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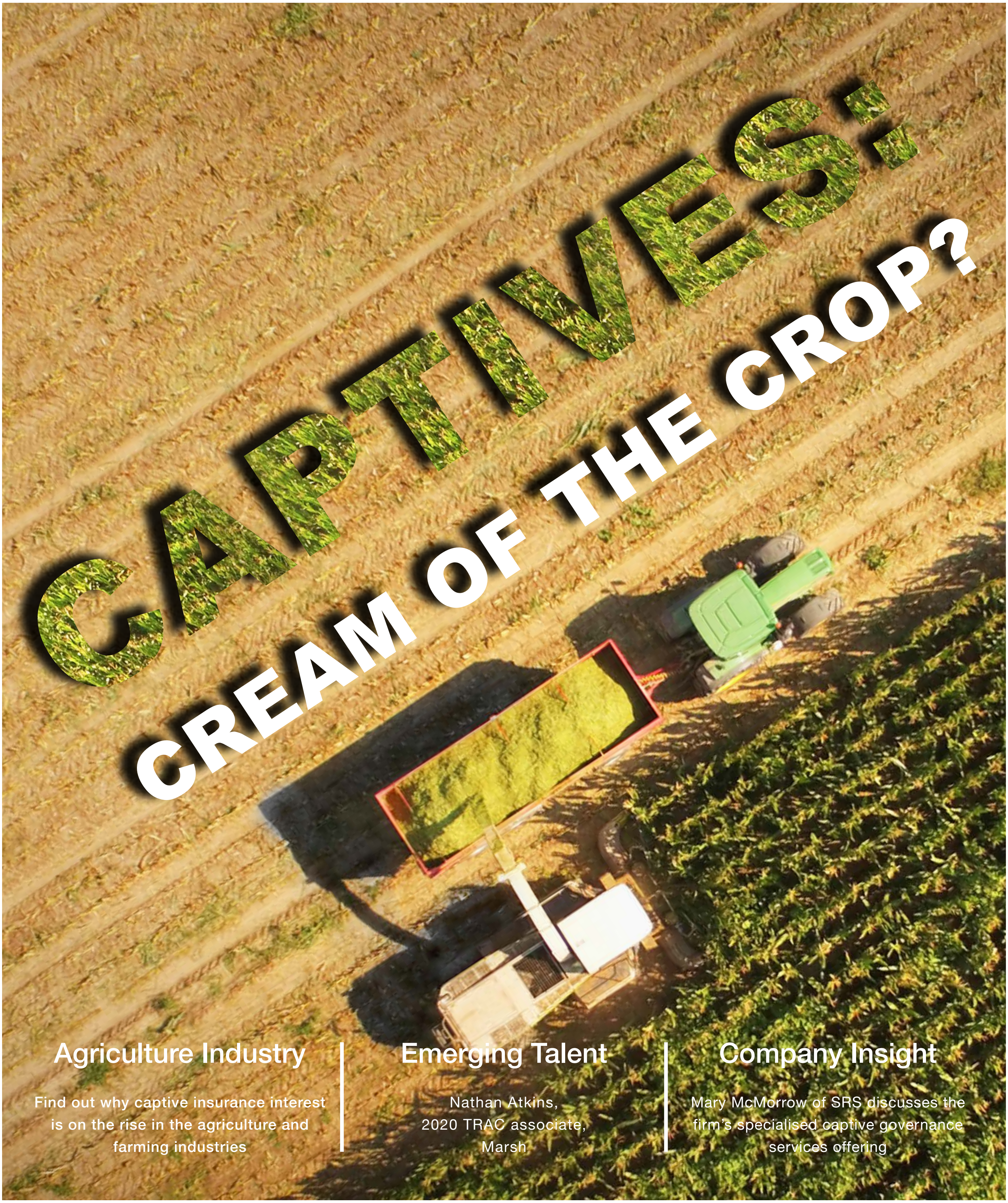


