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The primary source of global captive insurance news and analysis
13 November 2019 - Issue 186

THE GOLDEN AGE

Kerr Russell's Eric Lark provides an insight as to why group captives continue to flourish

Data Insight

The need to use and extract more data has become a top priority, says GEB's Vittorio Zaniboni and Frederik Van Den Ede

Blockchain Focus

Blockchain is starting to appear on the agenda of many firms within the captive insurance industry

Trade Mission

Vermont's Ian Davis discusses the states's captive insurance trade mission to Mexico


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www.captiveinsurancetimes.com

Published by Black Knight Media Ltd

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Published by Black Knight Media Ltd
Company reg: 0719464

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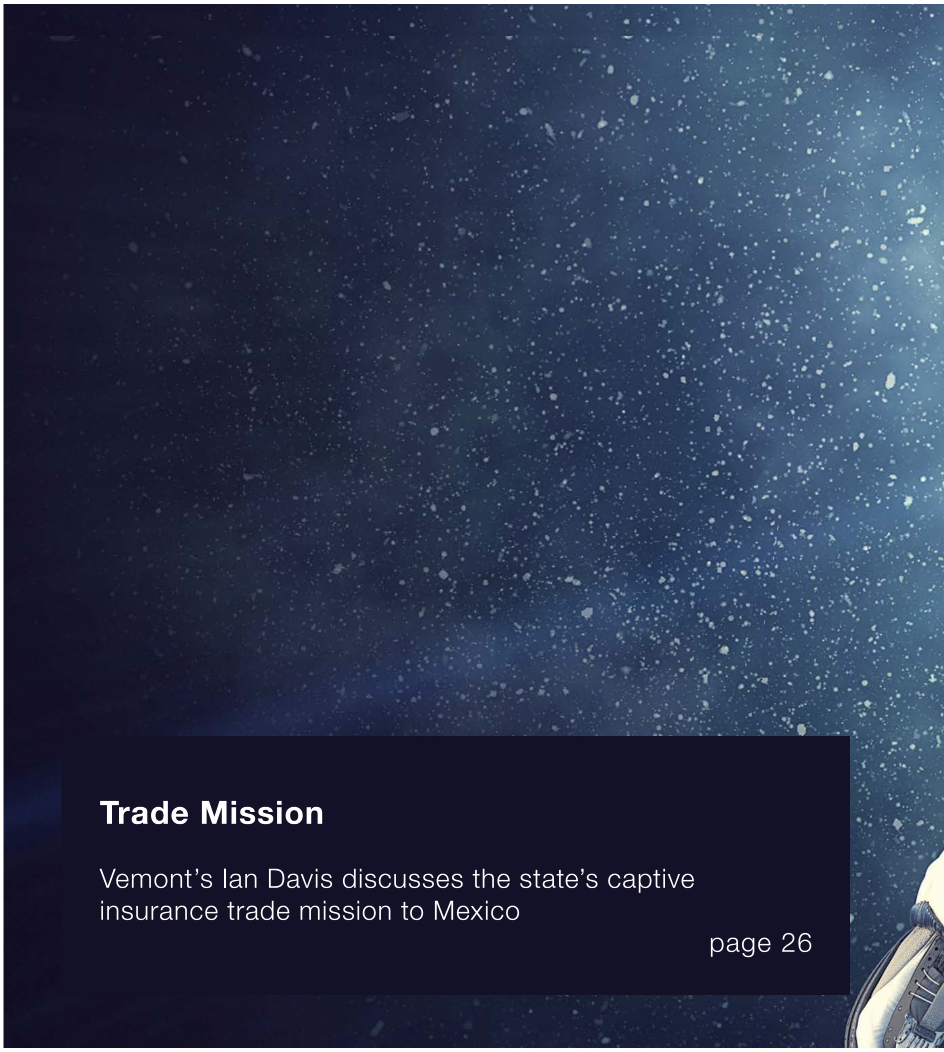

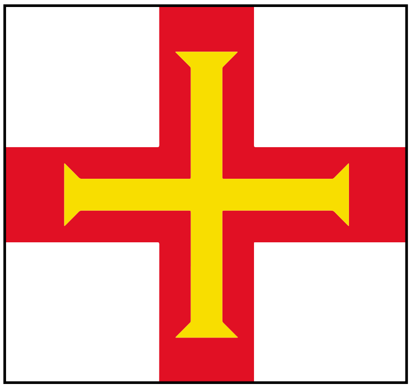

Guernsey to amend incorporated cell law

The Guernsey Committee for Economic Development has reviewed incorporated cell company legislation and advised a number of new amendments, according to Walkers.

Walkers suggested that the amendments will likely be implemented during Q4 2019 or Q1 2020.

Kate Storey, a partner at Walkers, explained that the change of law will allow boards on incorporated cells to be different from the board on the umbrella incorporated cell company.

Storey said this is "significant" for rent-a-captives using an incorporated cell company structure, including the incorporated cell companies which have been set up on the island for longevity risk swaps by pension schemes.

She noted that pension trustees—and other rent-a-captive owners—will "appreciate the added control they can have over their incorporated cell captive by appointing representatives to the board of their cell, whereas previously the board had to be composed of the same people appointed to the board of the incorporated cell company owned by the manager of the structure". ■

RiverStone acquires two Cayman captives

RiverStone has acquired two Cayman-based captives, GMPCI Insurance Company and Seaside Indemnity Alliance Company.

Formed in 2013, Seaside assumed hospital and physician professional liabilities in Connecticut. GMPCI was formed in 2005 to insure anesthesiologists, certified registered nurse anaesthetists and registered nurses and is primarily based in Massachusetts.

Matt Kunish, chief business development officer of RiverStone, said: "We are very excited to complete our first transactions in the captive space. "We were able to provide a solution as part of a larger transaction."

He continued: "With more than 20 years' experience in the traditional insurance markets, we look forward to using our expertise in the captive space."

Kunish added: "In addition to providing insurance risk solutions, we also see an opportunity to use our skills to provide other services to the captive industry, including claim handling services." ■

Accredited reveals new programme underwriting partnership

Accredited Surety and Casualty Company, a wholly-owned subsidiary of Randall & Quilter Investment Holdings (R&Q), and a Florida-domiciled insurance company licensed in all 50 states, has entered into a new programme partnership with M. G. Skinner & Associates Insurance Agency (MG Skinner).

Accredited will be the issuing carrier on behalf of MG Skinner for directors and officers (D&O) and crime coverage offered to community associations primarily in the western states such as California, Texas and Arizona.

MG Skinner of Los Angeles, California, operates as a specialty insurance broker and programme administrator licensed in all 50 states, providing proprietary property and liability products of insurance under the brand name Skinner Select, for habitational, commercial, hospitality, and community association assets.

Todd Campbell, president and CEO of Accredited, commented: "We are pleased to partner with them as they seek to expand their D&O and crime coverage business. Accredited has a growing pipeline of new partnerships for 2019 and we are excited to be delivering on our mission to be the programme underwriter of choice for US MGAs, MGUs, programme owners and their capital partners."

Mike Skinner, president of MG Skinner, added: "We appreciate the effort put in by the Accredited team to bring our D&O and crime to the marketplace. This partnership will allow us to offer quality products, competitively priced and professionally serviced specifically targeted for condominiums and homeowners association." ■

Ratings affirmed for Phillips 66 captives

A.M. Best has affirmed the financial strength rating of A (Excellent) and the long-term issuer credit ratings of "a" of Spirit Insurance Company (Spirit) (Vermont) and Radius Insurance Company (Radius) (Cayman Islands). The outlook of these credit ratings is stable.

A.M. Best categorised Spirit and Radius' balance sheet strength as very strong, as well as their adequate operating performance, neutral business profile and appropriate enterprise risk management.

Phillips 66 is the parent company for the two captive insurers, Spirit and Radius. The captives' loss experience has remained generally favourable due in part to a lack of material catastrophic events and the parent's strong loss control programme. The parent company conducts periodic reviews of Spirit and Radius' potential loss exposures through an industrial risks specialist. The captives' underwriting risks largely consist of onshore and limited offshore property and liability business.

Spirit provides property damage, business interruption and excess liability insurance to Phillips 66, and its affiliates and subsidiaries related to domestic US operations only, but generally does not provide coverage for Texas-based risks.

Radius provides similar coverage as well as cargo insurance to Phillips 66 and affiliates, and subsidiaries related to non-US risks in which Phillips 66 has ownership interests.

A.M. Best explained that Spirit and Radius have exposure to high severity, low-frequency losses due to the limits offered on their respective policies and their significant dependence on reinsurance protection. Spirit also provides terrorism coverage to its parent.

A.M. Best said: "While terrorism risk exposure remains relatively high on a gross basis, concerns are mitigated by reinsurance protection afforded by the Terrorism Risk Insurance Programme Reauthorisation Act (TRIPRA)."

"However, due to the temporary nature of TRIPRA, A.M. Best will continue to monitor the company's gross terrorism risk exposure over time as it relates to the company's risk management practices and overall capacity." ■

PwC: 'Steady' figures for Q3 2019 non-life insurance run-offs

PwC found a significant increase in publicly announced deals in Q3 2019 compared to the previous quarter, with deals doubling from seven to 14.

The report explained that the number "remains steady" when compared to Q3 2018 which had 15 deals and indicates the continued momentum of the non-life insurance run-off deals market.

However, the figures showed that estimated gross liabilities transacted have dropped significantly as there were "no mega-deals announced in the quarter".

The average estimated value of transactions in Q2 was $444 million, but this figure decreased to $58 million in Q3.

The results found that a range of liabilities have been transacted in Q3, from general liability to engineering and captive insurance, continuing the trend of run-off solutions becoming part of 'business as usual' for (re)insurers.

