CIT CAPTIVEINSURANCETIMES

ISSUE018 WEDNESDAY 20.03.2013

captiveinsurancetimes.com

Nevada is on point and around the clock

CARSON CITY 19.03.2013

The US State of Nevada has updated its approval process, with the promise that each and every application landing on its desk will be stamped within 24 hours.

"Our function in the past has been only to do approvals one day a month, so depending on when your application came into the division, it could sit around for nearly 30 days," said Mike Lynch, deputy commissioner of the captive section at the Nevada Division of Insurance.

"But the actual review of the captive application is done in a day. So now the commissioner has said he will do [them] based on the recommendation of approval as they come in, as opposed to just waiting for that arbitrary third Thursday of every month."

Fees are not being changed, but there is potential for owners of pure captives to save a decent amount, according to Lynch.

"There was a $4000 independent review fee we did that was tied to the review of pure captive applications, but we also do it for RRGs (risk retention groups) and other types of captive formations. For the pure captives, the independent review went something along the lines of, 'that looks about right'; they are not very complicated transactions. Some of them are even a single transaction."

"So for those simple ones, we can save them $4000 of their upfront application fee, because they are not going to need a formal actuarial review."

Lynch also stated that he wished to educate on the state's ability to service series limited liability company (LLC) entities and segregated cell captive programmes. "When people talk about LLC entities and segregated cell programmes, their first thought of domicile is Delaware or Washington DC."

readmore p2

CITINBRIEF

Bahamas to become more competitive

The Bahamas is looking to increase the competiveness of its financial services offering with the launch of new products, according to the domicile's financial services minister.

readmore p2

Hong Kong reduces tax to attract captives in 2013

The Hong Kong government has proposed a 50 percent profits tax reduction on offshore insurance business of captive insurance companies to attract more business and encourage local employment.

readmore p2

Nevada is on point and around the clock

Continued from page 1

“Nevada has been able to do that since 2005, but we’ve only had our first one come in as of 2012. We want to get the word out that we are able to deal with these programmes too.”

The state sought to increase sign-ups after a few years of turbulent captive administration with the implementation of a new law.

Assembly Bill 74 contained provisions that reduced compliance expenses, lowered application costs and simplified financial reporting.

The state became a domicile in 1999, and is currently home to 127 captives.

Bahamas to become more competitive

Continued from page 1

Contributing to the debate on the 2012/2013 mid-year budget in the Bahamas House of Assembly, Ryan Pinder, minister of financial services, said that work is underway to rebrand the Bahamas as a full and competitive business service centre.

To achieve this, his department has identified key sectors for growth, including the fund business given the domicile’s recent achievement of International Organization of Securities Commissions ‘A’ status.

It is also preparing to launch a new strategy for captive and international insurance. The Bahamas was home to 11 captives at the end of 2011, according to the domicile’s Captive Insurance Companies Association listing.

Speaking ahead of the Business & Finance Summit that took place in February, Nicholas Leighton of Atlas Insurance Management said that despite positive moves and the versatility of the captive product, the Bahamas is lagging behind other captive domiciles.

“Captives have been used for over 40 years, assisting companies in their risk management and strategic planning. From the entrepreneur to the multinational corporation, captives have a place within any organisational structure and can provide multiple benefits.”

“The Bahamas has updated its External Insurance Act, reinforcing the commitment to the captive insurance industry and promoting the Bahamas as a domicile of choice; yet, the growth in the industry has been relatively slow compared to other domiciles.”

The financial services minister went on to say that the Bahamas will target new markets, including North and Latin America, and it will launch a Value Added Trade Strategy, with a focus on actively utilising existing and prospective trade agreements to foster regional integration, develop business networks and enhance this domicile’s trade infrastructure.

Pinder said: “Each component is an important element of our economic development, one building on the other. A robust industrial sector supports a trade agenda. A dynamic trade industry provides the foundation for the expansion and further development of the financial services industry.”

Hong Kong reduces tax to attract captives in 2013

Continued from page 1

To help enterprises the financial secretary also proposed to waive the business registration fees for 2013/2014.

“On profits tax, the financial secretary proposed to extend the profits tax exemption for offshore funds to allow private equity funds to enjoy the same tax exemption and to reduce the profits tax on the offshore insurance business of captive insurance companies, such that they will enjoy the same tax concessions as those currently applicable to reinsurance companies,” said a statement from the Hong Kong government.

Hong Kong is currently only home to two active captive insurers but is looking to attract more in the future.

Deloitte heralds new dawn for insurance M&A

A flurry of insurance companies rebuilding internal M&A capabilities may herald an uptick in activity during 2013, according to a 2013 report from Deloitte.

Though 2012 saw an approximate 20 percent decrease in the number of insurance industry M&A deals compared to 2011, Deloitte predicted that organisations will seek to expand market share, distribution capabilities, product/service offerings and economies of scale in the face of limited organic growth opportunities in the coming year.

The report singled out property and casualty (P&C) deal activity as one segment that had decreased in 2012 compared to 2011.

“While deal volume slowed toward the end of 2012 as P&C companies sought to determine their exposure from Superstorm Sandy, it is expected to pick up in 2013-albeit sporadically-as Sandy’s impacts are absorbed and companies desiring to improve their performance or revenue expectations push for specialty line acquisitions that hold value better,” said the report.