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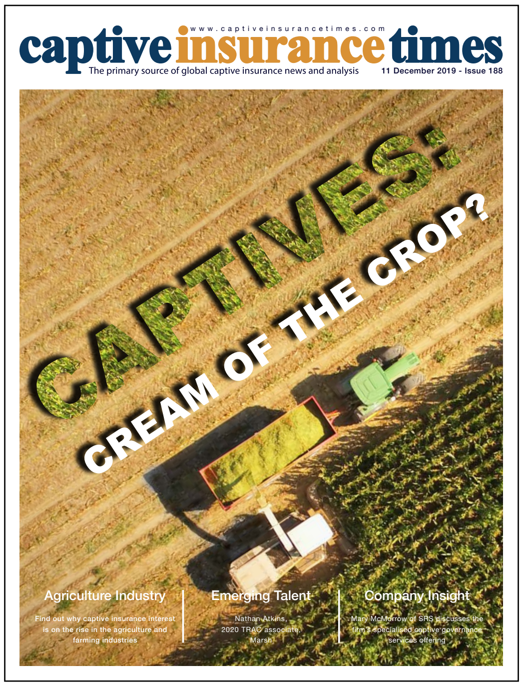

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In this issue

Artex Risk Solutions acquires EWI Re

Artex Risk Solutions has acquired Dallas-based EWI Re, the terms of the transaction were not disclosed.

EWI offers reinsurance programme design and placement services for captives and mutual insurance companies, run-off and legacy solutions, and safety and loss control services.

The team will report to Jennifer Gallagher, president of Artex North America.

Commenting on the acquisition, Gallagher said: "EWI expands our ability to provide complex single-parent captive solutions to our clients."

She added: "Steve McElhiney and his staff are a terrific addition to our team and their skills enhance our insurance management capabilities. McElhiney is well-respected in the insurance industry and currently serves as board chair of the Captive Insurance Companies Association. His expertise and experience will be invaluable to our clients."

McElhiney stated: "Our team is well-versed in the design and placement of reinsurance needs for single-parent captives. We are excited to join Artex and create additional synergy around the development of comprehensive risk management solutions for large, individual risk clients." ■

SRS congratulates 2019 captive scholar

Strategic Risk Solutions (SRS) has named the final two captive scholarship recipients of this year, Ellen Collins and Yeji (Lydia) Choi.

The captive scholarship programme covers the cost of the selected students attending captive conferences to participate in educational sessions and meet captive industry professionals.

Collins is an actuarial science major from Appalachian State University and Choi is a risk management and insurance major, from Temple University.

Both Collins and Choi attended this year's Cayman Captive Forum.

This marked the last participating conference of the year with 14 students in total receiving captive scholarships this year.

Brady Young, CEO of Strategic Risk Solutions, said: "We congratulate all the students who participated in the collegiate captive scholars programme during 2019. We were impressed by the quality of the young men and women involved in the programme and hope that they found the experience beneficial."

"More importantly, we hope that this experience will lead them to pursue a career in the captive insurance industry."

Young added: "We have been pleased with the programme in 2019 and will continue it in 2020 and beyond. We extend a special thanks to the captive associations for providing the conference registrations which helped make this programme possible."

The programme is open to undergraduate students enrolled in risk management, insurance, finance, and accounting majors.

If you're interested in the programme and would like to find out more information, contact Derick White of SRS at: derick.white@strategicrisks.com ■

Washington OIC issues cease and desist on Bahamas-based captive

The Washington State Office of the Insurance Commissioner has issued a cease and desist against CCW Safe and 2A Insurance Company.

2A Insurance, a segregated account of First Property and Casualty, is based in the Bahamas and managed by Hamilton Captive Management, located in South Carolina. The order requires CCW Safe and 2A Insurance's officers, directors, trustees, employees, agents, and affiliates to cease and desist from engaging in or transacting the unauthorised business of insurance in the state of Washington.

It also ordered CCW Safe and 2A Insurance to stop seeking, pursuing and obtaining any insurance or service contract business in the state of Washington; and soliciting Washington residents to sell any insurance issued or to be issued by an unauthorised insurer, as well as inducing them to purchase any insurance contract.

The order stated that CCW Safe and 2A Insurance doesn't hold a certificate of authority to transact insurance in Washington State, doesn't hold a Washington state surplus line broker's license to place non-admitted insurance in the state, nor is insurance coverage provided by the captive placed through a surplus line broker licensed in the state.

CCW Safe and 2A Insurance Company also failed to timely pay 2 percent premium taxes.

In addition, the order stated that CCW Safe and 2A Insurance Company was not allowed to fulfil the terms of contracts formed prior to 22 November 2019.

CCW Safe and 2A Insurance Company have the right to demand a hearing.

Washington OIC also issued a cease and desist order to Microsoft's Arizona-based captive, Cypress Insurance in May last year.