Three of the captive transactions were acquired by R&Q and a fourth was from SOBC Darag.

Similar to Q2, the report showed a mixture of activity across the globe in Q3, with the most activity seen in the US with six deals, followed by the UK and Ireland with four deals. ■

‘Excellent’ ratings for LOTS Re

A.M. Best has assigned a financial strength rating of A- (Excellent) and a long-term issuer credit rating of “a-” to LOTS Reassurance Company, based in Turks and Caicos. The outlook assigned to these credit ratings is stable.

A.M. Best has categorised LOTS Re’s balance sheet strength as adequate, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM). LOTS Re’s ratings benefit from the support of its parent, Fortegra Financial Corporation (FFC).

LOTS Re is a Turks and Caicos-incorporated subsidiary of FFC, a US insurance group specialising in credit and warranty business. As of late 2018, LOTS Re’s adequate balance sheet assessment reflects the organisation’s strong risk-adjusted capitalisation, as measured by best’s capital adequacy ratio.

Also contributing to the balance sheet assessment is the company’s diverse blend of fixed income securities, equity holdings, BA assets, and other investments, as well as its stable loss reserving trends as a captive reinsurer for Fortegra since 2016.

A.M. Best assessed the company’s operating performance is adequate due to its profitable operating results since becoming a captive reinsurer of Fortegra, and reasonable performance projections through 2020.

The rating firm said it considers FFC to have “satisfactorily demonstrated its willingness to provide capital to its subsidiaries whenever necessary and expects that willingness to continue”. ■

Q3 non-life ILS capacity hits near-record figures

The value of non-life capacity issued and outstanding at the end of Q3 reached $27.3 billion, according to the new insurance-linked securities (ILS) Market Update from Willis Re Securities, part of Willis Re, the reinsurance division of Willis Towers Watson (WTW).

The report suggested that alternative capital in all different forms is growing again, notwithstanding the losses and related loss creep in the last several years.

It found that some managers, sectors, and strategies have outperformed, and are now benefiting as a result, while others remain under stress.

Meanwhile, reduced loss creep, higher premiums, and the associated improved risk-return profile have provided a tailwind which should prompt new issues.

The report outlined regulatory change as a trend to watch, suggesting that the choice of legal entity and domicile is not usually near the top of the list of key factors influencing ILS market activity, but this year could be different. There is an unusual amount of innovation and change in this area around the world. The change creates interesting options for market participants.

William Dubinsky, managing director and CEO, Willis Securities, said: "The ILS market is at an important inflection point. Starting in Q4, but with more effect in 2020, we expect growth in the more liquid forms of ILS, particularly catastrophe bonds."

He continued: "Some investors are realigning their portfolios towards investments with lower projected losses, as they see increasing relative value at the more remote end. That could bode well for cat bonds." ■

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.

It's a need that has given tremendous traction to the insurance-linked securities (ILS) market and in particular the emergence of reinsurance collateral trusts.

The SunTrust advantage

SunTrust has a long history of escrow, trust and risk management excellence and expertise, with both domestic and international coverage. We work with large and small carriers alike to help mitigate risk for their insurance business needs.

Our collateral trust product at SunTrust can help you with the following insurance needs:

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- **Operational Efficiencies** – from pre-arranged agreements with major insurance carriers to streamlined onboarding and KYC processes, our knowledge of the reinsurance trust business helps ensure that things are done right and done fast.

To find out more about how SunTrust can support and enhance your reinsurance business, please contact:

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- **Reduced Liability Concerns** – insurance trusts may limit the range of acceptable investments; this is done to ensure adherence to all regulatory requirements.

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'Excellent' ratings for Schlumberger captives

A.M. Best has affirmed the financial strength rating of A (Excellent) and the long-term issuer credit ratings (Long-Term ICR) of "a+" of Castle Harbour Insurance (Castle Harbour) and Harrington Sound Insurance (Harrington).

The financial strength rating of A (Excellent) and the long-term ICR of "a" of Colliers Bay Insurance (Colliers) (Cayman Islands) have also been affirmed. A.M. Best has withdrawn the ratings of Colliers, as the company has requested to no longer participate in A.M. Best's interactive rating process.

The rating company categorises Castle Harbour and Harrington balance sheet strength as strongest, as well as their strong operating performance, neutral business profile and appropriate enterprise risk management (ERM). The ratings of Colliers reflect its balance sheet strength, which A.M. Best categorised as very strong, as well as its adequate operating performance, very limited business profile and appropriate ERM.

The companies are captive insurance companies for Schlumberger, a provider of technology, integrated project management and information solutions to customers working in the oil and gas industry worldwide.

The ratings consider the captives' critical role as part of the parent company as well as the excellent operating performance during the past five years, providing tailored insurance coverage for certain property/casualty risks to subsidiaries of the parent.

A.M. Best explained that the business profiles of Castle Harbour and Harrington are neutral, but are single-parent captives, as each captive writes a broad scope of business and has significant geographic diversification.

The captives also carry relatively large limits in their general liability and property lines of business. A.M. Best said it recognises the financial flexibility afforded the captives by the well-rated parent.The company received a rating enhancement from its parent, based on its role and integration within the parent's organisation and it's expected that management will continue to maintain the strongest level of capital in the captive to support any risks through the run-off period. ■

Applications open for BrokerTech Ventures Accelerator programme

BrokerTech Ventures has opened the application window for the 2020 BrokerTech Ventures Accelerator programme. The programme was launched earlier this month by Holmes Murphy, who partnered with M3 Insurance, PayneWest Insurance, ABD Insurance & Financial Services, Conner Strong & Buckelew and Assurance.

The programme is designed for investors and innovators to build the next generation of technology solutions for insurance agencies and brokerages. Dan Keough, Holmes Murphy chairman and CEO and BrokerTech Ventures co-founder, said: "We're looking for any and all new ideas applicable to the agent and broker community."

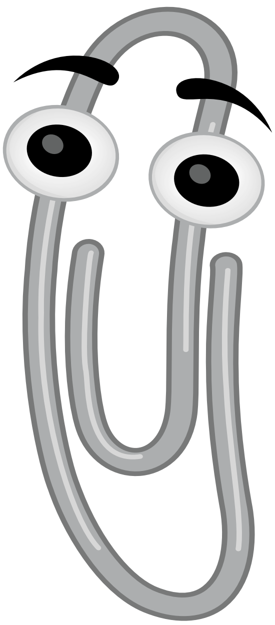
He added: "We intend to cast a wide net to capture the broadest view of innovations which support needs specific to brokers, ultimately bringing these selected insights and products to our customers and business partners."

The deadline for submissions is 29 November 2019, and selected startups will be notified of acceptance in early February 2020. Afterwards, the first cohort will begin the five-week Accelerator programme in March 2020. A total of $500,000 in seed funding is at stake for the selected broker-centric, early-stage startups, with each startup receiving up to $50,000.

In addition to the Accelerator submission process opening, a targeted search is in progress for the organisation's first executive director. BrokerTech Ventures started accepting applications for the position on 1 November.

Commenting on the programme launch, Keough explained that some of the automation, analytics, and other ideas that come out of the accelerator will have a potential benefit for captives, as well as for independent agencies and brokerages. Keough said: "At Holmes Murphy, and with our own investments in building out Innovative Captive Strategies, we believe that our greatest investments are those in which we uncover innovative solutions for our customers." ■

“You look like you’re new to blockchain, do you need some help?”



Although the captive insurance industry is lagging behind in terms of innovation, blockchain is now increasingly appearing on the agenda of many firms but is there a valid use case?

The captive industry industry is not known for being innovative, however, blockchain has crept on to the agendas of those in the captive insurance industry over the last 18 months.

Blockchain allows digital information to be distributed but not copied, creating the backbone of a new type of internet. Blockchain came to the forefront in 2008 when it was invented by Satoshi Nakamoto to serve as the public transaction ledger of the cryptocurrency bitcoin. The technology has been described as a “time-stamped series of an immutable record of data that is managed by a cluster of computers not owned by any single entity”.

The concept has been adopted and implemented by many different major business sectors over the years but is the captive insurance sector playing catch up with this technology—and has this technology been fully thought-out by industry professionals?

Linking the chains

The captive insurance industry has only over the last few years started discussing the possible use cases of blockchain within the market.

Doug Alexander, digital enterprise architect, AXA XL, says that blockchain is "just beginning to have a tangible impact in the insurance industry and we see it having a significant future impact".

Alexander describes blockchain as a "highly hyped technology" but says "there are many insurance-related blockchain industry consortia that are moving out of the experimentation mode and are expected to realise the planned benefits".

He suggests that this is "really positive for the industry to be in this learning mode and broader success will only be possible, like many new technologies, in the adoption at scale and this is the current challenge".

Sarah Hazzledine, lead of blockchain in financial services for Accenture Europe, explains that while disruption is rocking all industries, "among the most vulnerable is insurance".

It has been estimated that by 2022, carriers that are slow to respond to changes and innovation by agile, hyper-relevant competitors could suffer market share erosion worth as much as $198 billion, according to Hazzledine.

She suggests that the insurance industry has "grasped the advantages of a distributed ledger system that ensures consistency of data across a network" in the early years.

"There are many insurance-related blockchain industry consortia that are moving out of the experimentation mode and are expected to realise the planned benefits"

Doug Alexander
Digital enterprise architect
AXA XL

The industry has seen the potential in distributed ledger technology (DLT) to transform entire insurance markets and ecosystems and to enable the creation of new insurance business models and products.

However, Hazzledine believes that there is "unrealistic expectations about how quickly and easily the value of DLT and blockchain might be realised, along with the cultural challenges of reshaping core industry processes, meant that the technology has not until now, delivered the anticipated benefits".

