pleased to receive the report from IAIS. The assessment provides a high-quality update to the 2010 IMF assessment of our observance of international standards, and it gives international counterparties assurance they may place reasonable reliance on the Bailiwick's regulatory standards and those of the firms operating under them." ■

S&P confirms IGI's 'A-' rating

International General Insurance (IGI) has had its "A-" financial strength rating consolidated by Standard & Poor (S&P) Global Ratings.

In addition, IGI was awarded an "A-" rating for long term issuer credit and a status of "a stable outlook", unchanged from the previous year.

The reinsurer and underwriter company cited a "solid set" of results for 2018 in March, including an increase of 9.5 percent in gross written premium to $301.5 million compared to 2017.

Wasef Jabsheh, CEO and vice chairman at IGI, commented: "We are delighted to have our A-/stable rating confirmed. IGI works hard to maintain a truly global company, with strong results, excellent management and sensible underwriting, matched with increased adoption of technology and innovation." ■

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Lloyd's underwriters launch reinsurance product

A group of underwriters from Lloyd's have established a Product Innovation Facility to improve (re)insurance product development efficiency.

The new solution has a budget of £53 million and is led by senior underwriters from a range of organisations, including Hiscox, Chaucer and Liberty Speciality Markets.

The Facility, led by senior underwriters from Tokio Marine Kiln, Beazley, MS Amlin, Talbot, Liberty Specialty Markets, Hiscox, Ascot, Chubb, Chaucer, Brit, Antares and Apollo, will pilot new models of insurance for both complex and non-standard risk, such as intangible assets and supply chain risks.

This move to "insure the uninsurable" is linked to Lloyd's existing 'The Future' programme.

John Neal, CEO at Lloyd's, said: "Lloyd's has a deserved reputation as the home of insurance innovation and I am delighted to see this initiative taking shape, which harnesses Lloyd's unrivalled entrepreneurial spirit."

He continued: "The Product Innovation Facility aligns with our collective vision for the future of the world's (re)insurance market."

"By incubating new product ideas and helping them to scale up over time, Lloyd's will continue helping its customers to deal with rapidly evolving and emerging risks."

Trevor Maynard, head of innovation at Lloyd's, added: "The Product Innovation Facility formalises underwriting at the centre of the Lloyd's innovation ecosystem."

"Working closely with Lloyd's innovation team, the group has put forward this new concept of product development by agreeing to support one another's initiatives."

Bermuda Assembly passes ES exemption bill

The Bermuda House of Assembly has passed a bill proposing limited exemptions to economic substance (ES) requirements.

The bill, titled 'The Economic Substance Amendment Bill 2019', will be debated in the Senate, then, if passed, will come into effect by the end of June 2019.

It proposes an exemption from the Economic Substance Act of 2018 for entities registered in the domicile and involved in what the act describes as "relevant activities" from ES requirements, contingent on proof that they are a "non-resident entity".

A "non-resident entity" is defined by the government as a body with a residence outside of Bermuda for tax purposes, excluding the EU 'blacklist' of "non-cooperative jurisdictions".

The bill would require non-resident entities to submit evidence of their tax residence outside of Bermuda to the Registrar of Companies.

To boldly go forward: the next generation

As the captive insurance industry's talent race heats up, CICA has made moves to lesson the blow as a generation of older professionals leave the industry

At times, the hurdles of the captive insurance industry's talent diagnosis can cause an innate weariness for those in the industry.

It's a topic that is discussed at nearly every single captive insurance focused event, and recent statistics show that there are expected to be 400,000 job openings in the insurance industry by 2020. While captive insurance takes a smaller portion of that pie, it is still concerning for the industry that such a shortage exists, with a solution as yet to apparate.

However, the fallout of the captive insurance industry's 'talent crisis' (as it has been dubbed) is not a foregone conclusion and, in June, the Captive Insurance Companies Association (CICA) unveiled its young and new professionals task force—an attempt to encourage career development and networking opportunities for young people wishing to enter the captive industry.

The task force, 'NEXTGen—young & new professionals', will be comprised of captive owners, service providers and domicile members, who will meet for the first time over the summer.

As the first of its kind, the task force is one of CICA's great strides in its commitment to developing the next generation of captive professionals.

CICA president Daniel Towle says he expects the advice of the task force to help the association in providing education and networking, including social networking, that young and new professionals need to advance their careers.