Strong Panama profile works in ASSA’s favour

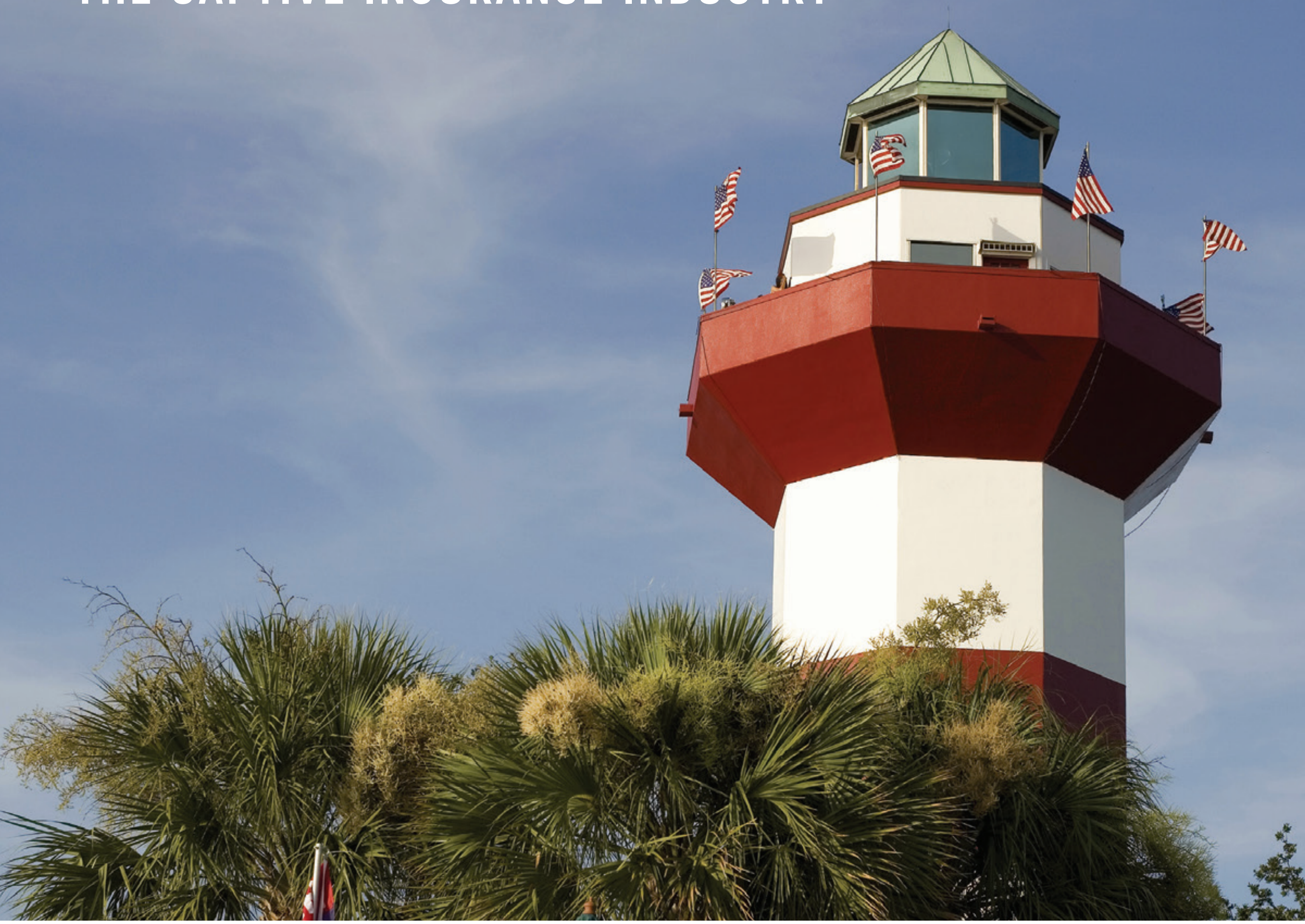
A.M. Best has affirmed the financial strength rating of “A (Excellent)” and issuer credit rating of “a” of ASSA Compania de Seguros (ASSA) in Panama City.

The ratings reflect ASSA’s continued excellent operating results, favourable capitalisation and strong business profile in Panama, said A.M. Best.

ASSA maintains a well-diversified book of business that includes both property/casualty and

CAPTIVATING

THE CAPTIVE INSURANCE INDUSTRY



The secret is out. Not about South Carolina's pristine beaches, beautiful golf courses and warm, southern climate, but about our ideal captive insurance environment. That's because we know there's more to deciding about where to establish or relocate your captive insurance than sand, surf and sunny weather.

When it comes to the captive insurance industry, South Carolina has established an environment where you can grow and prosper. In fact, South Carolina is among the top captive domiciles in the world. All top seven captive managers have a market presence here – and it's not just because of our quality of life.

We are open to new ideas that enable this industry to thrive and we promote quality and innovation over quantity. Besides our business-friendly environment, we are on the forefront of captive insurance regulation in this country and have brought practicality to many of the regulatory standards for the captive insurance industry. And, as a dedicated partner, we work with you and the greater captive industry, to recommend laws that promote responsible development and growth.

Learn more about what makes South Carolina the ideal domicile for your captive insurance program at **www.doi.sc.gov**.

SC
CAPTIVE
INSURANCE

life/health products. The company is ultimately owned by Grupo ASSA, a publicly traded holding company on the Panama stock exchange.

ASSA's combined ratio, including both segments, has averaged 90 percent over the past five years, while risk-based capitalisation remains fully supportive of the current ratings and outlook. Its underwriting profitability is complemented by consistent levels of investment income, which has enabled the company to steadily appreciate in surplus in recent years.

The company also benefits from established risk management systems and strong reinsurance programmes across most lines of business.

Partially offsetting these positive rating factors is ASSA's risk concentration in a geographically limited insurance market, along with operating in a country, that A.M. Best considers to have an elevated level of country risk.

Additionally, the Panama insurance market is becoming increasingly competitive, with local and large outside insurers continuing to vie for market share.

Fitch affirms Tower following Bermuda buy-out

Fitch Ratings has affirmed the "BBB" issuer default rating (IDR) of Tower Group and assigned a "BBB" IDR to the new ultimate holding company Tower Group International.