As it stands, many firms that launched pilots and proofs of concept—even successful ones—remain uncertain about how to realise the return on investment using this technology.

Also weighing in is Marcus Schmalbach, CEO of Ryskex, who suggests that blockchain isn't having any impact on the insurance sector.

Schmalbach suggests the rumour that the industry is disrupted by this technology "hangs like a sword of Damocles over us, but still, there are, at most, tiny steps and no revolutionary use cases".

He says: "I even go so far as to say that the cases currently being touted are more likely to hamper the blockchain's triumphal march as they don't provide any scalable value."

Taking a byte

InsurWave is one example of a blockchain platform that is currently being used.

The "first blockchain-enabled" insurance platform in production, was created by EY and Guardtime, in collaboration with others in the insurance industry such as Microsoft, ACORD, Maersk, Willis Towers Watson, AXA XL and MS Amlin.

It has been designed to integrate and secure the streams of disparate data sources involved in insuring shipments around the world.

According to Alexander, this is "a great story of working together across the industry to solve for the data sharing and friction challenges across the insurance value chain".

> "[The insurance industry] has grasped the advantages of a distributed ledger system that ensures consistency of data across a network"

Sarah Hazzledine
Blockchain in financial services leadlead
Accenture Europe

He explains that "in the insurance transaction, client and the captive structure of Maersk, broker Willis Towers Watson, insurer AXA XL and reinsurer MS Amlin share vast amounts of data between and within each organisation".

He explains that InsurWave allows "each member of that value chain to have the same version of the truth, captive included".

He adds: "Near real-time exposure data, how this exposure was insured, whether it be retained by the captive or insured or reinsured and each party in the transaction had access to that same data."

Alexander notes that this "changes both the relationship between the parties and the nature of the insurance transaction from a point in time to near-real-time allowing for constant views of exposure and what is or is not retained", adding that this platform is "a game-changer".

Alexandra Gedge, business development and captives executive at Marsh, suggests that there are "endless opportunities" that blockchains can provide the captive insurance sector.

Gedge says that establishing shared rules and standards as to how the industry shares data among captive owners, service providers, and regulators "has the potential to help with quicker payments and automate some of the more straightforward loss payments via smart contracts, as well as help with administering global programmes".

Rocco Mancini, vice-president of Marsh Captive Solutions, adds: "Moreover, shared rules and standards can create greater transparency for all parties involved. One result is a broadening discussion around creative ways a captive's capital can be utilised and maintained, which regulators can monitor in real-time with blockchain."

Matthew Queen, general counsel and chief compliance officer, Venture Captive Management, says that captive managers can use blockchain applications to insure new risks and provide market solutions where the admitted carriers are struggling.

> "The cases currently being touted are more likely to hamper the blockchain's triumphal march as they don't provide any scalable value"

Marcus Schmalbach
CEO
Ryskex

One example Queen provides is windstorm coverage, suggesting that it may function more efficiently without worrying about total indemnification.

Queen comments: "Leveraging the windstorm example above, a group or association captive providing parametric coverage for a large deductible on a 10 percent deductible windstorm property policy would effectively solve a huge issue in certain markets. Most windstorm coverage is too expensive without a large deductible."

He suggests that parametric coverage offered via captive could pre-fund a deductible a minimal cost while retaining a traditional property policy above the captive's retention.

"This is a simple variation on the traditional buyback deductible captive strategy. This is low hanging fruit. The real interesting applications rest in insuring new risks that traditional carriers overlook," Queen adds.

Some further developments were made around blockchain in the captive industry in August this year when the Distributed Ledger Governance Association (DLGA) announced they had set up a captive insurance working group in Vermont.

The DLGA is a non-profit trade organisation focused on the blockchain industry, founded in order to showcase ledger businesses and technology.

At the time of the announcement, John Burton, the DLGA chair, explained that the working group would host a forum of "engaged captive insurance stakeholders to accelerate the meaningful use of blockchain in the captive insurance space".

Building a firewall

When examining why some firms are holding back from exploring blockchain, the finger of blame points in every direction.

"With the rising interest in insurtech, blockchain is competing for time and capital with plenty of other technologies in addition to the natural cost, and time, barriers to adopting something new"

Alexandra Gedge
Business development and captives executive
Marsh

Mancini suggests that "most companies still have a lot to do" regarding the use of blockchain.

He explains that currently in the industry there are big changes, including a transitioning insurance market and International Financial Reporting Standards (IFRS) 9 and 17, that are priorities for captive owners, service providers, and regulators ahead of emerging technology.

"Particularly in the insurance industry, lots of companies and regulators are becoming blockchain ready, but, as the technology's potential has not yet been fully realised, it can be challenging to prioritise a blockchain proof of concept," Mancini adds.

Jeana Nordstrom, president of UniRisk, suggests that although there are a number of companies not using blockchain currently "as younger replacements are hired we will see a complete change in a few short years".

However, Queen states that although "it feels great to blame the baby boomers for everything. It'd be easy to simply say that the old folks running insurance companies just don't get it. As is the case with any technology, laggard management is an issue".

According to Queen, the youthful captive managers also deserve some of the blame, suggesting "a lack of imagination on the part of captive managers has generally held back wider adoption of blockchain".

He adds: "This is due to over-selling 831(b) enterprise risk captives and failing to invest proper resources into the pulling this new technology into our space."

"That said, necessity is the mother of invention and as larger carriers

"The blockchain philosophy is like a successful double pass in football—alone is impossible"

Jeana Nordstrom
president
UniRisk

incorporate blockchain into their practices the captive industry will be forced to follow in suit."

Hotspotting blockchain?

Although there are firms exploring the possibility of blockchain solutions within the captive insurance industry, there is also room for firms to collaborate and come up with blockchain solutions together.

Hazzledine explains that "consortiums, where groups of organisations commit resources towards a common cause, appear to be successful drivers in this early wave of DLT".

She describes that "by coming together, companies are able to combine their experience and resources to overcome the hurdles to DLT adoption".

"In establishing business networks that capture efficiency gains, these first-movers are laying the foundation of a future transformational and disruptive impact on the entire industry."

Nordstrom believes "every partner in the process regardless of how remote from the end policy need to be linked in".

Agreeing with Nordstrom, Schmalbach suggests that "the blockchain philosophy is like a successful double pass in football—alone is impossible".

Schmalbach says he "would even go so far as to say that one does not only cooperate with traditional market participants or one's own value chain but also expands the field of dialogue and cooperation partners".

Virtual obstacles

Although there is a lot of hype around the possible use cases of blockchain, the captive insurance industry will stumble across challenges.

Queen explains that "it's a very new product and we are still unsure of how blockchain could fail".

Queen notes: "Google claims that it figured out quantum computing—that should theoretically invalidate the safety of these transactions on the distributed ledger."

He adds that although Google's claims are likely inflated for marketing, "that's a systemic risk to the whole concept of DLT".

"Finally, you've got good old fashioned ignorance. Using new technology always comes with challenges."

"We just don't know what we don't know. That's likely to cause delays, mistakes, and failures to launch," Queen says.

Gedge suggests that "with the rising interest in insurtech, blockchain is competing for time and capital with plenty of other technologies in addition to the natural cost, and time, barriers to adopting something new".

She comments: "Companies may struggle to justify the time and capital requirements to pilot the technology and create shared rules and standards internally, let alone collaborating externally to do the same."

Schmalbach relates blockchain to a poem by Hermann Hesse which begins with the words 'and every beginning contains a magic' but he says, "I like to add, but also always a risk".

He explains that "no other industry knows more about risks than the captive and insurance industry." But he adds the biggest risk facing the captive sector "is a lack of courage."

Schmalbach says: "The greatest courage is always put by the parties on the day

“Using new technology always comes with challenges. We just don’t know what we don’t know. That’s likely to cause delays, mistakes, and failures to launch”

Matthew Queen
General counsel and chief compliance officer
Venture Captive Management

that has the most to win or the most to lose. That’s why I think there’s a very exciting and echoing thing going on in Vermont and London right now.”

“Some because they want to stay number one, others because they have to reform to survive. The biggest challenge in both warehouses is to convince regulators, legislators and their customers of the added value of the solution and its security,” he adds.

Schmalbach predicts that it will be 2020 before a “moonshot solution is presented by at least one of the two protagonists respectively the way it will be paved”.

Phishing towards the future

Looking towards the future of blockchains within the captive industry, Hazzledine explains that “by working together to determine how their market may benefit from an industry-wide solution and how to share the costs of ideation and development, insurance organisations can uncover the true value of DLT”.

She suggests that means companies that wish to succeed with DLT should seek other insurance organisations and ecosystems which share their vision for an important industry process and work with them to find where there is room to create mutual benefit.

“Such initiatives will need to be driven by tech-savvy business leaders with the ability to bridge legacy organisations and new models of collaboration and engagement,” Hazzledine adds.

Alexander concludes: “Blockchain will be an enabler of new and refined business processes and data standards in the near future and will change the way that we work with third parties.” ■

“Lots of companies and regulators are becoming blockchain ready, but, as the technology’s potential has not yet been fully realised, it can be challenging to prioritise a blockchain proof of concept”

Rocco Mancini
Vice president
Marsh Captive Solutions

THE GOLDEN AGE

Kerr Russell's Eric Lark explains that due to a number of factors group captives continue to flourish

Over the past five to seven years, captives have increasingly made the news, mostly for the wrong reasons.

Internal Revenue Code (IRC) Section 831(b) micro captives have been the subject of intense Internal Revenue Service (IRS) scrutiny and the captive industry has watched the IRS stridently pursue the lowest hanging fruit—831(b) captives aggressively promoted mainly for tax avoidance and for questionable insurance purposes.