Towle adds that social networking "plays an important role" for today's young insurance professionals. He explains that young professionals are using it as a tool to increase brand awareness, build relationships and more.

He states: "CICA has actively engaged young professionals in our social media initiatives and we expect the task force may recommend additional social media strategies to meet their needs."

> "CICA has actively engaged young professionals in our social media initiatives and we expect the task force may recommend additional social media strategies to meet their needs."

Daniel Towle
President, CICA

Considering a recent study from Gallup (among others), Towle notes that two of the top priorities for young professionals are professional development and coaching.

He remarks: "We do not want to lose young professionals to other industries because they are not being supported in their professional growth."

With new risks to address, new technologies to improve how we do our jobs, and new ways of growing and marketing our businesses, the shape of the insurance industry is changing. We all need to be looking at what's needed to support these changes and to retain captive industry professionals.

The task force will first meet this summer, with recommendations due to CICA in the autumn.

The importance of youth

Towle, who has been an authority on captive insurance since his appointment as director of financial services for the State of Vermont in 1999, was appointed president of CICA in 2017. Since then, he has been committed to furthering the goal of promoting young professionals in the captive insurance industry.

But Towle prefers not to call it a 'talent crisis'; rather he sees the insurance industry as full of "talented professionals"— his aim, then, is to find a way to gravitate these talented professionals towards the captive insurance industry.

He explains: "Our industry is aging and as many senior level individuals retire, we need to encourage more young professionals to get involved. We need to help them prepare to become the next generation of captive leaders."

Earlier this year, Towle spoke at Temple University—a major proponent of careers in the captive insurance industry.

Towle said the risk management and actuarial science students at the university were "interested and very engaged in learning about captive insurance".

"It was also clear to me that we need to better formalise internships and job opportunities for college students if we want the captive industry to be able to compete with other insurance career options," he added, "most of these students are securing jobs today through internship opportunities".

Alongside speaking on and promoting young professionals in the industry, CICA offers a number of continually expanding professional development programmes, including its CICA Conference Professional Development Track, its mentorship programme and its recent student essay contest.

The association also has a number of partnerships with academic and credentialing organisations to help support students and seasoned professionals meet their education goals.

Towle has said that the response to these programmes has been "outstanding", and the professional development track receives some of the association's highest ratings.

He explained: "CICA is making a serious commitment to engaging young professionals in the captive industry, and we encourage individuals and associations to get involved. We all need to play a role in promoting the captive sector to the next generation."

"Captive insurance is on the cutting edge of risk management and provides interesting and rewarding careers. It also offers stable and rewarding work." ■

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A new dawn

As technology becomes more essential to the day-to-day running of a captive insurance company, we look at two technology companies in the area which are well-equipped to provide solutions for captives

The importance of technology is becoming ever more apparent in the captive insurance industry in recent years and, despite its small size, it will soon have to conform to modern requirements.

Captives are now using technology to accurately assess risk, make business decisions and adhere to reporting requirements.

Marcus Schmalbach, CEO of RYSKEX, says the industry will soon have to submit to the impending advance of "digital transformation".

"The captive market is similar to the rest of the insurance market—the top technology topics are the effects of artificial intelligence and blockchain."

"The strategy papers have already been worked out in the companies' c-suite, but the operative implementation still leaves plenty of room for fantasies. There are very few pilot projects, and most of them provide incremental rather than disruptive added value for businesses."

Denise Kelly, owner and principal at Pentacle Data, adds that technology is "extremely important" in the captive insurance industry.

"In order to accurately assess risks and make wise business decisions, data must be accurate from the start. Risk data comes from many outside sources; from the parent organisation, to the actuarial firm, onto the captive manager."

"If this data is presented in different forms (spreadsheet, PDF, different automated systems), a manual process is inevitable."

She explains: "This can cause huge errors transferring data from one source to the next. These mistakes can go unnoticed for a long time. These mistakes ultimately affect the captive's financial statements. The worst case scenario, it can make a captive become insolvent. Automation eliminates manual error and gives the Captive's parent organisation confidence in their financial statements."

The future

So what is next for captive insurance technology?

Schmalbach says predicting the future is not an easy thing to do and future technology will likely depend on which "pain points" of the captive industry they solve, including talent acquisition, an inefficient value chain, capacity bottlenecks, a changing risk landscape, and the resulting challenges to classify and price emerging risks.