The ratings agency has also affirmed the insurer financial strength (IFS) ratings at "A-" for Tower's operating subsidiaries.

The ratings decision follows Tower's merger with Canopious Holdings Bermuda Limited (CHBL) that saw its holding company renamed as Tower Group International.

Tower received majority of shareholder approval on its 12 March vote and received $217 million in additional equity as a consequence of the merger.

Tower's debt to capital and debt to tangible capital ratio was 33 percent and 44 percent respectively at year-end 2012. However, with the additional $217 million in equity raised, pro forma financial leverage and tangible financial declined to 28 percent and 37 percent respectively.

Fitch said that it views this transaction as potentially favourable if executed properly as it creates a larger, more geographically diverse business platform with access to three major insurance markets: US, Bermuda, and the Lloyd's markets, in addition to an international holding company.

This broader diversification is expected to enhance profitability and provide a sufficient source of capital to support Tower's US growth.

This structure will allow Tower to take advantage of the lower tax rate afforded by the holding company's Bermuda domicile.

Qatar captive converts to reinsurance

It has been reported that the captive insurance company of Qatar Petroleum, Al Koot Insurance and Reinsurance, will be converted to a Qatari reinsurance company.

In a keynote address, Yousef Hussain Kamal, minister of finance and economy in Qatar, revealed the news, adding that public-listed insurers in Qatar, as well as non-Qatari companies, will have the opportunity to own shares in Al Koot that matches their own market share.

The state of Qatar will own 30 percent of the reinsurance entity at the early stages of launching the company in order to promote and safeguard the initiative, said Kamal.

Canopius sells off Bermuda shares

Canopius Group, a specialist reinsurance underwriting business, has agreed on a price of the private sale of shares of Canopius Holdings in Bermuda.

Canopius, the parent company of Canopius Bermuda, has entered into definitive agreements to sell all of its shares in Canopius Bermuda to a number of institutional investors. Canopius will receive $216.69 million in gross proceeds from the sale of 14,025,737 shares, with such shares representing 100 percent of its ownership.

The gross purchase price per share was $15.45.

Barclays Capital and FBR Capital Markets & Co served as lead placement agents on the private sale, and Guggenheim Securities, Keefe Bruyette & Woods and GC Securities served as co-placement agents.

The sale, which is subject to customary conditions, is expected to occur in conjunction with the merger between Tower Group and Canopius Bermuda.

Cayman captive is top of the class

A.M. Best has affirmed the financial strength rating of "A (Excellent)" and an issuer credit rating of "a-" to Reaseguradora America SPC (RAM Re), based in the Cayman Islands.

Ram Re is a wholly owned subsidiary of ASSA Compania Tenedora, which is a wholly owned subsidiary of Grupo ASSA—a publicy traded holding company on the Panama stock exchange.

The ratings reflect RAM Re's adequate capitalisation and explicit parental support. The results also consider RAM Re's strategic role as an alternative risk transfer vehicle.

RAM Re will operate as a Cayman Islands-based segregated portfolio company with a core and three cells, which will underwrite monthly cover for its participants.

"These positive rating factors are partially offset by execution risk due to the unproven start-up nature of this company. Rating drivers that could lead to a positive outlook or an upgrading of RAM Re's ratings are a stable underwriting performance, a reduced overall exposure over the new few years and a successful implementation of its business plan," said a statement from the ratings firm.

Marsh president to speak at Bermuda captive conference

Peter Zaffino, the president and CEO of Marsh, will be the industry speaker at the 9th Bermuda Captive Conference (BCC) this year.

Zaffino has had a number of strategic roles in Marsh & McLennan Companies and in both insurance and reinsurance. He is also a member of the Marsh & McLennan Companies executive committee.

Peter Willitts, the BCC chairman, said: "Over the years we have been lauded for the high quality speakers we have attracted to the conference and this year will be no exception. We think Zaffino will be of interest to risk managers and others attending the conference."

This year's conference will also highlight a feature of Bermuda that makes it a unique captive domicile.