Not surprisingly, the IRS has been on a bit of a roll, prevailing in several recent tax court decisions. Misinformed taxpayers, getting penalised by the IRS, are looking to the promoters for recompense. It all makes for interesting headlines, grabs the attention of the captive industry, and feeds the public's cynicism.

Meanwhile, pure/single-parent captives organised for proper insurance and business purposes remain steady, with far less fanfare and drama. Group captives, beyond remaining steady, are flourishing as a result of a confluence of many factors, described below. Indeed, it truly is the "golden age" of group captives.

What is a group captive and what are some of its benefits?

Group captives come in many shapes, structures and sizes. They essentially allow companies that may not be large enough (from an insurance dollar standpoint) to form their own single-parent captive, to come together and participate in a captive programme enjoying its benefits.

If these companies have a positive loss profile, they should be able to lower and stabilise their overall insurance costs as opposed to being priced with their industry in a volatile market.

Another, perhaps less obvious benefit for companies participating in group captives, is that such companies typically become much better from a safety, risk control, and claims handling standpoint. Group captives engender a heightened focus on safety, risk management, and claims. There are a few reasons for this. First, the group captive members are working with their own dollars rather than insurance company dollars.

Second, they are accountable to the other group captive members, with whom they are sharing risk.

Companies also see the direct impact of their risk and claims management efforts on their bottom line and benefit from an increased awareness of risk management and loss control best practices. Participants can learn what other best-in-class companies are doing.

There is an exchange of risk mitigation ideas, especially in the homogenous group captive setting, which benefits the collective membership. Group captive participants are also able to share operational best practices.

Finally, by sharing their legitimate insurance risks, in whole or in part, with other like-minded companies, group captive members achieve the risk distribution necessary to constitute "insurance" which in turn allows for premium deductibility.

Who are group captives best suited for?

Group captives are ideally suited for companies that operate in industries with inherently difficult risk profiles, leading to volatile, high pricing in the traditional insurance market.

The best candidates are the companies in those industries that are best-in-class from a safety standpoint but are nevertheless still priced with the industry.

Some industry examples include trucking, construction and manufacturing. Homogenous group captives have responded to the need for these types of companies to look at alternative insurance structures.

Additionally, any company that spends significant insurance dollars and that has made risk reduction, safety, and aggressive claims handling a priority will benefit from the group captive model.

Likewise, companies that have not acted yet but have a desire to take control of their risk management costs and make themselves safer will always be good candidates.

Eric Lark
Attorney
Kerr Russell

> Even if we see an end to the golden age of group captives, in the absence of a catastrophic change to the captive industry as a whole it is unlikely that in the near-term the realignment of factors impacting the group captive industry will be its death-knell

Indeed, companies looking to leverage safety as a market differentiator will always benefit from the group captive structure.

Why is this the golden age of group captives?

Group captives achieved modest popularity in the 1980s and 1990s as companies, both large and middle-market, attempted to gain control of their insurance costs. In the late 1990s/early 2000s, as a result of a hardening insurance market and volatile pricing, insurance brokers looking to find solutions for their "best in class" clients, increasingly sponsored or financed group captives, many of which domiciled in the Cayman Islands.

Many of the group captives established in the 25-year period leading up to the Great Recession in 2008 were predictably impacted by the economic downturn, with member attrition causing some groups to liquidate and others to downsize. Even the strongest groups struggled to maintain member numbers and overall premium levels. Importantly, however, the well-managed, stable group captives survived and became better companies in the end.

The Great Recession, in a few important ways, helped fuel the golden age of group captives. Indeed, as surviving businesses started coming up for air in 2011 and 2012, they vowed not to repeat the mistakes of the past and scrutinised their expenses, including insurance expenses. In turn, corporate purchasers of insurance have become much more sophisticated. In this environment, a vehicle to lower and stabilise insurances costs makes a lot of sense. The Great Recession similarly caused group captives to become smarter, more efficient, and increasingly competitive. The Great Recession also led to increased regulation, some of which has impacted group captives positively, leading to better-run captives.

The strengthening economy—especially in the US—over the past five to seven years has also contributed greatly to the golden age of group captives. With increased economic activity, low unemployment, a rising stock market, low-interest rates, and increased consumer confidence and demand, large-cap and middle-market companies are thriving. Also, the demand for traditional business lines of insurance—workers compensation, general liability, auto liability, property—is up, as is the demand for newer insurance lines such as cyber liability.

Medical expenses and health care costs remain high, and the reinsurance markets have been impacted by natural disasters and other global events. Auto liability—especially for transportation/logistics companies—in the US has increased dramatically as jury awards have skyrocketed. Over-regulation in jurisdictions such as New York, California and Illinois, and in certain industries, has caused rates to increase or insurers to exit the market altogether. All of these factors—and more—have caused rates to increase or dramatically increase and remain generally volatile. General liability rates, even for "best in class" companies, are increasing in the traditional marketplace, while auto liability rates are substantially increasing. All of this inures to the great benefit of group captives as companies seek shelter from the expense and volatility of the traditional marketplace.

Other factors contributing to the group captive golden age include the overall increased awareness of captives as a result of the internet, word of mouth, insightful and aggressive marketing, and the realisation by brokers that a captive solution needs to be a part of their repertoire; the growth in the number of legitimate domiciles–especially in the US; the advent of innovative coverages in an increasingly complicated world; the continued availability of traditional reinsurance which allows fronted programmes to remain competitive; and a new generation of professionals entering the industry, energised and bringing new ideas.

Finally spurred-on in part by regulation and increased competition, group captives are better operated and more efficient than ever before. Successful group captives are completely transparent and able to withstand the most intense scrutiny. Best practices are routinely employed so that the members fully understand the captive structure, its risks, the money flow, the costs and coverages, the service provider roles and compensation dynamics, and exit strategy. All of this and more must be fully transparent and explained to the members upfront and in writing. Group captives must be run properly, with regular meetings, appropriate checks and balances, proper corporate governance and internal controls. They also need a detailed risk management framework, vigorous committees, written protocols and procedures and significant member involvement, all to avoid problems and surprises from a financial or risk management perspective. Members need to educate themselves concerning all aspects of the captive.

Not surprisingly, given the mix of conditions mentioned above, group captives are thriving. The long-established groups are growing, with the largest problem often being how to weed out the best in class companies from those with few, if any, other good options. New groups are being established by well-known onshore captive administrators and commercial insurance brokers. New brokers are sponsoring groups, as are some traditional insurers.

What does the future hold for group captives?

So, when will the golden age of group captives end? It's hard to predict—just as a complex confluence of factors led to the golden age, any realignment of those factors could cause it to end. Some of the larger, and most volatile, of the factors, could strike a decisive blow to the golden age. These include the global—especially the US—economy, the overall softening of the commercial insurance market, over-regulation, and regulatory/taxation reform.

The good news, however, is that even if we see an end to the golden age of group captives, in the absence of a catastrophic change to the captive industry as a whole it is unlikely that in the near-term the realignment of factors impacting the group captive industry will be its death-knell. After all, the industry has already survived an energy crisis, exorbitantly high and negative interest rates, the cold war, the dot-com bubble, Y2K, 9/11 and the rise of global terrorism, the collapse of the financial markets, the great recession, increased regulation, and climate change. ■

Mission possible

Ian Davis of the Vermont Department of Economic Development discusses the state's captive insurance trade mission to Mexico

What are you currently working on within the Vermont captive insurance market?

This time of year is a busy time for Vermont's captive industry. In addition to the many captive conferences and events we attend, the fourth quarter is when we often license the greatest number of captives, develop our proposals for the upcoming legislative session and layout our objectives for the coming year. By all accounts, 2019 is shaping up to be another strong year for Vermont and we have a number of exciting activities planned for 2020.

In August, VCIA revealed it will be leading a captive insurance trade mission to Mexico - how will you be involved in this?

This is really a jointly-led effort. While the State of Vermont and VCIA have extensive experience hosting business development roadshows throughout the US, for this particular undertaking we felt it necessary to utilise the resources and expertise of our Mexican counterparts. Together we are working with multiple partner organisations—including the office of the US Commercial Service in Mexico, Mexican insurance regulators and representatives from Mexico's International Trade Administration—to help promote the event. As the captive experts, we are focused on tailoring the educational content to our Mexican audience, whereas our partners in Mexico are helping to lead the marketing and outreach activities.

Who else will be involved in the trade mission? And what work is being done in preparation?

Even before the trade mission was formally announced back in August, we had been reaching out to our captive colleagues to gauge their potential

"The overall objective of the trade mission is to help educate the Latin American market on the benefits of captive insurance and the advantages of being in a reputable, onshore jurisdiction like Vermont"

Ian Davis
Director of financial services
Vermont Department of Economic Development

interest and level of involvement. Several expressed a strong interest and have already signed on as event sponsors. We anticipate that more companies will want to get involved as awareness around the event continues to grow.

In terms of preparation, we have already confirmed the event-related logistics—including venue, on-site support, translation services. We are now in the process of working with the US Commercial Service office in Mexico to help manage the promotional campaign and outreach activities. Our sponsors, along with our existing Mexican contacts, have also been very helpful in getting the word out.

What is the overall objective/goal of the trade mission?

The overall objective of the trade mission is to help educate the Latin American market on the benefits of captive insurance and the advantages of being in a reputable, onshore jurisdiction like Vermont. We know based on our discussions with Latin American companies, as well as captive managers and service providers, that there is increased interest in captives among insurance and risk management professionals in the region. As a global leader in captive insurance, we think that we have a role to play in helping ensure the captive concept is well understood and communicated, and we look forward to participating in the discourse.

When will the trade mission take place and what will the educational forums cover?