In addition, the state's OIC ordered Costco's captive insurance company, NW Re limited, to pay $2.4 million in unpaid premium taxes and $1.2 million in fines, tax penalties, and interest, after self-reporting its "unauthorised activity" in December 2018.

The most recent fine was handed to Alaska Air's Hawaii-domiciled captive insurance company for unpaid tax, interest, and penalties, which ordered the captive to pay a total of $2.5 million.

In September, Washington OIC revealed that captive insurance has been included on its 2020 legislative priorities list.

Washington state law currently provides no statutory framework to allow the formation of captive insurance companies within the state.

A statement, released by the Washington State OIC, explained that during the past year, the OIC began investigating Washington state-based companies who had formed their own captive insurance companies. ■

Maxis GBN adds new global wellness partner

Maxis Global Benefits Network (Maxis GBN) has selected CareClix as its global provider of telemedicine services.

The partnership allows Maxis GBN clients to work with CareClix to assist their employees with virtual health access to primary care, specialist care and mental health services.

Headquartered in Virginia with an office in Washington DC, CareClix's software component was founded by physicians and uses primary care, speciality care, and subspecialty care physicians to deliver telemedicine services in various fields of medicine, clinical care or diagnostics.

Leena Johns, head of health and wellness at MAXIS GBN, said: "We are really excited to partner with CareClix as one of our MAXIS Global Wellness preferred suppliers. Along with our other partners, we really believe we have developed something unique in the market, providing a prescriptive solution to help our multinational clients and their employees address their unique medical and wellness needs where they are not already available locally."

She added: "By partnering with wellness technology vendors like CareClix, we can help improve employee health and assist multinationals that are looking to address their expensive medical costs."

Maxis GBN recently launched its new medical intelligence tool to help organisations calculate potential medical cost savings resulting from changes in employees, behaviours and lifestyles.MAXIS revealed that the new tool will be launched to all its global captive clients. ■

New milestone' for captives in Bermuda, Cayman and Barbados

The operating results of captive insurance companies in Bermuda, the Cayman Islands and Barbados that are rated by A.M. Best continue to outperform the segment's counterparts in the commercial casualty sector, according to a new Best's Market Segment Report.

The report, titled Rated Bermuda, Cayman Islands, and Barbados Captives Steadily Navigate Market Cycles, found that in 2018, a new milestone was reached as net premiums earned surpassed $3.5 billion for the first time.

Rated captive composite reported pretax income of approximately $1 billion, an 8.3 percent increase over the previous year, the report found.

The combined ratio for Bermuda, Cayman Islands and Barbados captive composite declined slightly in 2018 by a percentage point to 85.2; however, the five-year average—from 2014 to 2018—combined ratio of 80.8 was nearly 20 points better than the 100.4 combined ratio posted by the Bermuda, Cayman Islands and Barbados captives' peers in the commercial casualty segment.

Between 2014 and 2018, Bermuda, Cayman Islands and Barbados captives added $2.7 billion to their year-end capital and surplus and paid $1.4 billion in dividends.

The report suggested that the figures translate into nearly $4.2 billion during this period either remaining with these captives or paid back to policyholders and stockholders instead of going to the commercial market.

Although the purpose of captives is to optimise risk financing, and not to generate a profit, in most years, the report found that in most years, the Bermuda, Cayman Islands and Barbados captive composite has returned positive results. ■

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

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- Regulation 114 Trusts
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- Collateral/Depository Accounts

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- **A Dedicated Single Point of Contact** – we steadfastly believe in the value of a dedicated client manager who knows the unique challenges of your business and quarterbacks your relationship with the bank.
- **Rapid Response Times** – while other banks can take weeks to respond, SunTrust can typically resolve covered loss requests in a matter of 24-48 hours; and because we're a custodian for the collateral that secured the contract, insurers get paid immediately.
- **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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A.M. Best assigns 'excellent' rating to Chaucer Insurance

A.M. Best has assigned a financial strength rating of A (Excellent) and a long-term issuer credit rating of "a" to Ireland-based Chaucer Insurance Company Designated Activity Company (CIC).

It also affirmed the financial strength rating of A (Excellent) and the long-term issuer credit rating of "a" of China Reinsurance Corporation (China Re) and its subsidiaries, China Property & Casualty Reinsurance Company, China Life Reinsurance Company and China Continent Property & Casualty Insurance Company.