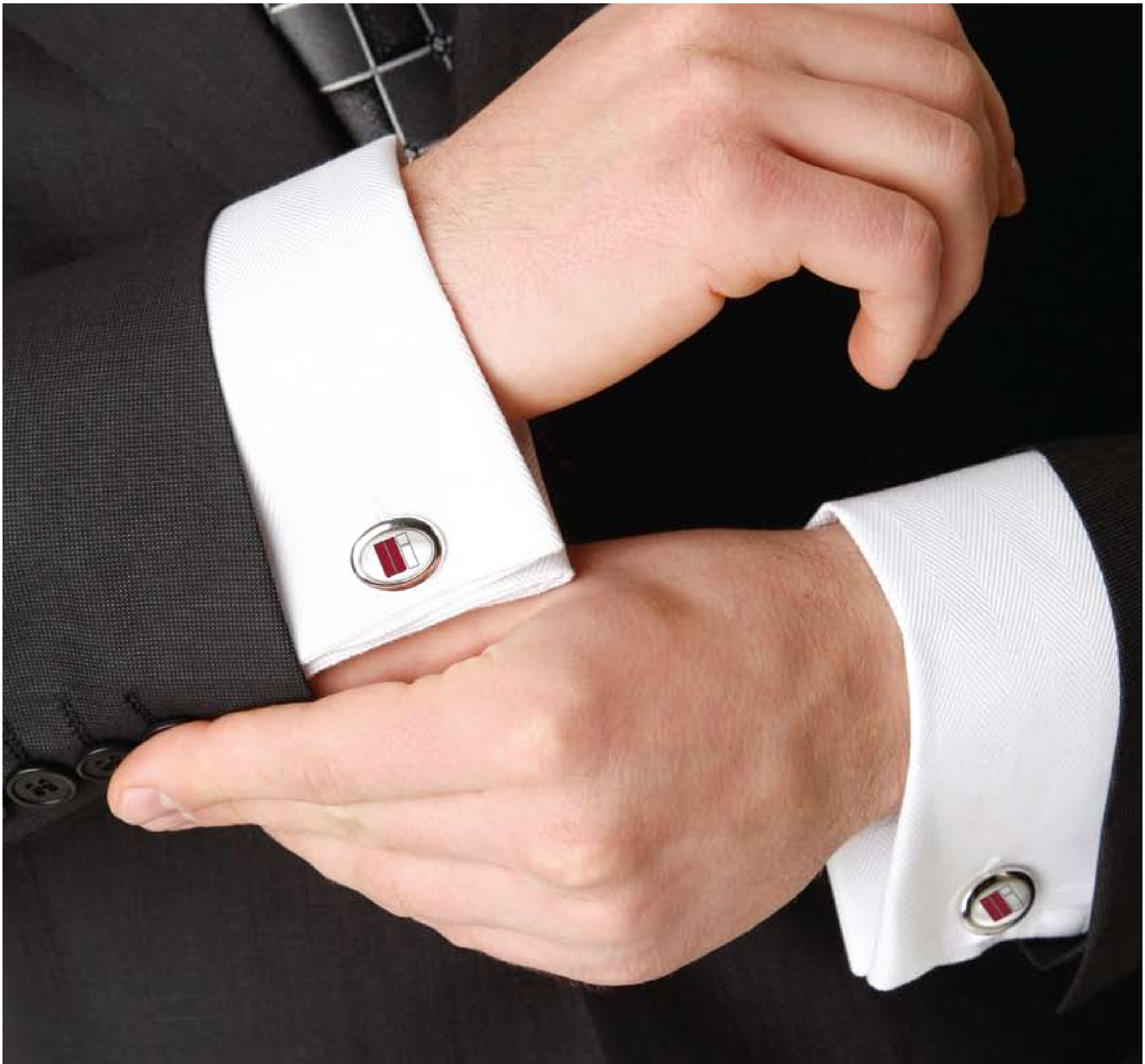
Alison Towlson, chairman of the Bermuda Insurance Development Council, explained that while there are a number of factors that separate Bermuda as a captive domicile from other jurisdictions, there is one that will be widely evident this year.

She said: "What is significantly different about the conference this year, is that BCC delegates will also find more access to insurers and reinsurers who provide a myriad of products designed to meet commercial and reinsurance needs."

"Bermuda is after all the one domicile that can boast three key pillars to our industry—captives, insurers and reinsurers. Why not showcase for the attendees all that Bermuda has to offer in this sector? There will be ample opportunity for delegates to gain further insight into the full capabilities of the Bermuda market from representatives of various insurance and reinsurance companies."

"This is great collaboration between Bermuda's commercial and captive markets that sets the BCC apart from other conferences."

9th Bermuda Captive Conference will be held at the Fairmont Southampton hotel, Bermuda from 10 to 12 June.



To kingdom come

Standing at a grand total of two captives, Hong Kong has a lot of groundwork to put in to be recognised as a potential domicile. CIT finds out more

GEORGINA LAVERS REPORTS

Though it has only two captives at present, with total premiums of HKD$704.8 million (USD$90.9 million), the Hong Kong government is seeking to ramp up its captive offering with the recent announcement of a 50 percent profit tax reduction for captive insurance companies.

To further butter up prospective businesses, the financial secretary also proposed to waive business registration fees for 2013 to 2014.

"On profits tax, the financial secretary proposed to extend the profits tax exemption for offshore funds to allow private equity funds to enjoy the same tax exemption and to reduce the profits tax on the offshore insurance business of captive insurance companies, such that they will enjoy the same tax concessions as those currently applicable to reinsurance companies," said a statement from the Hong Kong government.

As to whether it will work—the jury is out. "If you go back prior to the handover, prior to 1997, the general policy of the Hong Kong government was not to be a captive domicile because this was seen to be advertising a 'tax haven status' which we did not wish to have," comments Michael Somerville, chairman of the captive insurance committee of the Business and Professionals Federation of Hong Kong.

"So there was no appetite then to become a captive centre. There were also the political implications—people were dubious about what the future held and that Hong Kong was not seen as a stable enough place politically to consider it."

But, he adds, Hong Kong is in the process of becoming an active captive domicile, due to a dramatically changed landscape, and its pertinent role as the gateway to China.

"There is a very clear role that Hong Kong can play for China in the general expansion of its insurance business including captive insurance. Up until now it has been a purely domestic market; the Hong Kong market has been very small, particularly with the move of manufacturing away from Hong Kong that also had an impact. Now we have China as a very major market, which initially was a very closed domestic market but now is becoming more open and international."

"Since the late 1990s, the Insurance Authority of Hong Kong has been actively promoting captive insurance," adds Tony Chan, acting assistant to the Commissioner of Insurance in Hong Kong.

"In 1997, legislation was enacted to provide regulatory concessions for captive insurance companies, and the first captive insurance company was authorised in Hong Kong in 1999. You'll notice from section 2(7) of the Insurance Companies Ordinance that the captive insurance companies permitted in our regime is the traditional type of captives (ie, not more sophisticated types such as rent-a-captives, protected cell captives, etc) that carry on general insurance business. We welcome any enterprises from different regions to establish captive insurance companies in Hong Kong."

One of the two captives that are domiciled in the country belongs to the Mainland China Group, and Somerville asserts that it is the big mainland conglomerates that are the primary focus.

"The fundamental primary focus at this stage is those big mainland conglomerates that are going global. Inevitably one of the first things to happen is that they will almost certainly end up acquiring a captive one way or another."

