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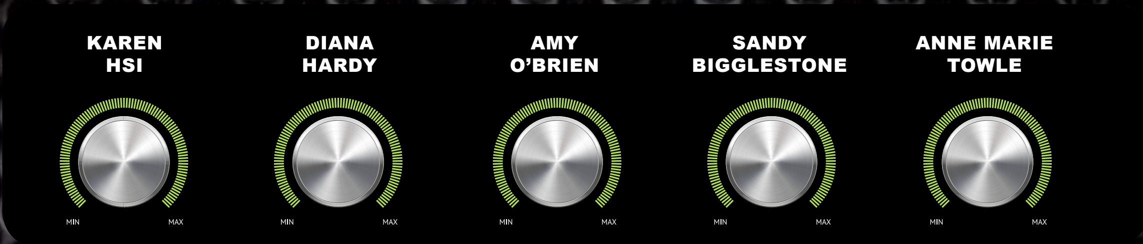

Amplify Women

CICA's new initiative to support and provide opportunities for women in the captive insurance industry

Employee Benefits

GEB's Daniela Masters explains how firms can create more effective health benefit programmes

La Linea

Nigel Feetham of Hassans International Law Firm discusses the possibility of a new captive domicile

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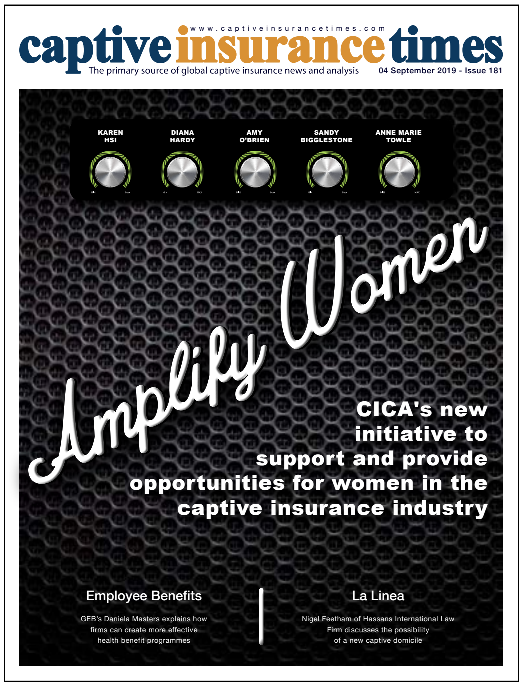

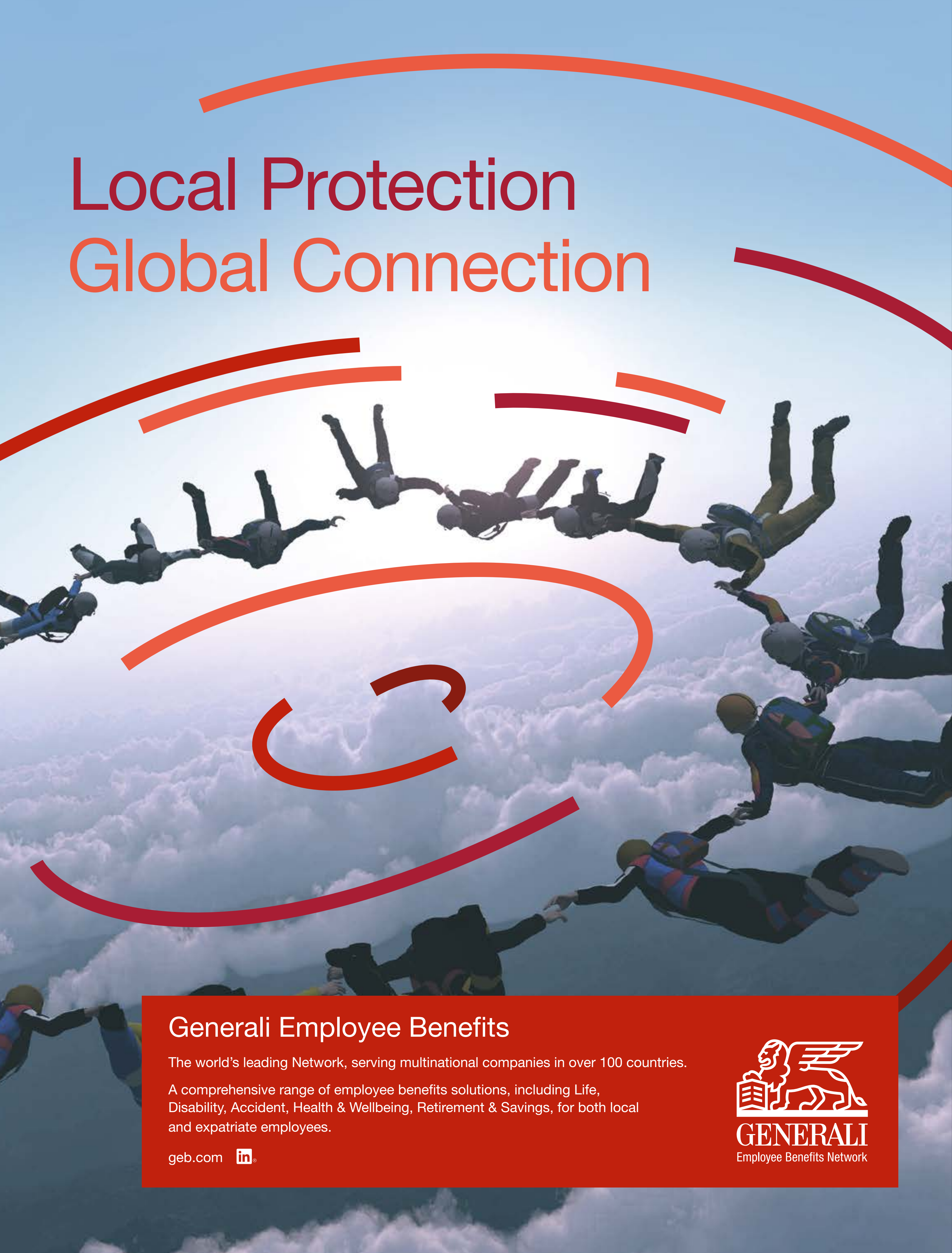
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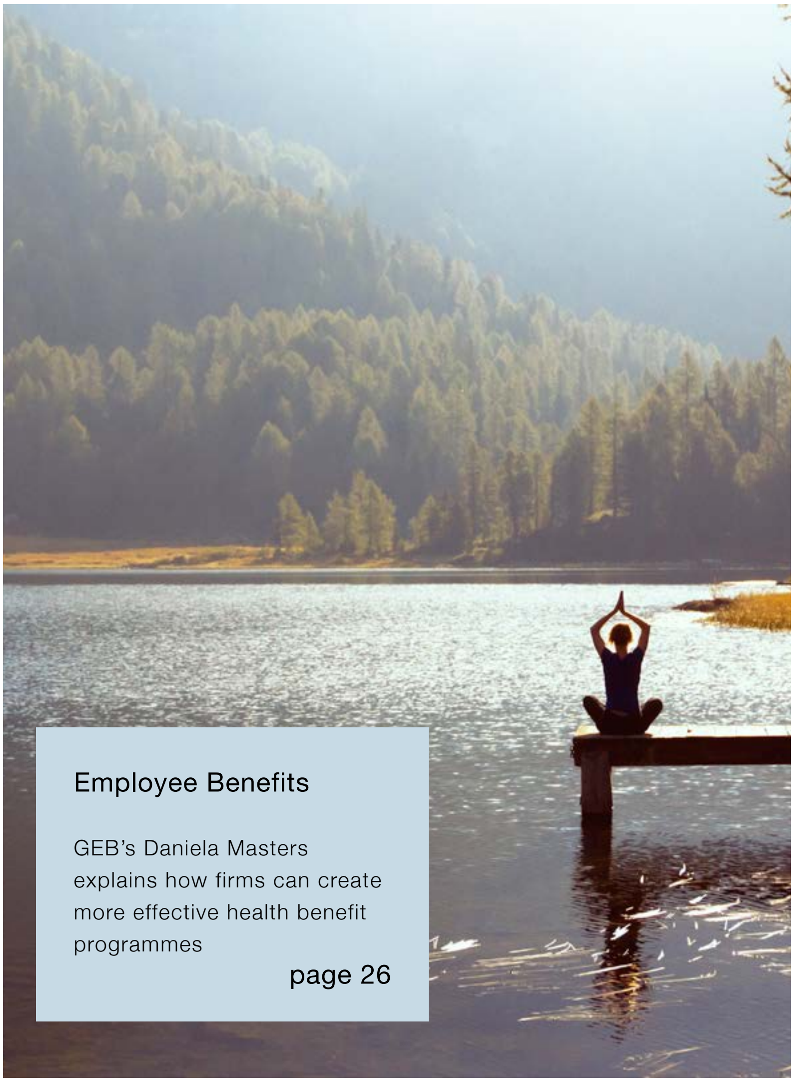