In many ways, the educational forums will mirror the existing road show events we hold throughout the US. The general structure consists of two separate educational seminars featuring a combination of captive owners, service providers and Vermont regulators.

The first seminar is focused on the basics of captive insurance—the reasons for formation, the feasibility process and key issues in putting a successful captive programme together. Attendees also gain an understanding of the cost structures associated with captives, tax implications and hear a brief overview of the Vermont domicile.

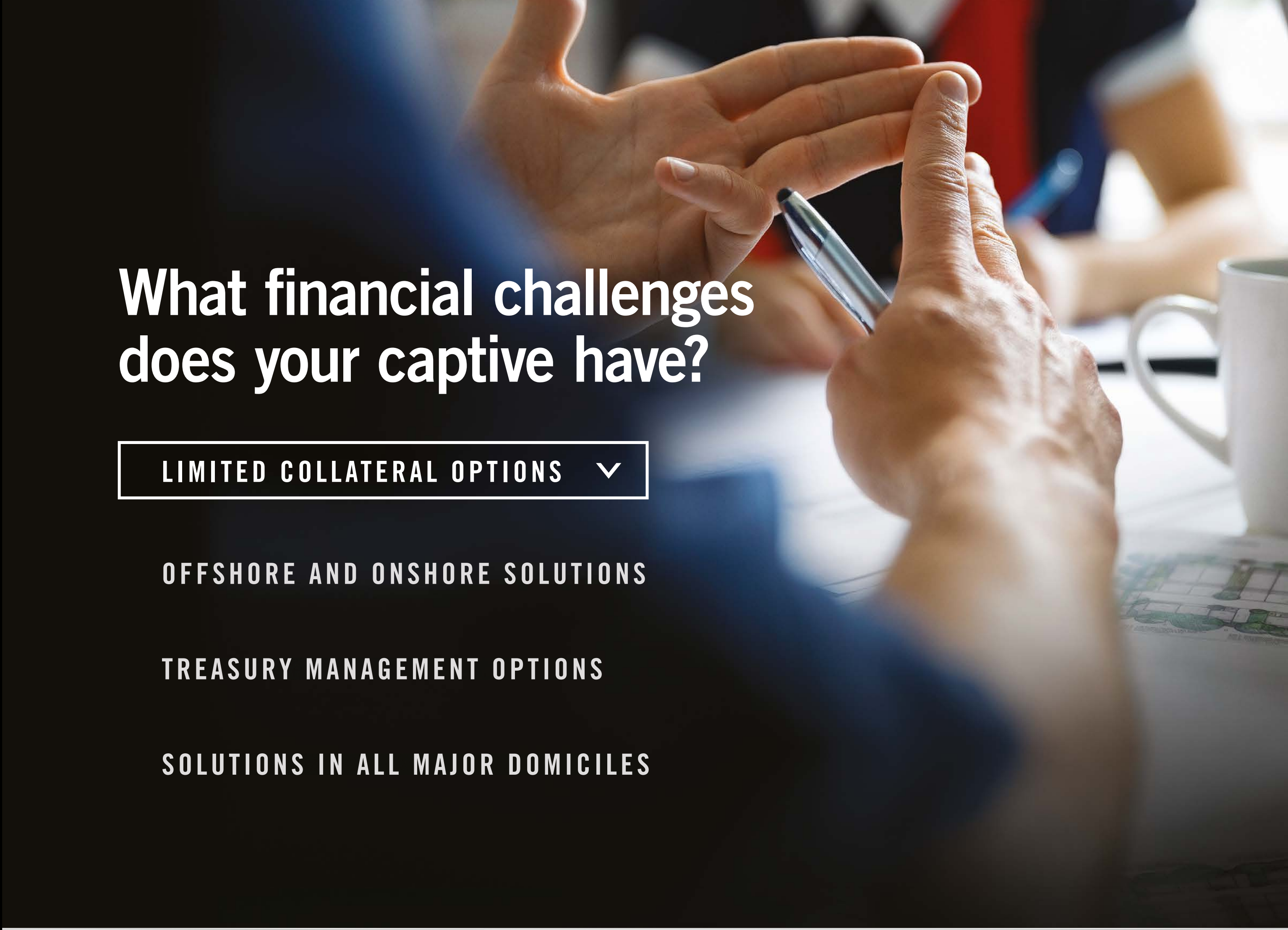
The second portion of the event, in my opinion the most valuable, is centered around the actual experience of captive owners. In this seminar, captive owners are asked a series of in-depth questions about their respective programmes, including the various challenges they may have faced, obstacles overcome, and the lessons learned from owning and operating a captive. This portion of the programme is often highly interactive and gives audience members—many of them prospective captive owners—the opportunity to ask their most pressing questions. Excitingly, we have already lined up a Vermont-domiciled, Mexican captive owner to lead this portion of the event.

What are the reasons for selecting Mexico as the destination for this trade mission?

We had been looking at hosting an international roadshow for the last few years. As is often the case, when we were considering where to go, we made our decision based on what we were seeing and hearing from the industry. From those conversations, it became clear that Mexico should be our first destination.

Is this something you plan on doing in other locations?

I will say that based on the initial feedback we have received, it certainly appears there is a demand for these types of events. The fact is, Vermont services the global industry and we have over 60 captives with international parents; as the largest US domicile and third largest in the world, I think it is incumbent upon Vermont to play a leading role in spreading the message about captives. ■



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Whole lotta data

As organisations strive to maximise employee benefits value and minimise costs, the need to extract and use more and more data has become a number one priority for decision makers. GEB's Vittorio Zaniboni and Frederik Van Den Eede explain more

It has become the norm for captive clients to ask for increasingly more advanced solutions—particularly in the field of data availability and insight. It's our job to support our business partners and facilitate solutions which work best for all stakeholders. To do so, we also need to distinguish between short-term trends and long-term value, according to GEB's CIO Vittorio Zaniboni and head of client services Frederik Van Den Eede.

As organisations strive to maximise employee benefits value and minimise costs, the need to extract and use more and more data has become priority numero-uno for decision-makers. As the ultimate risk management vehicle, employee benefit captives increasingly provide the infrastructure that businesses need to do all of this. Many data and business insight tools are already there, but more are being added (and requested) all the time and, arguably, not always for good reason. It's time to hit the pause button, take stock and get to grips with all the advanced capabilities to hand.

The captive market is constantly raising the bar with regards to expectations from network providers, in terms of quality and service deliverables, in a continuous quest for the most informed and data-fed view on their portfolio performance.
It's for this reason that GEB pioneered global medical dashboards for captives nearly a decade ago. And why we further stepped up our game last year in terms of content, format and functionality, providing access to clear and illuminating information.

Not only that but we also now provide even more insight: individual interpretation of the graphs and tables, context about the market and local cover, benchmarking and recommendations on how to mitigate trends and cost drivers.

It's also why, more recently, we designed an underwriting display data booklet to provide underwriting year data to clients. More on which later.

As a provider, we try to remain as flexible and responsive as possible. However, there are certain constraints that are simply out of our control, such as the complexity of local regulatory frameworks, not to mention the client's own internal policies and processes around aspects such as corporate governance, General Data Protection Regulation, International Financial Reporting Standard 17, audit and compliance practices.

Consequently, even what seems like the simplest request can sometimes bring considerable complexity to the process. These ramifications often only come to light some way down the value chain.

More of the same?

The key for an EB Network is to balance the reality of the complex environment in which we operate, with the clients' needs and expectations. We must look behind the initial request and work in partnership with clients and consultants to fully get to grips with the end result expected. Only then can we determine which solution—whether already available or not—is going to meet their needs.

For example, a client may ask for 100 different data points, but they can probably get everything they need from just 30 to 40 if they are shown how to extract and interpret the value embedded in those data points.

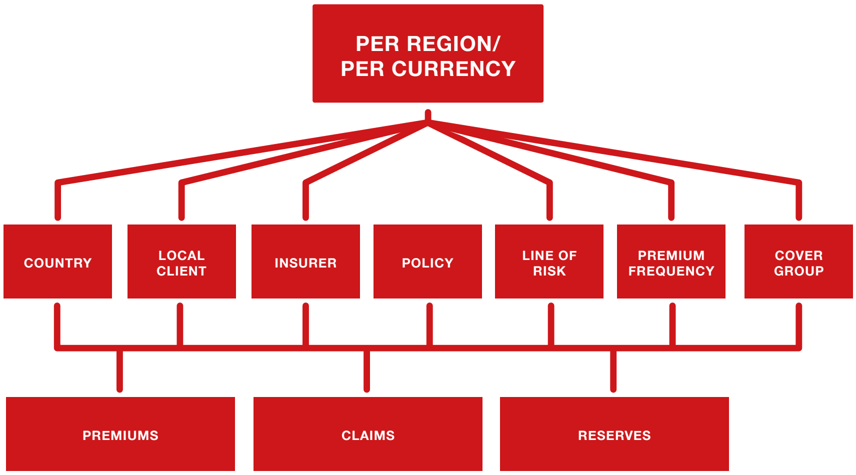
This represents a common scenario. In the absence of full comfort in the data to which they already have access, clients or consultants will sometimes just ask for more data. This is rarely the answer. In fact, it only serves to make things more complicated.

Often, what's needed instead is help and guidance to understand what's already available, and how to extract value and make the best use of the information.