Can technology solve these problems? Schmalbach says yes.

"The more digital the industry becomes, the more interesting it becomes for the 'digital natives'," he adds, "accordingly the captive market will (have to) increasingly digitalise itself".

For Kelly, data is king and the advances in the digital economy, including insurtech, cryptocurrency and automated processes, mean that the insurance industry must "adapt and evolve".

"Captives have always led industry chage and been used as incubators of risk, technology challenges will be no different."

In terms of blockchain, Schmalbach says it can be used anywhere information needs to be securely managed and verified, offering a variety of uses in the captive insurance industry.

The potential benefits of blockchain to the captive industry include support for the ability to efficiently develop and maintain client data cross multiple geographies and parties with less human intervention; allow information to be directly linked to administrative processes; offer more transparency; and reduced administrative and compliance costs.

RYSKEX and Pentacle Data

Both Kelly and Schmalbach are working towards the common goal of a technology ecosystem in the captive insurance industry through their own companies, Pentacle Data and RYSKEX, respectively.

According to Kelly, there is an untapped demand for efficient online data management solutions for captives and other risk retention vehicles.

"The need for a reliable, scalable product is required even more now as regulatory, compliance and market pressures over data management, integrity and adaptability increase annually," she adds.

"We have had an encouraging amount of interest, which has led to further discussions and demonstrations for potential clients."

"Many of these clients have been in the captive space, but we have also spoken to entities in the direct insurance space, the managing general agent/managing general underwriter sector, and agencies.

For Schmalbach, the RYSKEX ecosystem is the result of years of research.

The company has "dealt with the digital transformation of the captive environment", and Schmalbach says—without false modesty—that the company can claim to be able to profitably influence the future of the captive market with its solution.

"Through the technological use of blockchain and artificial intelligence and the holistic solution approach, this is a promising solution that is currently carrying out various projects with selected Lloyd's syndicates and captives."

"The captive market is facing an unprecedented reorientation and RYSKEX is pleased to be able to proactively accompany this process." ■

Industry Events 2019

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Captive Insurance Times

Alabama Captive Conference Alabama	Insurance Innovators Summit London	ICRMC Bermuda
September 25-27	November 13-14	December 04-06

For more information on the events listed visit captiveinsurancetimes.com

The latest moves in the captive industry

Aon has expanded its global broking and specialties businesses within its commercial risk solutions division with five senior executive promotions.

Cynthia Beveridge, Richard Dudley, Hugo Wegbrans, Gerard Guterl and Lee Meyrick were all promoted with expanded roles.

Beveridge will continue as president of Aon Broking, while her expanded role will include a renewed focus on global carrier management.

Dudley will continue as CEO of Aon's Global Broking Center and spearhead what Aon has described as a "seamless operating model" for its teams in the UK, Singapore and Bermuda.

Wegbrans, who was previously chief broking officer for Europe, the Middle East and Africa (EMEA), will take on an expanded role as a global chief broking officer while remaining AON's CBO for EMEA.

Guterl and Meyrick have been named co-leaders of global specialties, responsible for leading Aon's global specialty teams.

Lambros Lambrou, CEO of commercial risk solutions at Aon, said: "These broking and specialty leadership appointments will accelerate our efforts to bring world-class, industry-leading solutions to our clients, solving their most challenging risk needs."

He added: "Our capabilities play a pivotal role in demonstrating our commitment to provide innovative solutions that help clients across the globe." ■

Deryl Bauman has founded Blue Falcon Captive Insurance Consulting as its principal.

In his new role, Bauman will provide a suite of captive insurance consulting services designed to help businesses more efficiently manage their insurable risks.

Bauman left his role at First Tennessee Bank after 37 years. Most recently, he served as commercial relationship manager.

He spent his last six years at First Tennessee Bank in an entrepreneurial effort to serve the captive industry with financial services.

Bauman said: "I feel blessed by the Tennessee captive industry that educated me about the benefits of captives for businesses and then embraced me in my efforts to serve that industry."

He added: "Therefore, starting a consulting practice, in part, to support the continued growth of the Tennessee domicile is a way to give back and have some fun in the process."

"After just attending the 9th Annual Tennessee Captive Insurance Association Conference, I am further convinced that this is the right thing for me to do to stay active in this industry." ■