CIC is a newly added member of China Re, of which China Re P&C, China Re Life and China Continent Insurance are the other members. The ratings reflect China Re's balance sheet strength, which A.M. Best categorises as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

The ratings also recognise China Re as the sole state-owned reinsurance group in China, through the 11.45 percent stake owned directly by the Ministry of Finance of the People's Republic of China (PRC) and the 71.56 percent stake owned by Central Hujin Investment, which is a wholly-owned subsidiary of the PRC's sovereign wealth fund, the China Investment Corporation.

China Re's consolidated risk-adjusted capitalisation remained at the strongest level as of year-end 2018. As a publicly listed company, China Re has favourable financial flexibility from the equity market and debt market, according to A.M. Best.

China Re completed the closing of the acquisition of 100 percent equity interest of Chaucer, the collective franchise comprising China Re International Holdings Limited (CRIH), CIC and China Re Australia HoldCo Pty (CRAH) on 28 December 2018, 14 February 2019, and 10 April 2019, respectively.

The rating company expects China Re's consolidated adjusted financial leverage ratio will remain at a moderate level in 2019. ■

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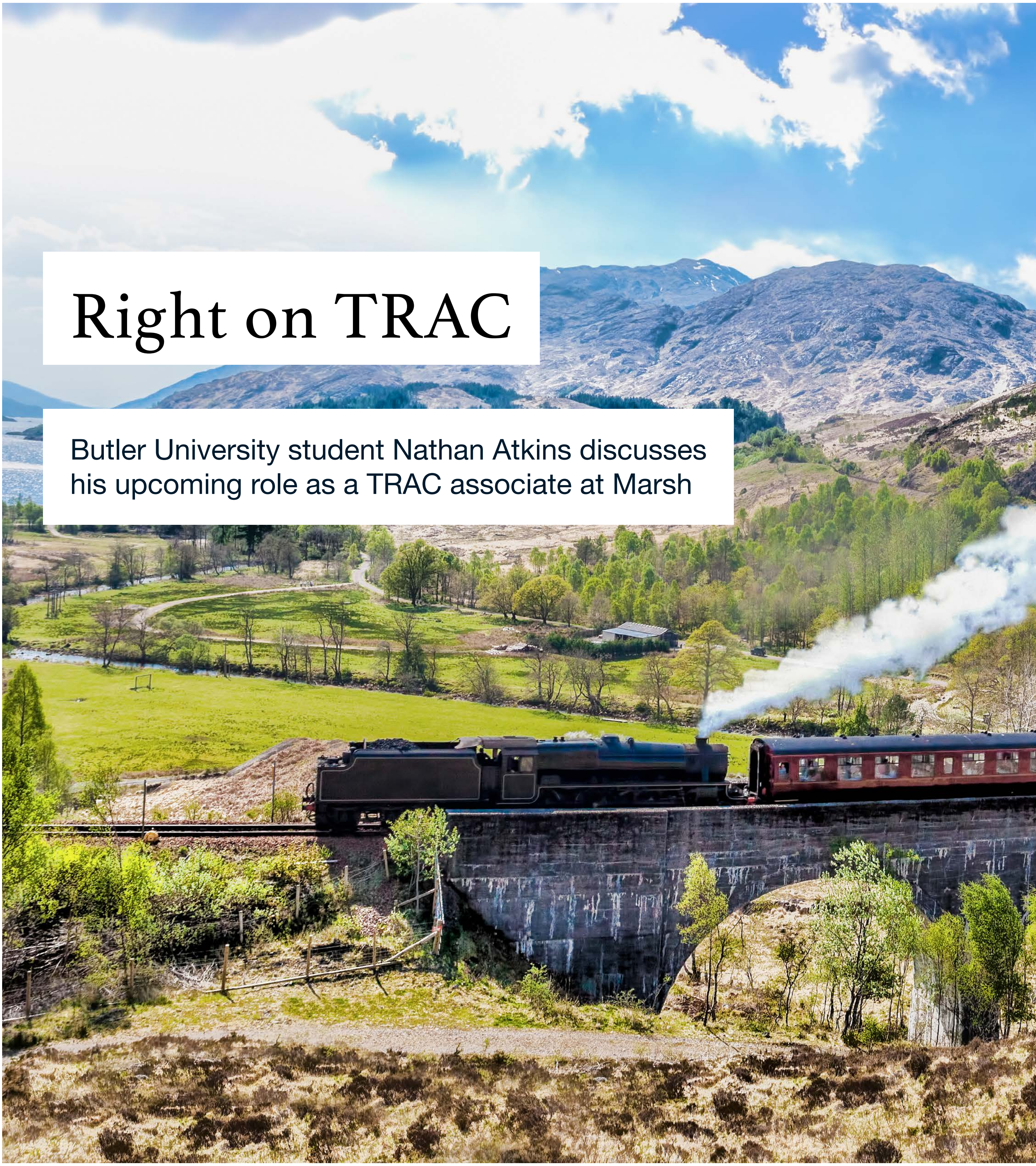


Right on TRAC

Butler University student Nathan Atkins discusses his upcoming role as a TRAC associate at Marsh

What will your new role involve?