CIC Services' en banc review petition of IRS Notice 2016-66 denied

CIC Services' petition for an en banc review of its challenge against the Internal Revenue Service (IRS) Notice 2016-66 has been denied by the US Court of Appeals for the Sixth Circuit.

The Court of Appeals denied the petition by two votes with nine judges voting against CIC Services and seven voting in favour of the firm.

After vowing to continue its fight against the IRS in May, following the original denial of its challenge in the appellate court, CIC Services filed a petition requesting en banc review of its case by all active judges on the Sixth Circuit.

Commenting on the decision, Sean King, general counsel at CIC Services, said that although the petition was denied, "we are thrilled to have received a compelling dissenting opinion in our favour in which those seven judges expressed severe doubts about the soundness of the original 2-1 panel decision against us and indicated their strong preference to rehear the case en banc".

King explained: "Even one of the judges who concurred on technical grounds with the majority opinion denying our petition for en banc review wrote separately to say that the Sixth Circuit panel's original 2-1 decision against us was almost certainly wrong."

He emphasises that the firm's battle to "curtail IRS abuse of law-abiding taxpayers is not over".

King suggested that the firm will be asking the US Supreme Court to hear the case. He said: "We hope that it will do so and, based on its 9-0 precedent in the Direct Marketing case, we expect to win if it does".

In agreement with King, another source said: "It appears that [the case] can only be settled by the US Supreme Court".

Elsewhere, R. Lane Brown III, vice president for governmental affairs for the North Carolina Captive Insurance Association, anticipated that subject to review and approval by the NCCIA board of directors, "the association will file an Amicus Brief in the US Supreme Court in support of CIC's petition for cert (discretionary review). Whether we do it solo or in concert with other associations will have to be addressed".

Brown further noted that the CIC Services case was discussed at length by the association's government affairs committee and also by its board of directors at conference meetings. ■

> "We are thrilled to have received a compelling dissenting opinion in our favour in which those seven judges expressed severe doubts about the soundness of the original 2-1 panel decision against us and indicated their strong preference to rehear the case en banc"
>
> **Sean King**
> General counsel at CIC Services

Artex granted motion to dismiss class action lawsuit

Artex Risk Solutions and other captive insurance providers have secured a victory in a class action lawsuit at the US District Court for the District of Arizona—Phoenix Division.

A group of defendants, including Artex, Arthur J. Gallagher & Co, TSA Holdings and Tribeca Strategic Advisors, were accused of a widespread captive insurance "conspiracy".

Plaintiffs Dimitri Shivkov et al contended that the companies' had devised a conspiracy to promote and sell tax-advantaged captive strategies that were viewed as illegal, according to the Internal Revenue Service (IRS), which disallowed the offered tax benefits.

Shivkov and others who entered into captive agreements with the named defendants brought several claims, including breach of fiduciary duty, negligent misrepresentation, disgorgement, and civil conspiracy.

However, all agreements signed by the plaintiffs included an 'Arbitration Clause' stipulating that any dispute between the relevant parties that could not be resolved through Arizona mediation would be arbitrated by the American Arbitration Association.

Furthermore, the agreements also included a 'Limitation of Liability', which details that "Artex shall have no liability to [the plaintiffs] for any losses, claims, demands, damages, liabilities, costs or expenses arising from [...] this agreement".

Therefore, Artex argued that the claims should be arbitrated individually under this clause; because all claims in this lawsuit are barred by the Arbitration Clause, individual arbitration would inevitably lead to a dismissal of the action.

Shivkov argued against individual arbitration on the basis that the clause was unenforceable because: Artex breached their fiduciary duty; the Arbitration Clause is both "substantively and procedurally unconscionable"; the terms of the clause are beyond reasonable expectations' and the clause was terminated along with the agreements.

Senior US district judge Stephen McNamee delivered the court order to grant Artex's renewed joint motion to compel individual arbitrations, thus dismissing the action in its entirety as all claims in the suit are barred by the aforementioned Arbitration Clause.

A statement from Artex Risk Solutions stated: "On 5 August, the judge in the Shivkov putative class action lawsuit issued an order for individual arbitration. This is the most recent ruling in the lawsuit related to our 831(b) captive business."

"We have disclosed the ongoing IRS audit and related customer litigation involving our 831(b) captive management business in our SEC filings and to our clients."

"As stated in December when the original filing was made, we believe it has no merit and will deal with it accordingly. Gallagher and Artex have successfully defended individual claims involving similar allegations."

"831(b) captives are important insurance vehicles that have been part of the Internal Revenue's code for decades. Gallagher and Artex have diligently and consistently striven to comply with the legal requirements in forming and managing captive insurance companies."