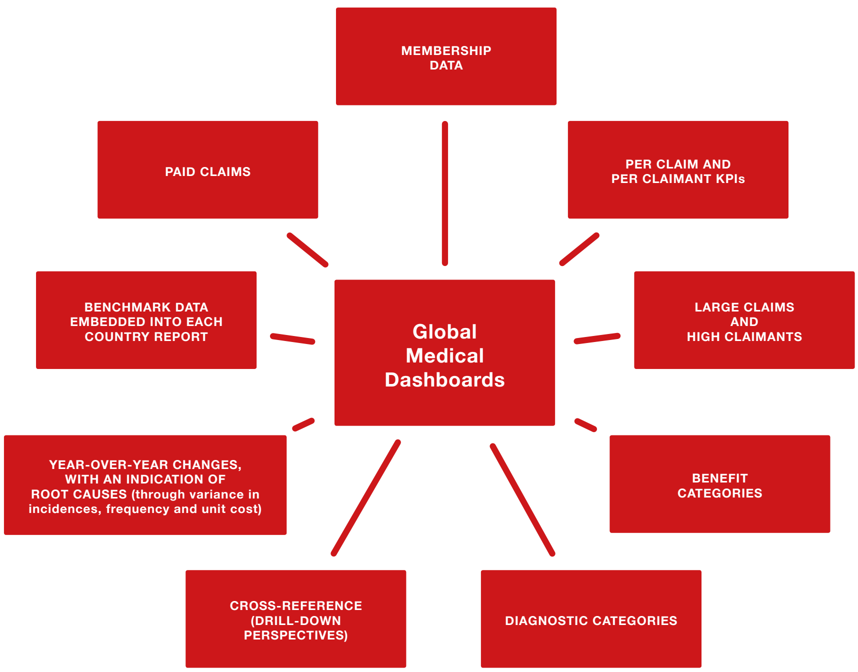
In this respect, the focus of EB Networks should probably concentrate more on shifting the approach from passively "giving the clients what they ask" to partnering with them, taking more time to listen to their challenges and constraints, and understanding together which is the most efficient way to solve their problems, and deliver true value, containing the complexity on the provider side to a manageable level.

Captive reporting from GEB: an overview

Underwriting display data booklet



Global medical dashboards



Close partnership working is the key to success in all these regards: across the network, clients and consultants.

Less conflicting priorities

The most sustainable strategy is to look across the requests and identify where priorities align: to find a common denominator. In this way, we can look to design a solution that provides value to the many rather than the few.

This represents the sweet spot.

It's what we did with regards to underwriting year data. In line with the growing need for all organisations to improve transparency and control, we surveyed our captive clients to assess the importance of underwriting year data, and what exactly "underwriting year data" meant to them.

Consequently, we set to work designing an underwriting display data booklet, focusing initially on claims paid and claims reserves. This gives all captive clients access to a year to date comparisons. Users can select KPIs by line of risk, country, region etc.

As part of the e-GEB business transformation project, initiated last year, we are further developing our capabilities here with a view to providing full underwriting data on all items (premiums and reserves as well as claims) via a fully automated and pre-defined interactive dashboard, accessible via any device.

Time to process

So, what are we doing to help clients interpret better all the data to which they currently have access? Or, looking at it another way, how are we ensuring that the fall-back option, when data is perceived as insufficient or where a client expresses a need for something new, isn't to just extract "more data"?

During annual or quarterly meetings—particularly those around renewals—networks must ensure a focus on data understanding and usage.

The key is to listen to the client's questions, concerns and needs. During these discussions, we sometimes identify the need for an educational session, aimed at improving the full understanding of the information we provide in our reports.

Sometimes the information a client needs has been there all along, it just hasn't been identified and that's something that we must take on board and address.

Or, as mentioned, we might find a common denominator across client questions and feedback: an aspect of need that we can then investigate further with a view to potentially designing a viable solution that provides long-term value.

We're currently investigating ways to make all aspects of the data we provide as clear as possible.

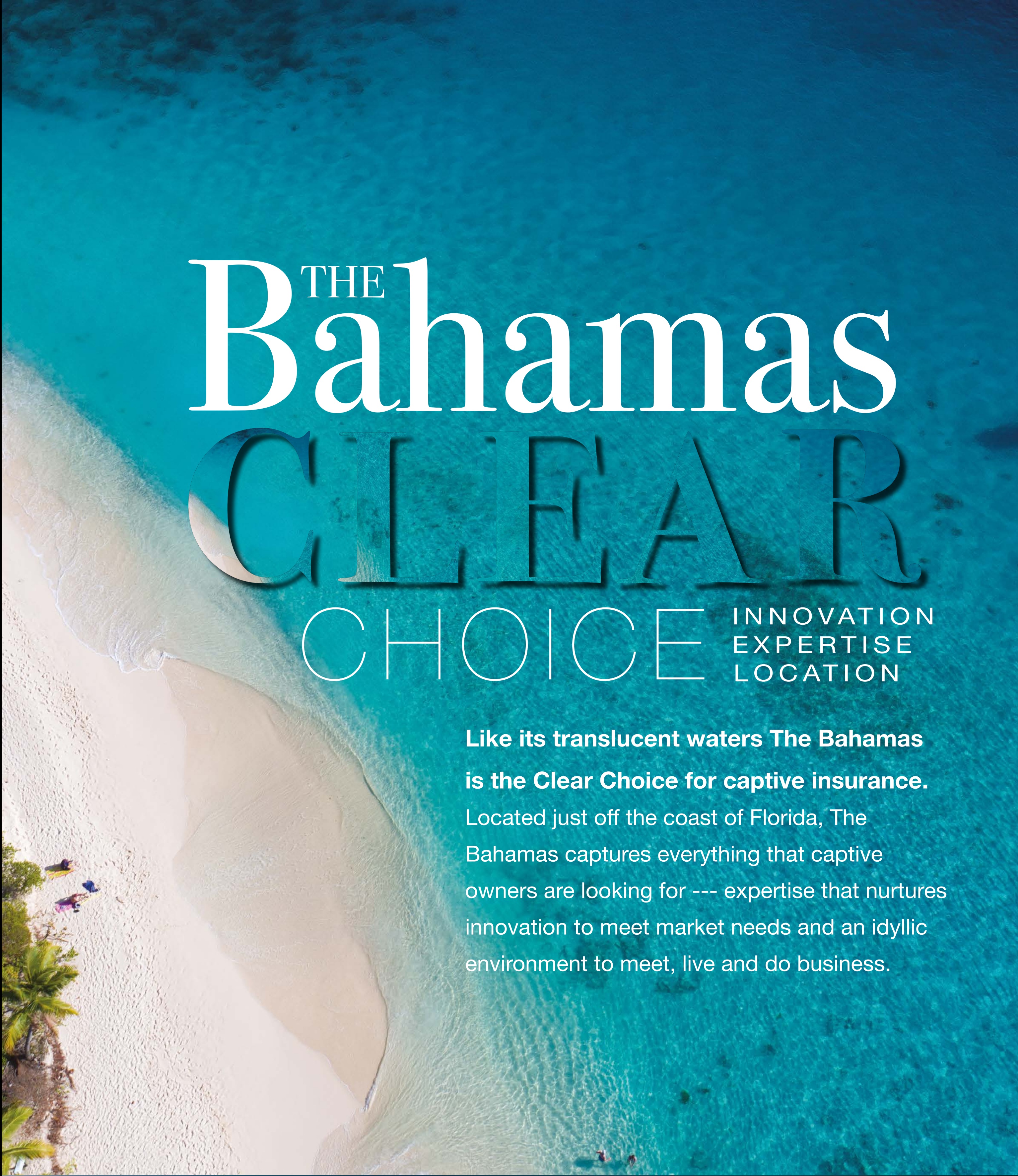
This activity is being fed into the e-GEB business transformation project: a complete overhaul of our operating system and architecture.

This is about improving capabilities and simplifying processes: preferring to give clients the tools they need and the skills to use them, rather than simply increasing the quantity of data provided.

It's a given that trying to be all things to all men represents an impossible task, but aiming to increase the efficiency of the workflow to most stakeholders is not only achievable but proffers long-term value. ■

Vittorio Zaniboni
CIO
GEB

Frederik Van Den Eede
Head of client services
GEB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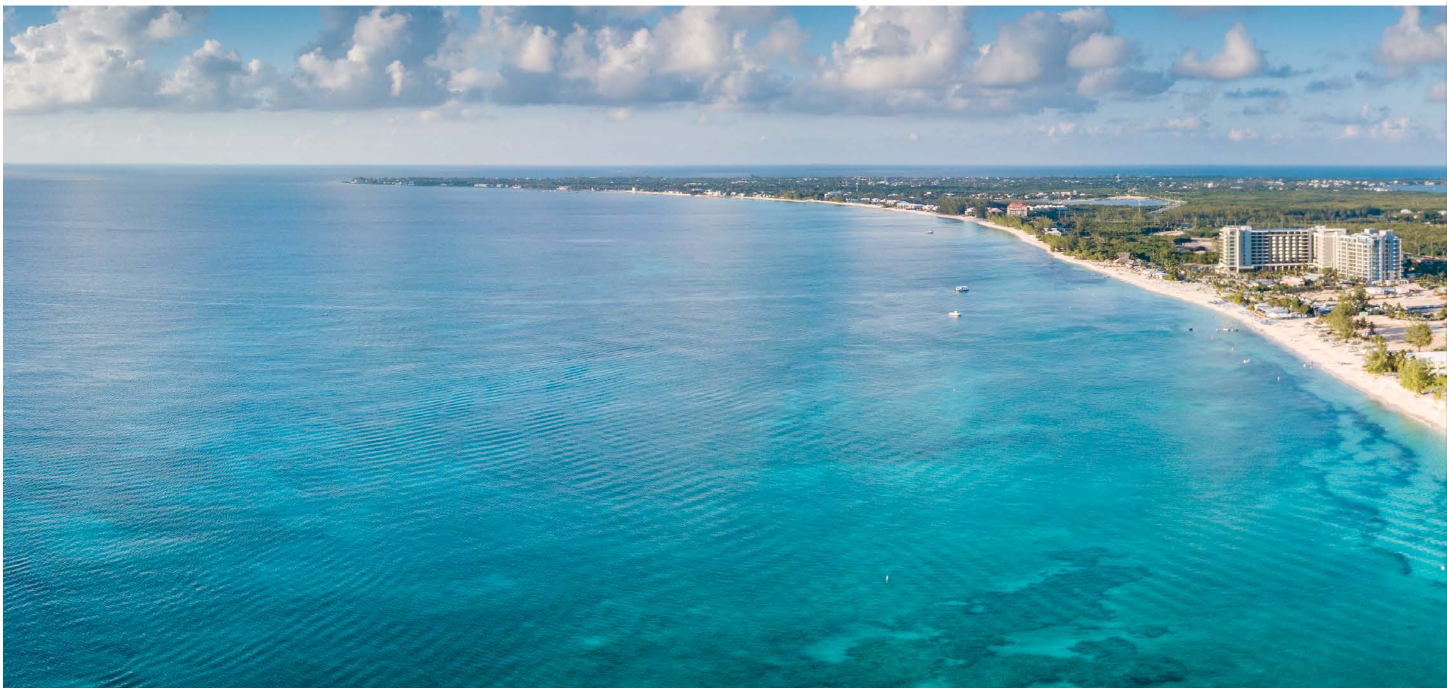

A continuous evolution

IMAC's Adrian Lynch discusses what the association is currently working on as well as developments in the Cayman captive insurance market

What is new at IMAC?