"If you take a company like Geely Motors, they will almost certainly have a captive somewhere in their camp. So that raises the question of what is the attitude of the mainland regulators, both the fiscal and the insurance regulators to this? And in the early stages, it was one of them really not wanting to know."

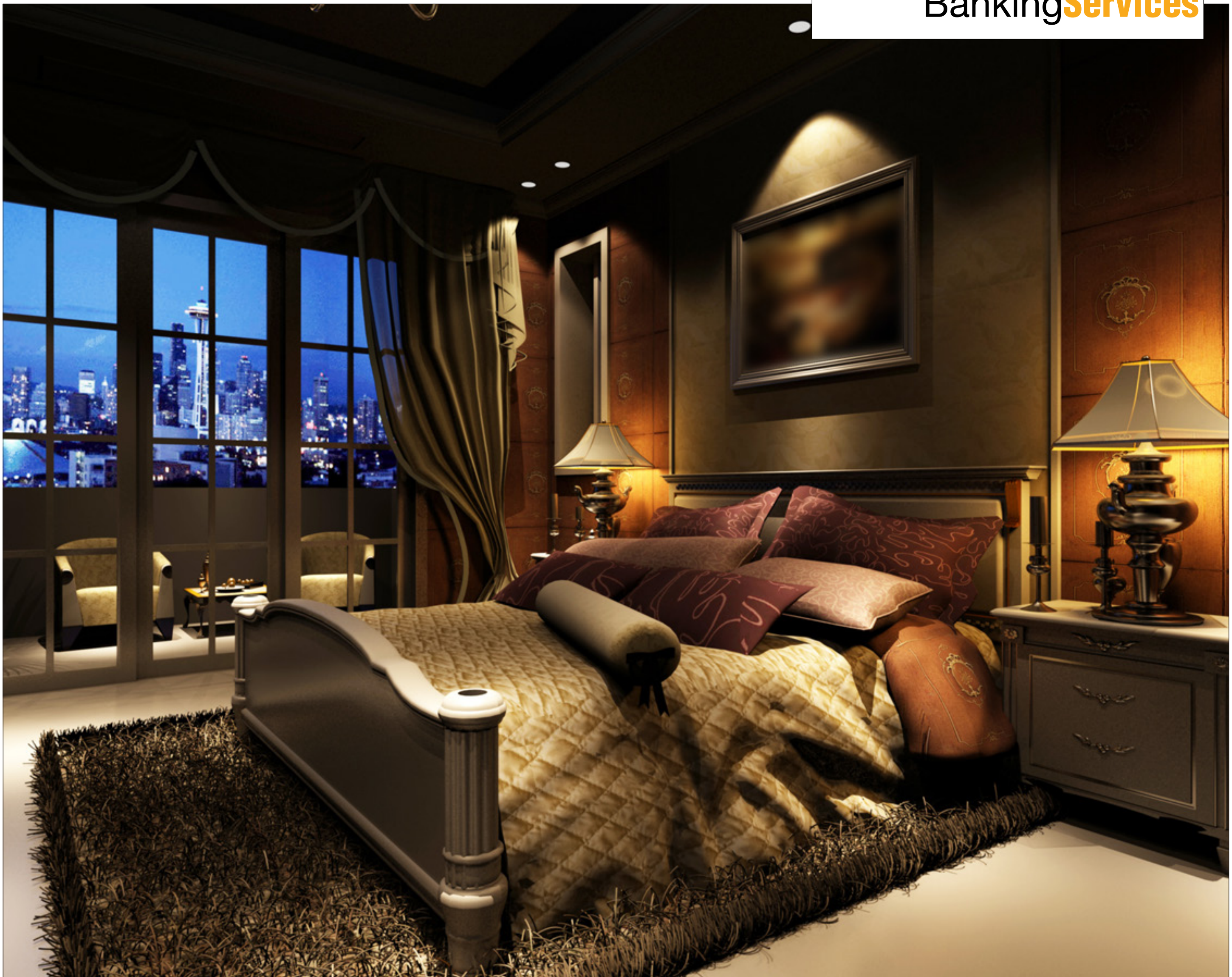
The realisation that captives are a major part of risk management controls of a multi-disciplinary, multi-territorial organisation is a relatively new concept, says Somerville. "On the other hand, most of the senior management now in these big major corporations are trained overseas or running their businesses on international business practices, so it's a whole new board game on the mainland. We have for the last two or three years been discussing both with mainland conglomerates and with the regulators what their position on this is and there has been something of a breakthrough in recent times in that the insurance regulators have acknowledged that captive insurance is an important risk management factor for major corporations and are now pro captives."

And it is certain that Hong Kong's status as a powerful player in the financial global markets will hold it in good standing when it comes to captives. A free flow of funds and information, coupled with good infrastructure, a sound regulatory system, superb banking services and the rich pool of talent are all big pluses for the captive market.

There are also regulatory concessions to captive insurance companies, including lower capital and solvency margin requirements, exemption from certain statutory requirements and minimal annual fees, at just $22,600.

These are all positives, but it still remains that a low captive count is a major downside to attracting more companies. "I think as in all of these things you just have to start the ball rolling," concludes Somerville. "As it stands, one of the largest multinational corporates in China is very interested in seeing this going ahead. So I think we've always seen that as being the starting point, once that is bedded down then we can actually go to the regulatory authorities and say we want you to not stand on the sidelines [but] be supportive."

"Hong Kong is not going to try and be 'all things to all men'. We will focus on the niche, and work from there." CIT



Captive luxury

CIT talks to Colleen McHugh—who recently joined Barclays in Guernsey—about what her team can do for captives in Europe

JENNA JONES REPORTS

What is your background?