Michael Low, partner of Kutak Rock, who represents one of the defendant actuarial firms in this case, said that it's "important" there will not be a class action.

He explained: "It substantially limits the possible exposure to the individual plaintiff's claim against each defendant."

The importance of the ruling, according to Low, is enforcing the arbitration provisions in the agreements between Artex/Tribeca and the plaintiffs.

He commented: "[Enforcing arbitration] benefits captive insurers, both 831(a) and 831(b), by reemphasising the primacy of arbitration over class action litigation when arbitration clauses are part of underlying agreements."

When discussing the outcome of future 831(b) captive court cases, Low suggested that it will depend on the facts as alleged. However, emphasises that the arbitration clause in the agreements, consistent with the Federal Arbitration Act, "trumped the effort to create a class action, thus limiting the potential exposure for each defendant".

He explained that previous decisions in favour of the IRS were "individual rulings based on the facts relevant to each individual 831(b) captive subject to IRS proceedings".

Low said: "The IRS has not held that every 831(b) captive insurer engages in inappropriate tax avoidance strategies."

He concluded: "The court's ruling is important beyond the captive area by re-emphasising the primacy of arbitration as a proper dispute resolution mechanism when parties agree to arbitrate in their agreements." ■

‘Not enough interest’ around crumbling foundations captive data

There are not enough people interested in learning from the Connecticut Foundation Solutions Indemnity Company’s (CFSIC) data on how to defeat the concrete crisis, according to the exiting superintendent of the captive, Michael Maglaras.

Maglaras revealed last week that he would step down from his role as superintendent.

> “There is no better, more credible, or more verifiable source of crumbling foundations data anywhere else in Connecticut on this crisis”

The CFSIC is a non-profit captive that was set up in 2017 to tackle crumbling foundations in homes in the northeast side of the State of Connecticut.

In a blog post, Maglaras explained that with almost 1,100 claims registered on their books in eight months, CFSIC has now become the single most important source of data on the crumbling foundations’ natural disaster in Connecticut.

He said: “There is no better, more credible, or more verifiable source of crumbling foundations data anywhere else in Connecticut on this crisis.”

Maglaras explained that no one in Connecticut has approached CFSIC for any “meaningful, comprehensive data”.

He commented: “No department of state government has asked us to prepare comprehensive reports about what we know and how the data can be used. The exception here is our regulator, the CT Insurance Department; we have regularly briefed Commissioner Mais and his team on our financial condition. They have been incredibly helpful.”

The data that can be provided by the captive can counter “untruthful statements” that Maglaras said have been posted on social media.

He explained that the data could be used to raise more funds from the state, although he suggests this is “probably not going to happen”.

The data collected by the captive can be used to focus people’s advocacy efforts so that “advocacy and agitation can again become constructive, thus making advocacy and agitation less about the almost continual complaint and more about celebrating positive action for the benefit of all affected”.

> “There is no hope of raising additional funds, in particular from the federal government, without valid, objective, and quantifiable statistical information”

Maglaras noted some of the information the captive data shows, including exactly where the crumbling foundations’ crisis hits, how much repairs will cost, the length of time repairs will take, and what insurance companies currently insure affected homes.

He revealed that the company’s data is beginning to reveal “an incredibly important fact”, which is the average gap, in years, between the date of a home’s construction using tainted concrete and the point at which deterioration begins to show itself.

Maglaras stated: “There is no hope of raising additional funds, in particular from the federal government, without valid, objective, and quantifiable statistical information”.

Although not very hopeful, Maglaras said: “That money may come, very simply because somebody asked us for credible data to support the request for more funds.”

He added: “That data will come from CFSIC: a successful captive insurance company that is only eight months old and which has already been judged by the Internal Revenue Service to be tax-exempt because of the quality and integrity of its operations.”

Maglaras concluded with a new slogan he had used throughout his blog: It’s time to “coalesce around the success”. ■

Reinsurance Collateral Trusts

The limitations and costs associated with traditional collateral options such as Letters of Credit have dramatically fueled the growth of alternative risk transfer strategies amongst insurers, reinsurers, captives and corporations. Fluid regulatory, financial and risk management environments demand lower-cost collateral solutions – solutions that afford maximum flexibility with minimal effort to set-up and maintain.

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CCRRG wins court dispute in Arizona

The Continuing Care Risk Retention Group (CCRRG) has won a court dispute in the US District Court of Arizona, after a plaintiff sought a writ of garnishment against the RRG in December 2017.

The victory is against Jacob Benson, his parents, and his son (the plaintiffs), who filed a suit in Maricopa County Superior Court against Casa De Capri Enterprises, a skilled nursing facility.

Casa De Capri had purchased a number of successive annual claims-paid insurance policies from CCRRG, of which 2012 to 2013 and 2013 to 2014 periods contained arbitration provisions.

In addition, Casa De Capri and CCRRG had entered into a subscription agreement in September 2009 containing an arbitration provision, which was incorporated into the policies.

The arbitration policies provided that arbitration would take place in Sonoma County California.

Casa De Capri cancelled its policy with CCRRG at the beginning of August 2013 and then filed bankruptcy later that month. After Casa De Capri cancelled its policy, CCRRG withdrew from defending Casa De Capri in the plaintiffs' lawsuit.

In November 2017, the plaintiffs obtained a $1.5 million judgment against Casa De Capri. The following month, the plaintiffs sought a writ of garnishment against CCRRG.

In January 2018, the garnishment action was removed to the Arizona district court. A week later, CCRRG's motion was premised on three main contentions which included the arbitration agreements were valid; plaintiffs' "claims [were] fully encompassed within the scope of the agreement[s]"; and plaintiffs "are claiming rights that Casa de Capri had under the CCRRG Policy as assignees of Casa de Capri, thus they stand in the shoes of Casa de Capri and are subject to the arbitration agreement[s] between CCRRG and Casa de Capri".

The plaintiffs responded in late January 2018, stating that they were strangers to the arbitration clauses and therefore could not be bound to clauses that were contrary to Casa De Capri's reasonable expectations. In August 2018, judge Logan issued an order denying CCRRG's motion. After the order was issued the plaintiffs moved to amend their complaint to add claims for a declaratory judgment regarding coverage for the underlying judgment and insurance bad faith.

In April this year, CCRRG filed a renewed motion to compel arbitration. CCRRG argued that, although plaintiffs asserted in their response to the initial motion that they weren't seeking to collect from CCRRG as an assignee of Casa De Capri's contract, the plaintiffs have since made clear their "intent to pursue claims as assignees".

Although CCRRG's motion requested an order "dismissing this action and compelling arbitration" or, alternatively, an order "staying this action pending arbitration", CCRRG clarified during the oral argument that it is seeking a dismissal without compelled arbitration.