The Insurance Managers Association of Cayman (IMAC) represents the insurance, reinsurance and alternative risk industry in the Cayman Islands. The association continues to evolve as an organisation in terms of representing our membership within the reinsurance/insurance industry at various conferences, liaising with the Cayman Islands Monetary Authority (CIMA), impending future regulatory changes, risk changes, compliance changes or professional service company changes such as insurance management changes.

The IMAC marketing committee, of which I chair, promotes the brand and jurisdiction. This includes promoting the insurance management community, as a collective and the legislative and regulatory committee, which preempts and reviews any legislative change that may have an impact on our industry. We also have a research and development committee that analyses and preempts evolution and change and what else we should be doing.

The culmination of all that we do is the Cayman Captive Forum that takes place every December—our industry conference which very much serves as an educational and networking opportunity within our client base that totals up to 2,000 people.

What plans do you have going forward at IMAC?

This year has been a great year for the Cayman Islands because of the new business which has reflected on the island in terms of our new statistics.

In Cayman, we currently have around 650 licenses in total. Historically, a lot of those licences would have been B1s, that are single-caring captives, now more and more of our growth is in our B3 space, which includes clients that are part of our third-party business.

Those statistics have been steadily growing over the last few years, this year included. So far this year, we have 145 B3 insurance companies in the Cayman Islands with the bulk

of those being new companies in the reinsurance space.

We also continue to have significant growth in the group captive space.

In total, 18 percent of our license base is in the group captive space, when you add that in with segregated portfolio companies, almost 20 percent of our business in Cayman is in the group captive space.

However, the statistics don't tell a very clear story, for example, some of our largest group captives in Cayman could have upwards of 500 to 600 members and if they each individually had captives that could be another 200 or 300 licences separately. Group captives are something that we're very proud of in Cayman.

Next year we'll continue to grow in the healthcare space, group captive space and reinsurance space. The reinsurance space created in Cayman is very much driven by a couple of providers such as Aon.

Previously, industry players in Bermuda have suggested that it's only a matter of time before Cayman adopts Solvency II equivalence. However, that is far from the truth. Cayman will never pursue Solvency II equivalence because almost 90 percent of our business is sourced from the US.

Cayman is really emerging as a legitimate alternative to Bermuda in the reinsurance space, particularly in the longevity space on the reinsurance side of business. The statistics have reflected that growth over the last 24 to 36 months.

What trends are you currently seeing in the captive trends markets?

The Cayman captive market very much focuses on medical practice liability around the healthcare space. Around 32 percent of our license classification, is essentially made up of healthcare clients.

Over the last few years with ObamaCare, there has been significant consolidation within the healthcare space, which is having a material impact on the number of licenses.

However, when you look at the written premiums and the total assets among those healthcare clients, there has been an 18 to 25 percent increase in premiums written over the last three years.

Although statistically, there's a reduction in the number of captives on the healthcare side, the premiums written on the assets themselves are actually significantly larger, which reflects the strengthening of the foundation within the healthcare space.

Workers' compensation and property trends continue to remain solid and we only expect those to grow. Looking at the current market, we don't necessarily see a hard market, we see more of a pricing discipline emerging.

Within the healthcare space, there's been a number of reinsurers that have stepped away from that market, which puts more pressure on parent companies to start retaining more risk in terms of stepping up their deductibles and retentions. We are also seeing more of a disciplined approach to that right now, across our books whether its compensation, property or general liability. That same question is 'should we carrying more risk in the captives?' That is primarily the reason we're expecting significant growth over the next couple of years.

Do you think the industry will start to see more blockchain initiatives over the next few years?

There is definitely some change happening with blockchain, although we would call it the digital asset space as opposed to blockchain. We have a number of reinsurance companies that are harvesting blockchain initiatives in terms of digital data that is available to them and trying to revisit the traditional underlying parameters within which they run. Some have been successful, with one or two of those being domiciled Cayman. It's very new—it's new for all of us, it's new from an underwriting perspective and legislative perspective, it's new from a management point of view. We have other clients who are looking at the use of digital assets in terms of insurance basis.

I don't believe we will see it trending but it is certainly something that has demonstrated once again that Cayman likes to be preemptive or proactive in a way that the regulator and the industry are willing to embrace opportunities. This has been integral to some of the new initiatives that have taken place and I expect to see more of them going forward.

What will be the domicile's biggest challenges over the next 12 months?

The biggest challenge will be not embracing change—it's not a challenge that just applies to Cayman, but will apply to any jurisdiction. We can all accept and have all been witness to the pace of change over the last couple of years, which has been far greater and more impactful in our industry than it has been over the previous 10 years combined.

Embracing change is something that is often discussed in our office. We all have to evolve to remain relevant, it's not just the jurisdictions, insurance managers need to evolve their individual skill sets, regulators need to evolve, and on top of that, the whole industry needs to evolve.

Everyone needs to embrace change, which offshore jurisdictions can be slow to do at times. It's incumbent upon all of us to become better generalists in terms of the way we run the business. Regulatory changes will always have a threat. Although regulatory changes strengthen our offering from a government risk perspective, there is always that fine balance of creating a regulatory environment that infringes too much on the ability of the jurisdiction to transact. We are lucky in Cayman because we have a fine balance of a great working relationship, a very practical proportional relationship. I will always be concerned about the impact of reviews from a political perspective, be they from the EU, or the Caribbean Financial Action Task Force.

That forever puts the offshore jurisdictions under the microscope that perhaps other jurisdictions are not necessarily subjected to—fairly, unfairly or otherwise.

We're very aware of that and we always operate to a standard where we have to be better than everyone else. We have always been proactive and try to embrace many of these challenges head-on, which Cayman will continue to do.

What are the latest regulatory developments for Cayman?

It's a constancy of change, and more of an evolution of the existing regulatory framework. For example, the licencing process in Cayman, it's something that is always going under a review. There is some discussion around fines and penalties, which is adding to the existing framework.

There is also discussion around Cayman developing its own separate reinsurance litigation as a jurisdiction going forward.

With the audits that take place within the regulatory sphere, we find we are becoming ever more demanding, the scope is ever increasing but that's our responsibility as managers to ensure that we're prepared for that.

We have invested in that space in Cayman, we have full time dedicated compliant resources and every one of our staff sees government risk and compliance as just another function of their role. That is something we feel strongly about here at Aon and it bears itself out very evidently in any kind of request for proposal scenario for any kind of client engagement. It's something we lean very heavily on—it's just a function of the world-changing the way it is. Every board should be making demands of their managers, that's the kind of support they should be seeking.

Every director individually and collectively has obligations now that are far more onerous than they ever have been. When you have an environment where the regulatory framework continues to strengthen, those who do not embrace that and those who do not believe that they have regulatory oversight are just not fit for this jurisdiction and are better going someplace else.

How are captive figures looking for the end of this year?

When you're looking at the growth, you can't necessarily look at it in isolation because, at the end of the year, gross numbers will show a decrease, but that doesn't always tell the whole story.

Our Q1 was a very robust quarter, Q2 was quiet, but our Q3 is very strong. I know Q3 has been very strong for Aon in terms of growth. The final quarter should be close to strong, I predict that we might be a few higher than we were this time last year.

For a 45-year old industry, we're obviously going to have licences that are handed back, companies that go into run-off, companies that merge, companies that are no longer required.

The quality of the new clients are very different, the new premiums written and capital rates required are very different and the range and scale of new business that has been written in terms of new lines of insurance are very varied—and much more varied than of the past. The requirements of the clients—whether it's underwriting, actuarial, government risk, compliance and financing support—are very different than they have been historically. The new material is trending in a very positive direction.

How do you expect the market to grow over the next 12 months?

There's very much a growing trend within the jurisdiction. The current hard market cycle hasn't really bitten yet. I expect that in 2020 we will see an increase in terms of increased retention and increased deductibles as a result of the hard market. On the group captive side, we will also continue to see that growth.

Cayman as a jurisdiction will start reporting more in terms of group captive statistics, the digital asset space and blockchain. I personally, would also like to see the increase in capital written in the healthcare space continue.

On the reinsurance side, we should continue to see a bullish, solid growth and new establishers in Cayman. We'll see reinsurers that want an alternative in Solvency II requirements. I'm excited for Cayman as we continue to evolve. Aon has been very good to us in the reinsurance space.