I have 13 years' investment industry and financial services experience. Nine years of this was spent working in Bermuda as an investment specialist within the asset management and private bank area. I've worked closely with high-net worth individuals, trusts and international business corporations. My final years in Bermuda saw me working for HSBC Asset Management. In this role, I worked closely with the captive, insurance and re-insurance sector in Bermuda.

I am a qualified financial advisor registered with the Chartered Insurance Institute, and an experienced securities trader with NASD Series 7 and UK Registered Representative qualifications. I also hold an MBA from the University of London.

What will you bring from your previous roles to Barclays?

I have comprehensive experience across different sectors and environments with particular experience in international financial centres. As a result, I am familiar with the challenges faced by clients and I am able to quickly provide the solutions they need. Over the years I have learned that listening to my clients and truly understanding their business is crucial. My experience and knowledge gained from working with Bermuda captives will solidify the existing expertise of the Barclays captive team and allow us to deliver key solutions to the market.

What are captives in Guernsey investing in and why?

Being new to the island, this is something I am getting up to speed with very quickly. The first and primary purpose of a captive is to act as an insurance vehicle to meet its claims responsibilities. Traditionally in Guernsey, like many captive jurisdictions, cash has been king. However, as low interest rates prevail, bank deposit rates are constantly falling. In the past, the yield on cash deposits alone was often sufficient to cover the operating costs of a captive, and therefore they were self-funding.

The interest rate environment is very different today. Consequently captives are actively searching for yield while trying to minimise risk. They are beginning to embrace the need to segment their cash reserves into the different classifications of operating, core and strategic. Operating and core cash needs to be liquid, whereas strategic cash can be used to invest in longer-dated securities to maximise yield pick-up while minimising volatility. Therefore, short-term fixed income investments should always be part of a core investment strategy within the captive world, given the strong need to protect and preserve capital.

The current mantra continues to be 'return of capital' as opposed to 'return on capital'. Few investments fit this category better than a diversified portfolio of short-dated bonds. This short-duration fixed income strategy has proved very successful for captives in other jurisdictions, and I can see it being replicated here as long as interest rates remain depressed.

How important is an investment management programme to captives—is it a luxury or something more?

In life, for many, when everything is going our way we become more confident in our own abilities and don't feel the need to engage professionals. Investment management is no different.

Prior to 2008, captives could achieve 5 percent-plus on 12-month fixed deposits, so there wasn't a great need to look at alternatives to cash. This is no longer the case and a quality conservative investment management programme is a necessity for captives. The prevailing low interest rate environment has encouraged captives to become much more engaged with their investment advisors as together they seek the best solutions from a risk and return basis. Captives should use these relationships that they have developed with their trusted investment advisors to help them navigate the challenging waters. A partnership approach will allow captives to become better informed of their investment options, to understand where risks are heightened, and discover how asset allocation and diversification can add to investment returns while minimising volatility.

How do the needs of Bermuda captives differ to Guernsey ones?

No matter where a captive is domiciled, they essentially have the same function, ie, to act as an insurance vehicle to meet their claims responsibilities. Consequently, many of their primary needs, such as banking requirements, credit and investment services, are the same if they are domiciled in any jurisdiction. One difference between captives in Bermuda and Guernsey is that most Bermuda-domiciled captives have US parents, whereas Guernsey captives have UK and European parents. This alone creates a difference in certain preferences. Trusts (REG 114) for instance are a much more utilised vehicle in Bermuda. In contrast, Guernsey is only now warming to the trust structure as recently launched by the Barclays captive team in 2012.

In addition, you could argue that the psychological makeup of US-owned captives are different to their European counterparts in that historically they are more inclined towards the idea of investing their surplus assets in something other than cash.

What will you and your colleagues in the Guernsey office be doing for captives in Europe?

Barclays recognises Guernsey's significance within the global captive industry. With this recognition, Barclays is committed to offering a full and complete European solution hosted and led from the Guernsey office. Recognition of certain cross-border considerations will have some limitations on this but the offering from Guernsey has been significantly bolstered over the past few years. Within the office in Guernsey, we have a head of captives business, a relationship team and dedicated support and credit writing capability. This, when twinned with local Barclays trustee and wealth advisory businesses, means that from start to finish we can field enquiries arriving from local and overseas territories and puts us in a prime position to support the wider Barclays effort in Europe.

> The prevailing low interest rate environment has encouraged captives to become much more engaged with their investment advisors as together they seek the best solutions from a risk and return basis

There has been considerable up-skilling of support functions taking place locally to develop a detailed and comprehensive appreciation for the intricacies of the demands of the sector. We have resident risk, account opening and payment support teams who all have working knowledge of the sector and European territories operating in the captive industry. Training is a growing demand with the introduction of new sector concerns including Solvency II, but with a rolling, detailed, training plan in place we are well placed to accommodate these. From the Guernsey office, we can offer the full breadth of Barclays products, including banking services, letters of credit, liabilities solutions and security trust agreements.