The district judge, Dominic Lanza, granted the motion to the extent CCRRG requests dismissal without prejudice. ■

R&Q agrees legacy reinsurance deal with Bermuda captive

Randall & Quilter Investment Holdings has agreed the issuance of a reinsurance deal to assume the legacy liabilities from the Bermuda captive of a US-based airline.

The reinsurance is written by a carrier owned by R&Q, Accredited Insurance (Europe).

This deal follows a similar agreement struck last year with the same counterparty and is now providing economic relief for additional policy years.

Ken Randall, executive chairman of R&Q, explained: “We are pleased to complete this follow-on transaction and build on our previous knowledge of the book and our client to again deliver an exit solution".

He added: “We are always thrilled when mutual success on a particular deal leads to re-engagement with that counterparty on future transactions.” ■

NCCIA annual conference moves to May

Thomas Adams, CEO and president of the North Carolina Captive Insurance Association (NCCIA), has revealed that the association is moving the date for its annual conference for 2020 and thereafter to the spring.

The move from its traditional summertime slot will mean the conference will now be held between 13 and 15 May 2020.

The conference will relocate from Charlotte to a new location of the Washington Duke Hotel on the Duke University Campus, in Raleigh, Durham.

Adams explained that the board of directors feels there are “simply too many domicile association meetings that fall between August and November”.

He said: “This decision is designed to get North Carolina out of that scrum and be the first major association domicile conference of the year. For the individuals who attend multiple domicile conferences, this means that the education you receive at the conference will be fresh and not warmed over.”

“It is also in keeping with North Carolina’s determination to be a domicile that stays at the crest of the wave.”

Adams noted that the NCCIA will issue a request for proposal for presentations in September. ■

Roundstone delivers distribution increase

Roundstone has reported a $2.1 million increase in distribution to business owners across the nation currently enrolled in one of the company’s group medical captives.

The figure increased from $5.1 million, which was reported earlier this year, to $7.2 million.

The Roundstone self-funded captive health insurance strategy allows employers to proactively manage health care costs and retain any money they do not spend on their annual healthcare. Participants also share in the outcome of the captive group’s yearly performance.

"The reward of health care savings also benefits employees of companies adopting our proactive approach to managing costs.”

Roundstone president Mike Schroeder, said: “Helping these employers reduce their health care costs year-over-year allows business owners to invest money back into their operations."

"The reward of health care savings also benefits employees of companies adopting our proactive approach to managing costs.” ■

Credit rating of BNP Paribas subsidiary affirmed

A.M. Best has affirmed the financial strength rating of A (Excellent) and the long-term issuer credit rating of “a+” of GreenStars BNP Paribas (Luxembourg), an ancillary of BNP Paribas (Luxembourg).

The ratings reflect GreenStars’ balance sheet strength, which A.M. Best described as very strong, as well as its strong operating performance, neutral business profile and suitable enterprise risk management.

GreenStars’ balance sheet strength is carried by risk-adjusted capitalisation at the strongest level, as measured by Best’s capital adequacy ratio (BCAR).

GreenStars’ risk-adjusted capitalisation remains at the strongest level, supported by good internal capital generation and low net underwriting leverage as expected by A.M. Best.

An offsetting rating factor remains the company’s high dependence on reinsurance, however, this is mitigated partially by GreenStars’ diversified and well-rated reinsurance panel.

GreenStars’ strong operating performance is demonstrated by its five-year average return on capital and surplus of 16.3 percent.

Performance is largely driven by the company’s low loss experience, which helps it to obtain high inwards ceding and profit commissions. The company partly decreases the potential collection of losses by purchasing extensive reinsurance.

GreenStars provides support for BNP Paribas’ lending operations, as a credit-risk management tool. ■

RIMS: Firms paying more for TCOR

Businesses paid almost 2 percent more to cover the total cost of risk (TCOR) last year than they did in 2017, according to the 2019 Risk and Insurance Management Society (RIMS) Benchmark Survey, produced with Advisen.

Reversing the trend of falling average TCOR per $1,000 of revenue seen from 2013 to 2017, average TCOR rose from $9.75 per $1,000 of revenue in 2017 to $9.95 in 2018.

RIMS suggested that the marginal increase in TCOR was driven primarily by slightly higher liability, property, and workers compensation costs.

Liability costs, the largest component of TCOR, increased by nearly 2 percent, while total property costs, the second largest component, was up 5 percent.

The third-largest component of TCOR, workers compensation costs, experienced a 3 percent increase from $2.64 to $2.72 per $1,000 of revenue.

Higher risk management department costs also pulled average TCOR slightly upward.

The report also found that the property and casualty industry had a profitable 2018. In addition, cyber insurance remains a major success story for insurers as it continues to grow faster than the overall property and casualty market.

David Bradford, chief strategy officer and director of strategic partnership development at Advisen, commented: “The property and casualty insurance industry is well-capitalised, growing, and profitable.”

“While some classes of business experienced rate increases, the robust health of the property and casualty industry helped to keep rate hikes in most lines—and therefore increases in TCOR—in check.”

He added: “Some insurers are trimming capacity in troubled lines, but overall the property and casualty industry is very well-capitalised and able to assume more risk on its balance sheet.”

RIMS vice president Steve Pottle, added: “An effective risk financing programme does much more than just protect assets.”

“Understanding TCOR allows firms and their risk management professionals to successfully allocate resources and more accurately prepare for fluctuations in the insurance market.” ■

Swiss Re and Capsicum Re partner on cyber reinsurance

Capiscum Re and Swiss Re have teamed up on a new cyber reinsurance solution, Decrypt, which aims to provide a single, flexible, and end-to-end solution to insurers' cyber exposure challenges, including embedded, silent, and affirmative cyber risks.