I'd like to see managers embrace it a little bit more. In terms of the jurisdiction, IMAC is looking forward to 2020. We're looking forward to conferences other than ASHRM and we may even see ourselves attend things like Refocus as well as other conferences.

IMAC is getting support now from Cayman Finance, the marketing arm of the government. We have a reinsurance roundtable in New York in January as part of the Cayman Finance New York Breakfast that takes place annually. I'm excited about next year. As we're in Q4 2019, we've already seen some new opportunity coming our way for 2020. ■

Adrian Lynch
Committee chair
IMAC

Andrew Christie
Head of captive operations
Aon

Personal Bio: I'm from Glasgow, Scotland. Keen sportsman—enjoying tennis, golf and football. Long-suffering Middlesbrough fan. I have lived in the Cayman Islands, New York and now Arizona and love to travel.

Professional Bio: My university course was sponsored by PwC in Newcastle, UK, where I partook in a four-year honours course. I have also done my chartered accountancy exams with PwC and qualified as a CA in my early 20s. From there, I took a short career break and worked out what I wanted to do with my life.

I worked for a year with Scottish Power and with HSBC in London, before deciding to leave the cold dark winter of London for the Cayman Islands. I started with Aon in the Cayman Islands around 10 years ago initially on a contract basis, before moving to a permanent position in early 2011. I was an account manager in the captive insurance industry, using my accounting and finance background. I spent five and a half years in Cayman and I was promoted to a senior account manager during that time. At that point, I was looking for other opportunities to further my career and there was a vacancy in Aon's New York office with the risk, finance and captive consulting team.

My role in New York involved performing captive feasibility studies and captive utilisation studies (assessing how to maximise the value a captive could bring to an organisation) while supporting strategic account managers within Aon on large clients, providing consulting advice from a captive and risk finance perspective. I spent three and a half years in New York, during that time I was awarded the Vermont Captive Association scholarship to study the associate in captive insurance designation.

I also completed the associate in general insurance designation. Effective 1 October, I moved within Aon to Arizona to lead Aon's captive service team here. We have around 40 plus captives in Arizona and surrounding states and I will be looking to continue the great work our Arizona team have done in growing the business in the last few years.

How did you end up in the captive industry?

For me, it happened by happenstance, I started my career in accountancy via my degree course and PwC. I trained as an auditor but was keen to move into an industry role. The first thing for me was the location because I had spent some time travelling, seeing different parts of the world and experiencing different cultures, and I wanted to combine that with developing my career. The accountancy designation allowed me to do that. When I saw an opening in the Cayman Islands for Aon, for a multinational insurance broker, I interviewed for that position and obtained a position as a captive account manager. I really didn't know what a captive insurance company meant at that time but through the help and support of the very capable team, I was able to quickly learn about the industry, use my finance experience and my ability to learn quickly to support the team out there. It was really by chance that I moved into this industry but I'm very thankful that I did.

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

I think the ability to find new solutions and be a product specialist is one of the exciting things about being in this industry. By definition captives fall within alternative risk finance; an alternative solution to traditional markets.

Sometimes traditional insurance avenues are exhausted or clients are disillusioned by the insurance marketplace and want something different and that's why they come to us.

They are looking for solutions, they are coming to us to provide something different and it's that type of intellectual challenge, using our expertise and experience to provide something different to the market, that's the most intriguing and interesting thing about the industry.

What/who have been your influences in the captive industry?

There are probably two or three mentors/managers that I've had that have made a really positive impact on my career. I've been lucky with the managers that I have worked for.

There was one manager that I worked for early in my career with Aon in the Cayman Islands—Paul Fitzgerald, who still works for our Cayman office, was encouraging, particularly initially during times of adversity when I struggled with concepts and how to progress in my career—he was able to provide guidance and point me in the right direction, where to work and how to work smartly.

In terms of review managers may often default to: 'you're doing this wrong' 'do this', whereas an approach that could reap dividends longer term for both parties may be a more engaging approach 'these are your talents,

I see potential in you and this is one way you could achieve it by approaching this differently'. Paul was able to provide these types of insights early in my career.

What is your impression of the industry?

There a lot of entrepreneurial types who have seen gaps that the traditional insurance industry has not served and therefore have identified ways to fill those gaps. There are people who are pioneers of the industry still around which is fantastic. I know in this industry you have people from all different backgrounds, we have the legal experts, accounting experts, tax and so on. It's an exciting industry to be in, it's certainly a less known industry—even within the risk space but I think those who are involved see a lot of potential in the future.

What are your aspirations for your career in the captive industry?

I worked in the captive service space as an account manager, a day-to-day touchpoint for accounts. I worked in the captive consulting space as a consultant in New York and am now managing a book of business here in Arizona so the industry has allowed me to take on different roles every few years. I want to continue to learn about the industry and am currently doing that through the associate of captive insurance qualification. I want to improve my knowledge of risk management. I understand finance and captives pretty well, but I want to continue to improve my knowledge of risk; risk control and risk mitigation. I feel this would stand me in even better stead as a captive advisor. Having just started this new role in Arizona, I want to continue to provide satisfaction for our clients in Arizona and grow our already strong book of business. The team has done a great job in recent years and I'm happy to be a part of it.

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

I would say to anyone considering a role in this sector reach out to folks who have worked in the sector and ask a few questions. I know if I received an email from someone looking to learn about the industry, there's no doubt I would be happy to discuss my impressions and provide any advice I could and my colleagues are similarly minded. As Captive Insurance Times is running a section on 'Emerging Talent'—there's certainly room in this industry for ambitious graduates and any interest will be well received. ■

"Andrew Christie is a tremendous talent who is on the rise in the captive industry. Andrew possesses excellent technical, organisational, management, and communication skills. His background as an accountant, along with his roles in captive consulting and management, plus experience in various global offices have provided Andrew with hands-on experience and insightful perspective to provide a high level of client service.

I have worked with Andrew and been impressed with the way he interacts with clients and colleagues. Andrew's optimism with respect to the future of the captive industry along with his energy and dedication will benefit stakeholders for years to come."

Scott Sobel

Senior risk consultant, risk finance and captive consulting

Aon

Industry Events 2019

Don’t miss your copy of
Captive Insurance Times

Insurance Innovators Summit London	FERMA Berlin, Germany	ICRMC Bermuda
November 13-14	November 17-20	December 04-06

For more information on the events listed visit captiveinsurancetimes.com

The latest moves in the captive industry

Willis Towers Watson has appointed Peter Carter as the new leader of its global captive practice within its corporate risk and broking (CRB) segment.

In this role, Carter will lead the global captive practice and ensure the company's commitment to excellence for its clients in the space.

Based in London, Carter will report to John Merkovsky, head of risk and analytics, CRB. Carter will be a part of the risk and analytics leadership team.

"Peter Carter brings tremendous expertise to the leadership of our global captive practice"

Prior to this appointment, Carter served as finance director for the company's investment, risk and reinsurance segment. Before joining the company, Carter worked at HSBC as the regional head of business finance, retail banking and wealth management Europe.

Merkovsky said: "Peter Carter brings tremendous expertise to the leadership of our global captive practice."

He added: "His finance background coupled with his in-depth knowledge of the insurance industry will provide strong value to our clients and to the team. We're confident that under Carter's leadership, we will continue to build on the strong position we have in the captive space and grow the business accordingly." ■

Aon Reinsurance Solutions has appointed Dean Jenner and Richard Evans as co-leaders of its UK and Ireland and specialty casualty business.

In their new roles, Jenner and Evans will report to Peter Stubbings, Reinsurance Solutions CEO of global ReSpecialty, and work with a leadership group of Nigel Light, Graham Gradwick-Light and Francis Paszylk.

Previously, Jenner was leader of the Reinsurance Solutions team for the UK and Ireland property team, while Evans led the Reinsurance Solutions UK motor team.

Nick Frankland, UK CEO of Aon's Reinsurance Solutions business, said: "We are very fortunate to have a proven leader of Peter Stubbings' pedigree available to oversee this new structure."

He added: "In Dean Jenner and Richard Evans we have two highly experienced and capable individuals who, in their new roles, will be co-leaders of an important and successful business, with a mandate to build and further develop the team spirit and expertise that has been, and will continue to be, the foundation of the division's recent success." ■


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Willis Towers Watson has hired David Hills and promoted Eva Liu to its Asia offices.

Hill has been hired as a regional director of risk and analytics for Southeast Asia in the corporate risk and broking business, while Liu has been promoted to head of health and benefits in Hong Kong.

Based in Singapore, and working alongside Kevin Snowdon, regional director of risk and analytics, Asia, Hill will be responsible for risk advisory services to corporations together with a team of actuaries, analysts, engineers, forensic accountants, strategic risk consultants, captive and alternative risk transfer specialists.

Prior to joining Willis Towers Watson, Hill has 30 years' experience in risk management and has held senior global in-house roles as head of risk and insurance in the marine and fast-moving consumer goods sectors with AET and Cadbury.

Liu is based in Hong Kong and will report to Royston Tan, head of health and benefits for North Asia.

She was promoted to this role from her previous role at Willis Towers Watson as head of client services and delivery, health and benefits.

Prior to Willis Towers Watson, she had held business development, account management and consulting positions locally and regionally. ■

T.J. Strickland has been promoted to senior manager of the insurance service group at Rives & Associates.

Based in Lexington, North Carolina, Strickland will be responsible for the growth and direction of the firm's insurance services group and the assurance services provided.

Strickland, who has been with the firm since he started his career in 2011, previously held the position of senior audit manager, where he specialised in providing assurance, advisory, accounting, consulting and taxation services.

In addition, he has helped with internal training and improving processes for his clients by recommending internal control enhancements and implementation of policy and claim management information systems. ■