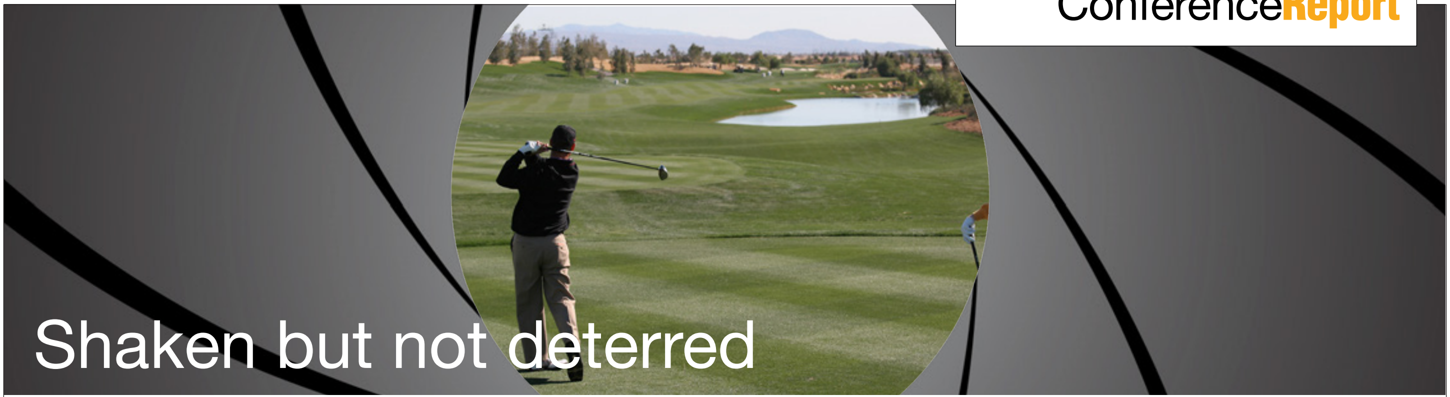
More recently, we have started to look at specific and tailored enquiries for risk purpose trusts and commodities hedging for captives, all hosted out of Guernsey and it is our team's expertise that has enabled us to respond rapidly to new enquiries.

Barclays recently hired Simon Phillips as head of captive insurance, based in Jersey. Is Barclays planning any more expansions in the captive industry?

We are keen to ensure that we continue to provide a high level of service to our existing clients as well as expanding our client base to include new captives. We have recruited, and will continue to recruit, a team of industry experts who have real insight and experience of the captive sector, in addition to their knowledge on banking, trust and investments.

It is not enough to have experts in one jurisdiction—Barclays offers a wealth of expertise in a number of key jurisdictions including Guernsey, the Isle of Man, Gibraltar, Malta, Bermuda, the Caribbean and onshore US, which are all key areas for captive work. We are expanding the team—in terms of both number and geography—to cement our position as a world-leading partner that offers services to captives and provides a level of understanding that means we can act as a consultative partner as well as a provider of the core services that captives need. Our ambition is to be seen as the go-to bank in the captive sector. **CIT**

Colleen McHugh
Captive investment manager, wealth and investment management
Barclays



Shaken but not deterred

The Captive Insurance Companies Association (CICA) 2013 International Conference had demographics, healthcare and regulation at the top of the agenda, but it had to make room for an earthquake

JENNA JONES REPORTS

With music from Stevie Wonder pumping through the speakers, the Captive Insurance Companies Association (CICA) 2013 International Conference was raring to go.

CICA president Dennis Harwick kicked things off, explaining the reasoning behind the conference's 'new horizons' focus. He said that prior discussions with committee members unearthed many fears over certain changes—mainly environmental and regulatory—that were "just over the horizon". As a result, the conference programme focused on a series of sessions aimed at addressing these worries and finding solutions to imminent problems that the industry is facing.

In keeping with this theme, the keynote speaker for the conference was demographer Ken Gronbach, who is the author of The Age Curve: How to Profit from the Coming Demographic Storm.

While Gronbach isn't a captive insurance expert, his Demography 101 presentation brought home how relevant people are to economics. He outlined the demographic trends that are set to affect the captive insurance industry, lamenting how "groups of people are predictable", and that in order to prepare for what's next, the industry must go back to basics and look at simple population demographics.

A magnitude-4.7 earthquake unexpectedly interrupted Gronbach's presentation. Unperturbed by the blip in proceedings, Harwick took to the stage to thank Gronbach, adding: "We've had some pretty influential keynote speakers but never one who has made the Earth move!"

A session on the Affordable Healthcare Act, which had Nancy Gray of Aon Insurance Managers as its moderator, followed in the afternoon. The panel was made up of Ron Calhoun of Aon Risk Solutions, Rafael Gonzalez of Gould & Lamb and Sarah Pacini of Advocate Healthcare Network.

The session outlined the numerous additional risks that healthcare reform would bring to healthcare entities, including financial strategic, regulatory, operational and clinical exposures, and focused on how captives can help to address these challenges.

When asked what she felt were the most significant risks facing healthcare, Pacini said that it was the rate at which changes were going to occur that worried her most.

Pacini explained that while her organisation has been working towards clinical integration for a number of years and is well on its way with healthcare reform, others aren't as prepared.

"However, there are some institutions that have waited to see if the constitutional challenge would be overturned or if healthcare reform would continue on, and that waiting may have delayed their ability to build the infrastructure and identify the resources that are going to be necessary to make them successful. So the rate at which they are anticipated to build that infrastructure and create those resources will be such a challenge that it's likely for them that they will be unsuccessful."

The session also addressed the requirements of the Medicare Secondary Power Act. Amendments to the legislation in 2003 and 2007 mean that parties settling workers' compensation and liability cases now have to consider Medicare's interests.

Gonzalez explained that while everyone has been paying attention to what the Affordable Healthcare Act has brought to the table, Medicare has silently been producing the systematic process that makes sure that captives and other parties have taken its interests into account when settling.

"Medicare has been in workers' compensation cases since 1965 and in liability cases since late 1980 and has been building this process very methodically to be absolutely certain that every tax dollar thats being spent on medical care through the Medicare system is in fact reimbursed."

The final day of the conference had a session on the changing regulatory environment. It focused on the potential changes that may be imposed on US accounting, financial and regulatory standards by the actions of the International Association of Insurance Supervisors and other international bodies.

The session delved deeper, attempting to understand complications arising from tensions between state and federal regulatory actors and the potential impact on captives.