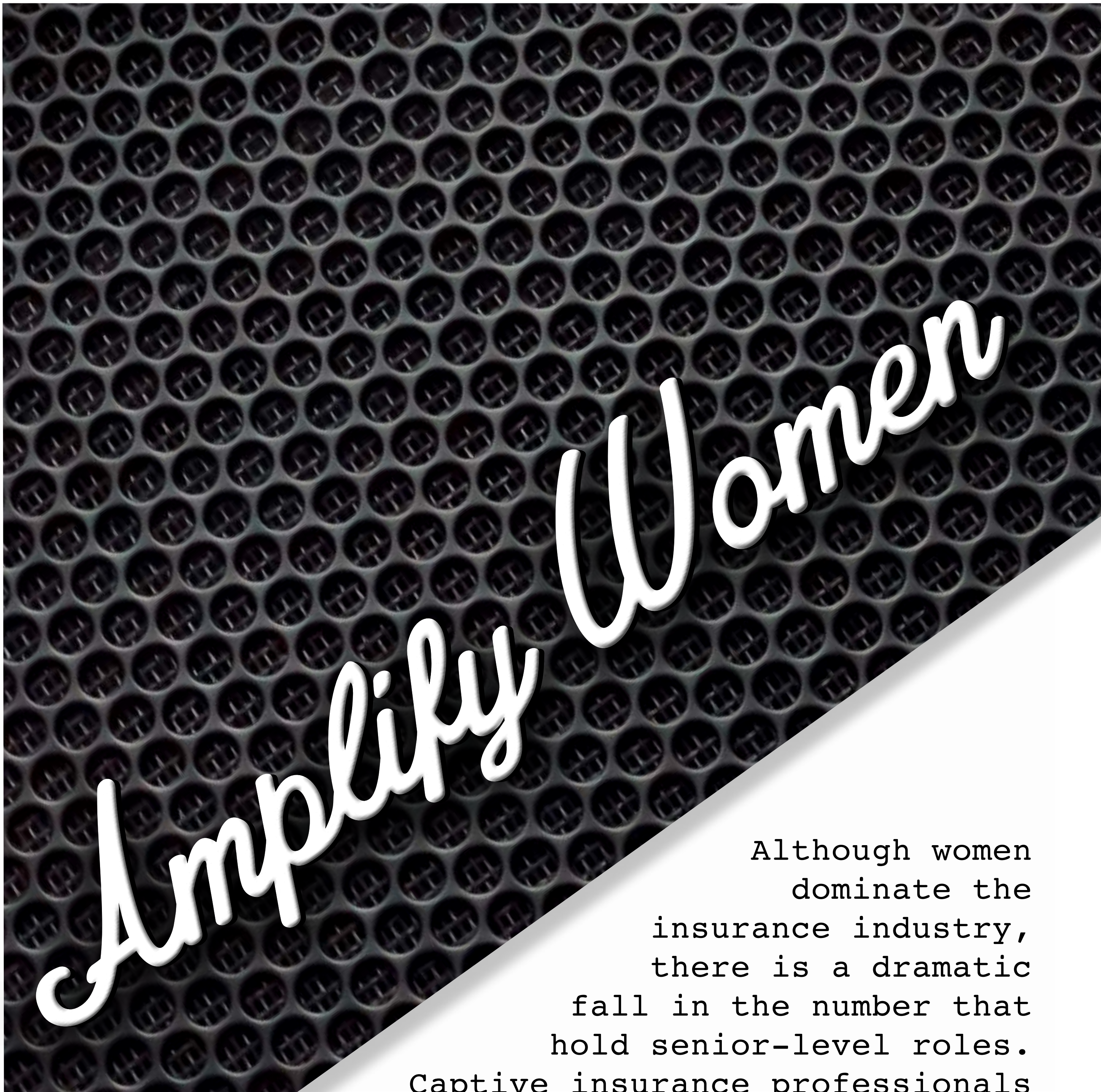
The new solution is composed of risk identification, quantification and transfer.

It offers cyber-risk evaluation expertise and a lead line from Swiss Re of up to $50 million per client with the support of a growing pool of risk transfer capacity.

Decrypt will be brought to the market at the Monte Carlo Rendez-Vous Conference on 8 September.

Anthony Cordonnier, head of cyber product management at Swiss Re, said: "'Decrypt gives insurance companies a unique understanding of their portfolios' affirmative and silent cyber exposures, and offers protection against the aggregation of cyber losses across different lines of business."

Ian Newman, Capsicum Re's global head of cyber, added: "The goal has been to align the Decrypt methodology between broker and underwriter in order to provide unparalleled insights into cyber exposures across enterprise-wide insurance portfolios while being able to offer bespoke reinsurance solutions."■



Amplify Women

Although women dominate the insurance industry, there is a dramatic fall in the number that hold senior-level roles. Captive insurance professionals discuss their own experiences as well as CICA's new Amplify Women initiative

"I think the lack of female role model representation in leadership roles within insurance, may inhibit younger women professionals to see potential paths toward those roles for themselves, further perpetuating the problem"

Karen Hsi
programme manager
University of California

Women continue to dominate the insurance industry with 60 percent of insurance jobs every year since 2007, according to a current population survey of the US Bureau of Labor Statistics.

In 2016, 1.7 million women were employed in the US insurance sector, out of a total of 2.8 million workers in the sector, accounting for nearly 61 percent of females in the insurance workforce.

However, when it comes to senior-level positions, that percentage falls dramatically. A Women in Insurance survey showed that only 19 percent of females hold board seats, 11 percent of named inside officer positions, and 12 percent hold top official positions such as CEO, COO, and CFO.

Despite compelling data that businesses benefit from gender diversity, the World Economic Forum has found that across all global sectors, women are only 28 percent as likely to reach leadership positions as men—and captive insurance is no exception to these facts.

Senior-level roles

Looking at why women are missing out on senior-level jobs, Anne Marie Towle, former executive vice president and captive practice leader, Marsh, suggests there are a couple of contributing factors.

One of those reasons, she explains, is that "women don't always advocate or raise their hands for senior-level positions, there needs to be a shift in the motivation and support of women advocating to be involved from both men and women".

Karen Hsi, programme manager, University of California, recently attended a Women in Insurance event sponsored by Insurance Industry Charitable Foundation. She says the keynote speaker shared a very interesting point that "you cannot be what you cannot see".

Hsi notes that women are not given the opportunities to be seen or voices to be heard on boards, and that senior-level positions are often men, which makes it hard for women to truly feel included in the industry.

She adds: "I think the lack of female role model representation in leadership roles within insurance may inhibit younger women professionals to see potential paths toward those roles for themselves, further perpetuating the problem."

With 80 percent of her outside communication coming from males, Diana Hardy, audit manager, Rives & Associates, "absolutely" believes women lack from higher positions in the captive insurance sector.

Currently, the captive insurance sector is facing a talent crisis, with a growing number of people in senior-level positions retiring and companies finding it a difficult task to attract new talent.

She explains that more women "would be attracted to our industry if we removed the perception of it being an old and, "Understanding and being able to communicate the accounting and tax nuances, then transitioning to planning for the impact of various transactions and upcoming standard changes, are really fun, and I get to meet interesting people all the time. It keeps me challenged to stay abreast of our ever-changing industry"

Diana Hardy
Audit manager
Rives & Associates

stodgy industry, to the reality where things are dynamic and fun".

Hardy states that there were "lots of reasons that attracted her to an insurance job". She describes one of them as working with varying types of companies every day, it may be working on a billion-dollar transaction or an audit of a small captive.

She says: "Understanding and being able to communicate the accounting and tax nuances, then transitioning to planning for the impact of various transactions and upcoming standard changes are really fun, and I get to meet interesting people all the time. It keeps me challenged to stay abreast of our ever-changing industry."

However, Hardy suggests that her gender would not stop her from getting any promotions at her job: "In my current firm, people succeed on the quality of their work, not who they are or who they know."