My new role will be with the talent recruitment accelerated career (TRAC) programme at Marsh. This programme is comprised of two 12-month assignments designed to offer members of the TRAC programme opportunities to engage with both clients and the insurance markets in client management, client advisory or placement. These assignments enable TRAC associates to experience different risk segments and a variety of client industries.

I have only just accepted the role, so I will know more about the specifics in the future. However, what I do know is, outside of the official job responsibilities, TRAC associates will periodically come together as a class to participate in business-specific learning activities and training that enhances leadership and development. I will also be assigned to a team to work on a business project that is presented to the senior management team.

How did you gain interest in the captive sector, and how will the TRAC course allow you to progress further?

I first got into the captive sector via Butler University, which is the only university in the world to have its own captive insurance company run by students. I took the Butler University course last year during my third year of college. In the class, I was introduced to what the captive was doing for the university and how a captive insurance company is run. From there on, the class's goal was to run and improve the captive. There were four teams, an actuary team, underwriting team, marketing team and finally the one I was involved in, the finance team.

In reference to the TRAC associate programme, it is not specifically for captives, but it is for the industry in general including client management, client advisory and placement. However, in regards to the Butler University course, I am now the student CEO of the captive for this year, which will give me a great baseline to head into my full-time role as a TRAC associate at Marsh.

What is your impression of the captive insurance industry?

To give a short backstory, I started college with a double major in finance and economics. During my sophomore year, I went on a trip to New York City with eight other Butler University students, where we went to a variety of financial services companies. One common theme I took away from that trip was the importance of risk management for both the clients and the businesses themselves.

One of the businesses discussed managing risk for the clients, and how every financial instrument involved different risks. Another company discussed risk as a whole, with a focus on how it impacted the corporation as a whole.

When I came back to Butler University, I switched my major from economics to risk management and insurance while still keeping the finance degree. I think trips, like the one I went on, really created opportunities for people like myself.

As far as I'm aware, there are currently only around 80 programmes focusing on risk management and insurance. This gave me an opportunity to diversify my education and opened my eyes to the risk and insurance industry.

In terms of the industry now, a large amount of the industry is ageing out, and this is something that will be more noticeable over the next couple of years. This provides individuals that are prepared with prior insurance knowledge a great place to develop their careers. One of my professors at Butler University, Zach Finn, is really passionate about filling the talent gap in the industry.

He is constantly talking about this talent gap and how there is an opportunity for the taking. Schools, like Butler University, that have risk management and insurance degrees are perfectly positioned to educate future leaders of the industry.

How did you secure the programme?

Although I am not starting at Marsh until August 2020, the recruitment for these roles starts quite early. The process begins with recruiting first semester seniors, with these jobs opening up in August—a year before students graduate.

My introduction to Marsh was two separate situations. I worked with a Seth Herdoiza last year within the student-run captive at Butler University, he then joined Marsh as a TRAC associate in Pittsburgh. I contacted him to provide me with some insight into the company as a whole and discuss the programme in more depth.

The second time I was exposed to the company was quite recent. Our chapter of Gamma Iota Sigma (Risk and Insurance Co-ed Fraternity) hosted a risk management presentation in which a Marsh executive participated. I was thoroughly impressed with the company.

Based off of these two exposures, I believe Marsh is a leader within the insurance industry, and I wanted to work somewhere, where they have that capability and the resources to be a leader. Thus, I applied for the TRAC associate role, went through a series of interviews, and ultimately, was extended an offer.

Do you have a career ambition to go into the captive industry?

In my current situation, that would be the sector I know most about and overall it is something I find very interesting. The other would be risk consulting because travelling while on business has interested me.