Moderating the session was Robert Myers of Morris Manning & Martin LLP, with speakers Tom Finnell of the US Department of the Treasury's Federal Insurance Office (FIO), Debbie Lambert of Johnson Lambert LLP and Shanna Lespere of the Bermuda Monetary Authority.

Myers explained that tensions between the National Association of Insurance Commissioners and the FIO have arisen because the former has been around for some time while the latter is a new kid on the block. An upcoming FIO study will have a point on captives, but it isn't clear "whether it is going to be benign or malignant".

Although the speakers focused on the finer points of regulation, attendees drew their attention to the costs that they incur. After some awkward laughter and Myers saying that "nobody wants to answer that question", Lespere chose to take a stab at it, while staying "politically correct".

Lespere said that while she and others are paying attention to costs, the captive insurance industry must remember that the frameworks that are in place are important in insuring that regulators globally are moving towards a mutual territory in terms of compliance with standards. She added: "There are [also] a lot of benefits that are sometimes unseen." **CIT**

Industry appointments

Willis Group Holdings has appointed **Lesley Harding** as CEO of its global captive practice in Europe, effective 1 March.

Reporting to Malcolm Cutts-Watson, chairman of the Willis global captive practice in Europe, Harding will lead the European captive management and advisory team.

After joining Willis in 2003, Harding was most recently a client advocate with the Willis global solutions team focused on developing and managing relationships with a number of the company's global clients, particularly in the energy industry.

Before joining Willis, she was an underwriter at Swiss Re and helped to set up Arch's European operations. She was also a risk manager at Texaco's wholly owned subsidiary Heddington Insurance.

"We see great potential in Europe for the growth of captives," said Cutts-Watson in a statement. "This is because organisations are seeking to reduce their dependence on the commercial insurance market and increasingly looking at alternative means of funding risks. A captive provides a structured approach to the management of retained risk, generating financial savings and operational benefits."

He added: "Harding's appointment strengthens the leadership team and helps us better respond to untapped opportunities in the captive market. Her recent experience will facilitate enhanced connectivity within Willis and greater understanding of how captive services and solutions add value to our clients' businesses. Her extensive knowledge of risk financing strategies and the demands of global companies make her the ideal candidate."

Harding said: "I am delighted to join the Willis global captive practice. I have worked with many of the team and admire their technical expertise and focus on client service. I see my role as building on this solid platform to achieve even greater success."

William Mason has been named the new director general of the Guernsey Financial Services Commission upon Nik van Leuven's retirement.

Mason previously held the role of head of risk at the Central Bank of Ireland, where he led the development and implementation of its PRISM supervisory methodology. Prior to this role, Mason worked for the UK Financial Services Authority.

Commission chairman Cees Schrauwers, who led the selection process, said: "There was substantial interest in the role and the search for the right candidate has been rigorous. The commission appointed a UK executive search company, Hanson Green, and a long list of 16 was drawn up from applicants arising from a candidate pool of some 150 people, with four making the final interview shortlist."

"The recruitment specialist consulted widely with representatives of Guernsey's financial services industry and other relevant parties before commencing with the process."

Commenting on his new appointment, Mason said: "Guernsey is a mature and highly regarded financial services jurisdiction. I very much look forward to leading the commission at a time when global financial services and markets continue to face many pressures and challenges."

Van Leuven said: "I have come to know Mason recently through our consulting him on the PRISM project being undertaken for the Central Bank of Ireland. I am certain his knowledge and experience will be of great value to the commission in these times of threat and change."

Marsh has created a new corporation division within its UK and Ireland business, bringing together its national corporate and risk management practices across the region and Marsh risk consulting.

The corporate division will serve mid-size and large corporates across the UK and Ireland as well as multinational clients' operations in the region.

Joe Grogan, previous leader of Marsh's national corporate practice, will lead the division. He will report to Mark Weil, CEO of Marsh UK and Ireland.

To support the structure Marsh has recruited **Charles Beresford-Davies** to lead the risk management practice and **Peter Mellor** as the new leader of the national corporate practice. Both will report to Grogan.

Marsh has also appointed **George Davies** to the newly-created position of chief client officer for the UK and Ireland. Davies will also report to Weil.

The new corporate division will also include Marsh's claims, sales and specialist consulting capabilities, enabling the firm to deliver the full range of insurance and risk management facilities to all its corporate clients.

Weil said: "Marsh's corporate clients across the UK and Ireland require our specialist insurance and risk management support more than ever, given the many risk challenges they face as the region battles towards economic recovery and growth."

"[This] announcement shows our determination to align our business structure to our clients' needs. The creation of the role of chief client officer is also a significant step in ensuring that the interests of the client are at the forefront of every decision we make."

Grogan added: "The integration of Marsh's national corporate and risk management practices across the UK and Ireland represents a significant investment in the national and major corporate client space. By combining our capabilities in the newly formed corporate division, we will be able to bring the full range of services our clients need to them more seamlessly. It will allow us to deliver the whole firm to our corporate clients and help us contribute to their success." **CIT**

CIT CAPTIVEINSURANCETIMES

Editor: Mark Dugdale
markdugdale@captiveinsurancetimes.com
Tel: +44 (0)20 8289 2405

Deputy editor: Georgina Lavers
georginalavers@captiveinsurancetimes.com
Tel: +44 (0)20 3006 2888

Reporter: Jenna Jones
jennajones@captiveinsurancetimes.com
Tel: +44 (0)20 8289 6873

Account manager: Joe Farrell
joefarrell@captiveinsurancetimes.com
Tel: +44 (0)20 3006 2859

Publisher: Justin Lawson
justinlawson@captiveinsurancetimes.com
Tel: +44 (0)20 8249 2615

Published by
Black Knight Media Ltd
Provident House
6-20 Burrell Row
Beckenham
BR3 1AT, UK

Company reg: 0719464