The Captive Insurance Companies Association (CICA) president Dan Towle explains that many industries, including the insurance industry, are working to overcome a variety of barriers and stereotypes that have kept women from advancing to senior positions.

He suggests that a "lack of mentors" is frequently cited as an issue.

The CICA president says: "Because people tend to identify with younger colleagues of the same sex, women may not have as many opportunities when company leaders are primarily men."

Addressing the problem

To address the lack of women in senior roles, specifically in the captive insurance sector, CICA has launched 'Amplify Women', a task force focused on offering women opportunities for education, networking and influence in the captive insurance industry.

CICA's Amplify Women will focus on representing women in educational opportunities, such as speaking at conferences, publishing articles, teaching and academic partnerships.

They are also addressing opportunities for influence such as serving on captive association and industry boards. Developing in-person and online networking opportunities will be another core component of their efforts.

Dan Towle says: "These activities will result in more qualitative than quantitative goals and measures such as: Are women finding CICA's networking opportunities valuable? Did we increase visibility by having more women speakers at the CICA conference? Since announcing the Amplify Women Task Force, we have had strong interest from women signing up to receive updates from the task force."

Dan Towle states that the association has taken a leadership role within the sector by raising awareness as well as helping to develop future captive professionals.

The new Amplify Women Task Force will be evaluating and recommending ways that CICA can support creating valuable networks and elevating visibility for women.

CICA is also engaging other captive industry organisations; Dan Towle reveals that he has spoken to "several associations about how they can start programmes to engage and support top talent, whether it's supporting women, young professionals or students".

One of those involved in the task force is Sandy Bigglestone, director of captive insurance at the Vermont Department of Financial Regulation.

Bigglestone explains "my role will be to connect with folks in support of Amplify Women's effort, spread optimism about careers in industry and suggest ways in which women can represent themselves".

She adds: "By doing this it will encourage professional development, and overall, have the opportunity to share my experiences as a leader in the captive insurance industry."

Another member of the task force includes Amy O'Brien, national sales director of Gallagher Bassett, who "registered as a participant with enthusiasm".

O'Brien has nearly 30 years of insurance expertise and wants to share her experience and career milestones to support the Amplify Women.

She comments: "I am truly excited about the initiatives that focus on speaking opportunities for women at conferences, and broadening our presence on industry boards."

In the US, there is a move to foster talent from within by offering educational opportunities, according to O'Brien.

Some of the biggest corporate names are even launching 'corporate universities' to give employees the chance to attain better jobs without having to leave.

She suggests Amplify Women "could play a significant role in this exciting new development".

Amplify Women opportunities

As CICA ramps up its efforts to encourage and support women in the captive insurance industry, Bigglestone explains that Amplify Women is an "important effort" to network, foster positive relationships and promote mentorship.

"I am truly excited about the initiatives that focus on speaking opportunities for women at conferences, and broadening our presence on industry boards"

Amy O'Brien
National sales director,
Gallagher Bassett

As a mentor, she says: “I hope to set an example for others and encourage them to take risks and pursue their goals.”

According to Bigglestone, the programme will likely serve as a resource for college graduates and others seeking careers in the industry as well as companies in search of talented professionals.

One of the biggest opportunities will be the ability for women to connect with other leading women in the industry.

Hardy explains that this programme will be important to the entire industry and provide the tools women in the captive insurance industry can utilise in helping them stand out and step up into those senior positions.

O’Brien is hopeful that this programme will open up conversations and drive awareness of the many opportunities that await anyone interested in getting involved with captive insurance.

The programme will also bring an enhanced focus on women in leadership positions as well as supporting and providing the education and resources to elevate women into various positions, according to Anne Marie Towle.

She explains that Amplify Women aims to highlight current women in leadership and senior-level positions, assist with mentoring and provide resources for matching women to their goals and helping them succeed.

Others in the industry are excited to see that there are programmes out there that help foster women’s growth within their industry.

"My role will be to connect with folks in support of Amplify Women’s effort, spread optimism about careers in industry and suggest ways in which women can represent themselves"

Sandy Bigglestone
Director of captive insurance
Vermont Department of Financial Regulation

"Women don't always advocate or raise their hands for senior-level positions, there needs to be a shift in the motivation and support of women advocating to be involved from both men and women"

Anne Marie Towle

According to Hsi, in an industry that is so relationship-based, she believes that this initiative would help create the perfect opportunity for women to become "champions" and "advocates" for one another, supporting each other's ideas and efforts, and helping to influence each other's' careers in positive ways.

Hsi adds: "As a young professional, I am very excited to participate in this programme because I could see it providing many opportunities to expand my network of intelligent women to look up to and seek guidance and mentorship from as I continue to build my own career within the captive industry."

Why now?

With the captive insurance sector struggling to draw in new talent and a growing number of senior-level people retiring—having women sit in senior-level jobs may be one way to attract younger females who are entering the business world.

O'Brien states that there is considerable dialogue throughout the insurance industry about the shortage of qualified people to fill all the job openings available at this time.

She explains that this can be tied directly to economic and cultural changes. For instance, there is a rise in the number of people retiring as the boomer generation moves out of the workforce.

The timing for CICA's Amplify Women is "spot on", according to O'Brien. ■

A new domicile on the horizon

With Brexit looming, contingency plans are being made within the captive insurance sector to minimise the damage. Nigel Feetham discusses options for Gibraltar and the UK as well as the La Linea initiative for a new captive domicile

Deal or no-deal?
Hard or soft?
Leave or remain?

Brexit and its uncertainty have been a topic on everyone's minds since the UK-EU Referendum in June 2016, the insurance sector is no exception to this chaos.

As a consequence of the UK's decision to leave the EU, a scenario which is yet to be confirmed but is likely, Gibraltar and UK insurance companies will lose their rights under EU law to continue to do insurance business across the European single market.

Nigel Feetham, Queen's counsel, partner, Hassans International Law Firm, explains that there have been concerns that following a hard Brexit, UK and Gibraltar insurers will not be able to continue to service policyholders and claimants across Europe in line with applicable regulatory rules.

Feetham, who has been advising Gibraltarian insurance companies, including captives, on Brexit contingency plans, describes three Brexit-related options apart from a run-off.

These contingency options include a statutory portfolio transfer, novation and redomiciliation.

A new captive domicile

After a number of challenges presented by Brexit, Feetham explored the possibility of Gibraltar captives and insurers relocating to the neighbouring town across the border with Spain, La Línea de la Concepción (La Linea).

He describes this option as "potentially attractive" for Gibraltar companies with existing infrastructure, suggesting that it helped retain jobs and economic activity in Gibraltar, while also creating employment and generating tax revenues for La Linea as an alternative to relocating to Malta. Feetham visited Madrid on several occasions and met with the Spanish regulators. He also discussed this with the Mayor of La Linea, Juan Franco.

However, after discussing this idea with clients, Feetham explains: "For La Linea to be able to successfully compete with Malta as an EU captive domicile it was necessary for the territory to have a low/special tax regime."

He adds: "This presented a considerable challenge as it required support from the Spanish National Government, the local Municipal Government and navigation through complex EU law issues."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> “As a result of Brexit, Gibraltar companies will lose their EU passporting rights once the UK leaves, meaning they will lose their ability to sell insurance products direct to EU consumers”

On 25 June, the PSOE-A, the Andalucian regional arm of the PSOE who are currently the political party in power at a national level in Spain, entered into an agreement with La Linea municipal authorities to “mediate, to obtain a special tax status for La Linea, to cover, amongst others, activities in the insurance, financial and online gaming sectors”.

At the time of the announcement, Feetham said: “We may be seeing a new captive domicile in the making.”

He added: “For that to happen, it was clear to me that La Linea needed to enjoy a special tax regime distinct from the rest of the Spanish mainland which has significantly higher corporate taxes than Malta.”

What started off as an idea, “has now started to gain some traction,’’ according to Feetham.

UK-Gibraltar relationship

The UK is the most important insurance/financial services market for Gibraltar, however, Gibraltar is equally important to the UK, Feetham notes, describing this as a “relationship of partners”.

Gibraltar insurers provide underwriting capacity to the UK that Feetham explains “might not otherwise be available, and fosters competition which also helps provide jobs for thousands of people in the UK”.

Brexit has made the Gibraltar partnership relationship “even more important” for both sides, taking advantage of what each other has to offer.

The recently announced single market with the UK is a continuation of the ‘Gibraltar Order’ negotiated by the government many years ago. The single market between the UK and Gibraltar will continue post-Brexit, Feetham explains.

He describes it as a “reconfirmation of the solid rock-like relationship between the UK and Gibraltar”.

The future

Although uncertainty around Brexit remains, Feetham believes the UK’s exit has changed the map of the Gibraltar insurance sector and will continue to do so over the coming years.

As a result of Brexit, Gibraltar companies will lose their EU passporting rights once the UK leaves the EU, meaning they will lose their ability to sell insurance products direct to EU consumers.

Feetham outlines those Gibraltar companies that have sold insurance exclusively or predominantly to EU (non-UK) residents have either had to consider the three contingency options previously mentioned.

Although Gibraltar is losing business to Brexit, it has also gained business and new opportunities.

Feetham explains Maltese companies that do business in the UK have redomiciled to Gibraltar.

As reported last month, Bray Insurance Company and Caversham Insurance Company have both redomiciled from Malta to Gibraltar.

He also suggests that there is a potential for consolidation in the Gibraltar market through potential mergers and acquisitions.

Finally, Feetham expects Gibraltar insurers to remain attractive to private equity investors. He says: “I see that continuing, if not accelerating, in the next few years.” ■

Wellbeing in practice at the global level

By using data to drive insight and inform decisions, benefit managers and their insurers can address trends and cost drivers more precisely, allowing for effective health benefit programmes, says GEB's Daniela Masters

Daniela Masters
Head of health and wellness programmes
Generali Employee Benefits Network (GEB)

Most insurers provide clients with some degree of scheme reporting, the quality and extent of which varies greatly. But without the resources and know-how to delve deeper into claims data and ultimately identify the trends and cost drivers, it can be a challenge to come up with meaningful initiatives for their mitigation. Captive clients have perhaps an even greater interest in managing the health risk within their population, requiring an in-depth understanding of the root causes behind utilisation and diagnostic trends.

Well-designed medical claim reports offer focused information to help benefit managers make important decisions about group cover and implement supplemental health programmes. There are various options in the market, but the best medical reports are those that present data in an aggregated but highly interactive format with drilldown functionality, allowing users to study spending trends at country level, with data sorted by population type, benefit and diagnostic categories and medical provider, as well as analyses of peak claims and high claimants, and changes in the number of covered lives. Data subsets allow benefit managers to pinpoint root causes for year-over-year changes in utilisation of medical services, including incidence, frequency and unit cost of services.

With a comprehensive data set, benefit managers can make informed decisions regarding plan design, terms and conditions, eligibility, provider networks, HR policy and relevant wellness initiatives.

The best solutions generally involve building closer partnerships and working collaboratively—across HR, rewards, health and safety, risk management, and with local insurers—to achieve more informed decision-making at the local and global level.

Following are some case examples where data was applied to help identify meaningful programme changes that would support both the health of members as well as the financial health of the global benefit plan: ■

Case Study 1: Understanding cost drivers for preventative care in the Philippines

Using GEB's Medical Dashboard Reports, a captive client with a large population in the Philippines identified an unusually high volume of spending under the health examinations diagnostic category (ICD 10/Subchapter 21). Spending in this category represented nearly 10 pecent of total paid claims, with category expenditures increasing nearly 30 percent over the prior year. This appeared to be overwhelmingly caused by employees (96 percent of claimants) who were obtaining routine physicals.

Upon examination of the data at a deeper level, we identified a subcategory "Other special examinations and investigations" where most of the spending was incurred. In fact, nearly 70 percent of the paid amounts for health examinations were related to this subcategory, and 99 percent of those paid amounts were for executive health checks (as opposed to routine check-ups). Furthermore, 100 percent of the executive checks were for a very low number of individuals and provided at one single medical facility, one of the most expensive private hospitals in the country, offering health checks at 100 times the average check-up cost.

Recommendations/observations

Negotiate volume discounts with a preferred provider and limit the scope of services:

With many executive health checks required by HR policy for certain populations, we saw an opportunity to negotiate a volume discount through a single preferred provider who could offer a more focused and thoughtful scope of packaged services to better control costs but still ensure the essential tests would be included.

Alternate funding for executive health checks:

When included as a covered benefit in an insurance plan, mandatory executive health checks are typically priced within the premium at full cost, for example, a 100 percent Loss ratio and the employer pays both premium tax and reinsurance commissions on top of the total cost for those services.

This means that by embedding mandatory executive health checks within the insurance plan, the cost to the captive is actually higher than it would be if the employer simply reimbursed the incurred expenses directly.

Since these are known (and often required) costs, they can be quantified and budgeted for on an annual basis.

Insurance is perhaps best used for unforeseeable expenses, not mandatory ones.

It was our recommendation, then, that the captive considers reimbursing the executive health checks directly, rather than offering as an "insured" benefit.

In this scenario, the insurer could even continue to administer the reimbursement for the executive health checks, but arrange for reimbursement to come directly from the employer, rather than from medical premiums.

By examining the true root cause of claims spending, we were able to identify relevant recommendations and alternatives for providing executive health checks in the Philippines.

Case study 2: Understanding utilisation trends for respiratory healthcare services

GEB's Medical Dashboard Reports for one large client revealed an unusually high volume of respiratory claims in Thailand where the local medical contract offered extremely limited outpatient coverage, representing 23 percent of total paid claims. Of those claims, 63 percent were attributed to services for acute upper respiratory tract infections, for example, the common cold and 37 percent to influenza/pneumonia.

Through further analysis, we found that influenza/pneumonia claims were mainly incurred by dependent children, with 77 percent of the total paid for influenza/pneumonia resulting from inpatient hospitalisations, specifically for pneumonia.

Further research identified some interesting hospital admission patterns worth querying. To address this problem, it was clear that a more complex and comprehensive solution was required beyond the client's general flu vaccination campaign for employees. Dependent children were the key to addressing this driver, and especially pneumonia.

We also discovered that hospital admissions for the dependent children were all during evening hours to lower-cost hospitals, suggesting that the difficulty employees had for caring for children during the workday may have motivated decisions for hospital admissions for illnesses that might be more appropriately addressed at home or in an outpatient setting.

The lower-cost hospitals were all too willing to admit the sick children when they presented at night so that a specialist could see the children in the morning.

Recommendations/observations:

To address this issue and respiratory illnesses in general, GEB recommended the following:

- A family health day hosted by the employer to better address dependents who were driving claims, and the promotion of not just free flu jabs, but pneumococcal vaccinations as well, especially for children.
- An HR policy review to consider allowed absence(s) from work to care for dependents (especially for lower-paid staff).
- A review of and possible access to outpatient care to ensure sufficient benefits for the treatment of respiratory illnesses in the outpatient setting and prevent unnecessary hospitalisations. This included the introduction of telemedicine for medical advice on how to provide care at home, and to avoid symptom escalation among children (especially dehydration), as well as to obtain medical clearance to reduce unnecessary doctors' visits.
- An education and awareness campaign to help employees and their families learn how to avoid and manage colds and flus.
- Implementation of a more focused pre-authorisation process/triage service for approving hospital admissions for respiratory illnesses.
- Consultation between the insurer and the treating hospitals to review the medical necessity criteria for hospitalisations for influenza.
- An assessment of office air quality, changing of air filters, improved sterilisation of all office surfaces.
- A smoking cessation campaign.

By using data to drive insight and inform decisions, benefit managers and their insurers can more precisely address trends and cost drivers, allowing for a more effective and affordable health benefit programme for global staff.


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The latest moves in the captive industry

Anne Marie Towle will step down as executive vice president and captive practice leader at Marsh on 6 September.

Towle has over 20 years of experience in the sector and has worked in many key onshore and offshore domiciles.

She served at JLT as executive vice president and captive practice leader before the firm was acquired by Marsh earlier this year.

In addition, Towle has worked at Willis Towers Watson, KPMG, Crowe Horwath, EY and more.

Towle explained that she will announce the next step in her career path soon. Marsh has declined to comment on the departure.

James Insley has joined DARAG as group CFO, reporting to CEO Tom Booth.

Insley brings with him 20 years of insurance industry experience to the role, most recently working as European CFO of the Warranty Group from July 2016.

Insley will replace James Halley, who will leave the firm mid-September.

At DARAG, Halley assisted the completion of the business's strategic capital upscaling and the group's recent expansion.

Booth said: "James Halley helped complete the investment by Aleph and Crestview into DARAG, which was a crucial milestone in the delivery of DARAG's exciting expansion during the past year."

Pinnacle Actuarial Resource has welcomed back Ken Hawkins as a consulting actuary in the firm's Bloomington home office.

Hawkins returns to Pinnacle after three years of leading pricing and rate implementation for a regional property/casualty insurer's commercial lines products.

With more than 13 years of experience in the property/casualty area, his expertise includes loss reserving, funding studies, cost allocation mechanisms, loss cost projections, captive feasibility studies, commercial lines rate-making, financial analysis of insurance companies, deductible analysis and simulation methods.

Joe Herbers, managing principal of Pinnacle, said: "We are very pleased to welcome Ken Hawkins back to Pinnacle."

He added: "Hawkins has tremendous breadth and depth of experience and will bring a highly relevant, customer-focused approach to the work he does for our clients."

Aaron Brown has been promoted to the new role of UK and Ireland regional manager at MAXIS Global Benefits Network (MAXIS GBN).

Brown will be leading a team of seven employee benefits experts that work with MAXIS GBN's strategic partners to develop employee benefits solutions for British and Irish multinational companies.

In his new role, he will report to David Schupak, regional director of Western Europe, Middle East and Africa.

Brown's most recent role at MAXIS GBN was senior multinational account executive.

During his career, he has also worked at MetLife Europe as a multinational account manager, based in London.

Ricardo Almeida, head of distribution at MAXIS GBN, said: "Over his seven years with MAXIS, Aaron Brown has been working with some of our biggest clients and has developed an excellent understanding of their needs."

He continued: "I'm confident he'll continue to excel in delivering a great service to our clients and help develop our growing UK and Ireland team in his new role as regional manager." ■

Roxanne Meyer has left the captive and alternative risks group at CNA Insurance to take on a new position at the firm.

Meyer, who has worked as an underwriter on the captives and alternative risks group at CNA since June 2015, will now take on an underwriter role for ageing services. As an underwriter for the captives and alternative risks group, Meyer wrote healthcare policies for a variety of providers seeking fronting solutions.

This included matching deductible, captive reinsurance and assumed reinsurance programmes for hospitals, physicians, pharmaceutical companies and other entities looking for unique insurance solutions to meet regulatory requirements.

Commenting on her role change, Meyer said: "I am thrilled for the new learning opportunity, but it was incredibly hard to walk away from my captives and alternative risks/hospitals underwriting colleagues, brokers, accounts, and insureds I've worked with since starting at CNA. But I am ready to push myself and get started on my new book." ■

Peter Halprin has joined Pasich, a boutique insurance recovery and entertainment firm, as partner, based in New York.

Prior to his new role, Halprin started working as an attorney in 2009 at Anderson Kill, where he focused on insurance recovery and served as deputy co-chair of the cyber insurance recovery practice.

Halprin represents commercial insureds in complex insurance coverage matters, with a particular focus on recovery strategies in relation to captive insurance, cybercrime, natural disasters, professional services, regulatory investigations, and technology disputes.

Commenting on his move, Halprin said: "This was a fantastic opportunity to get in on the ground level with a growing and esteemed insurance coverage boutique."

He continued: "Pasich has a substantial international insurance practice with specialities in property and business interruption as well as political risk insurance. The firm is frequently engaged in international arbitration and I am excited to continue building and growing the practice in New York and around the globe."

Kirk Pasich, managing partner at Pasich, added: "I've been aware of Peter Halprin and his accomplishments for quite some time. He demonstrates a unique combination of substantive insurance knowledge and practical, deep arbitration skills, both of which are essential to best serving and advocating for clients with insurance issues." ■