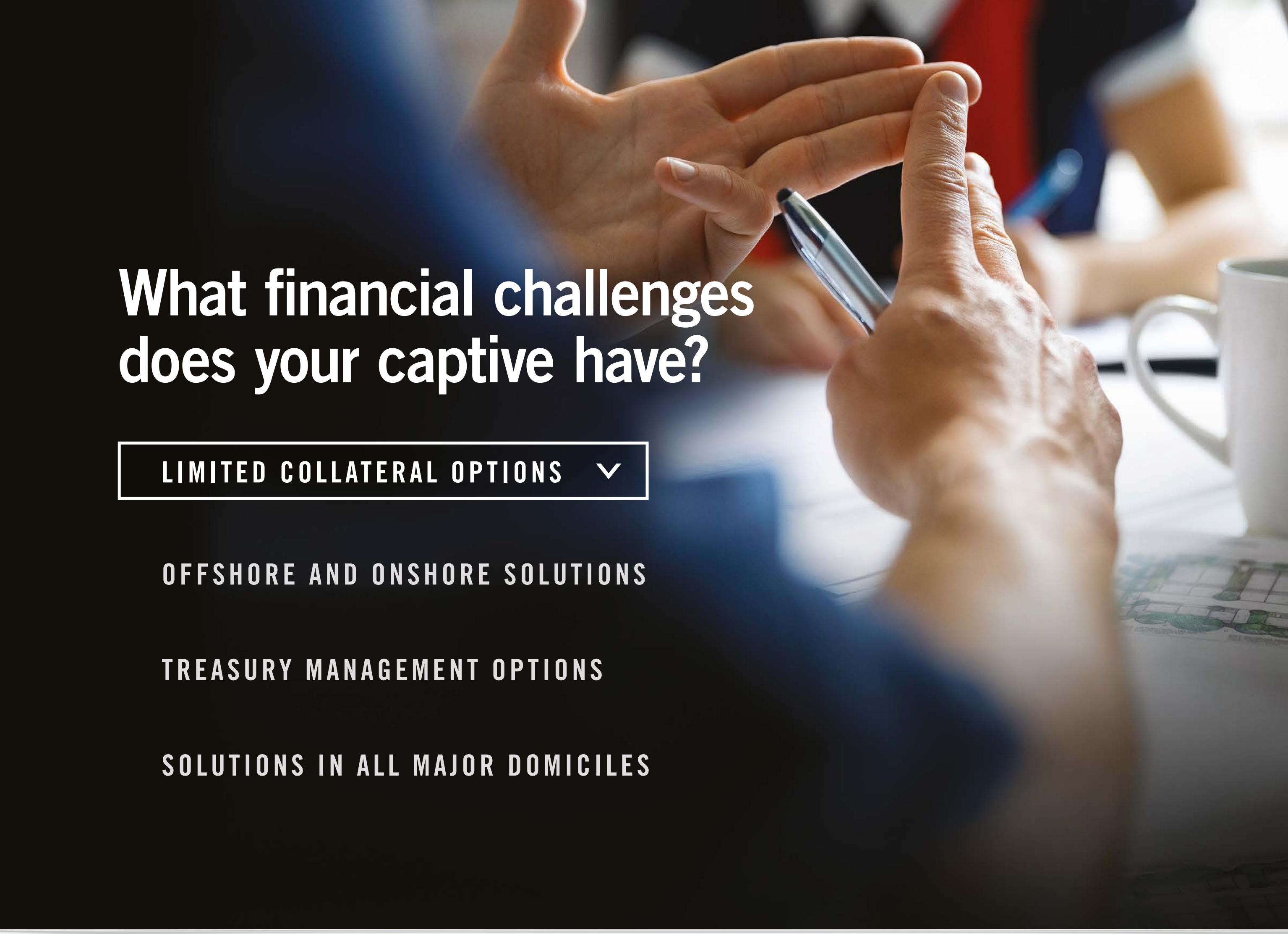
During the summer after my freshman year of college, I had the opportunity to complete a six-week internship in Shanghai, China. I absolutely loved China, and this sparked my interest in doing business internationally.

Where do you want to be in five years time?

I am not sure where I would want to be specifically, but I would like to be at a place where I can continue learning. The TRAC position at Marsh stressed that constant learning aspect which I really liked. One of my goals, although it is a bit of a stretch, is to end up on the Forbes 30 under 30 list. ■

"One of my goals, although it is a bit of a stretch, is to end up on the Forbes 30 under 30 list"

Nathan Atkins
2020 Marsh TRAC associate



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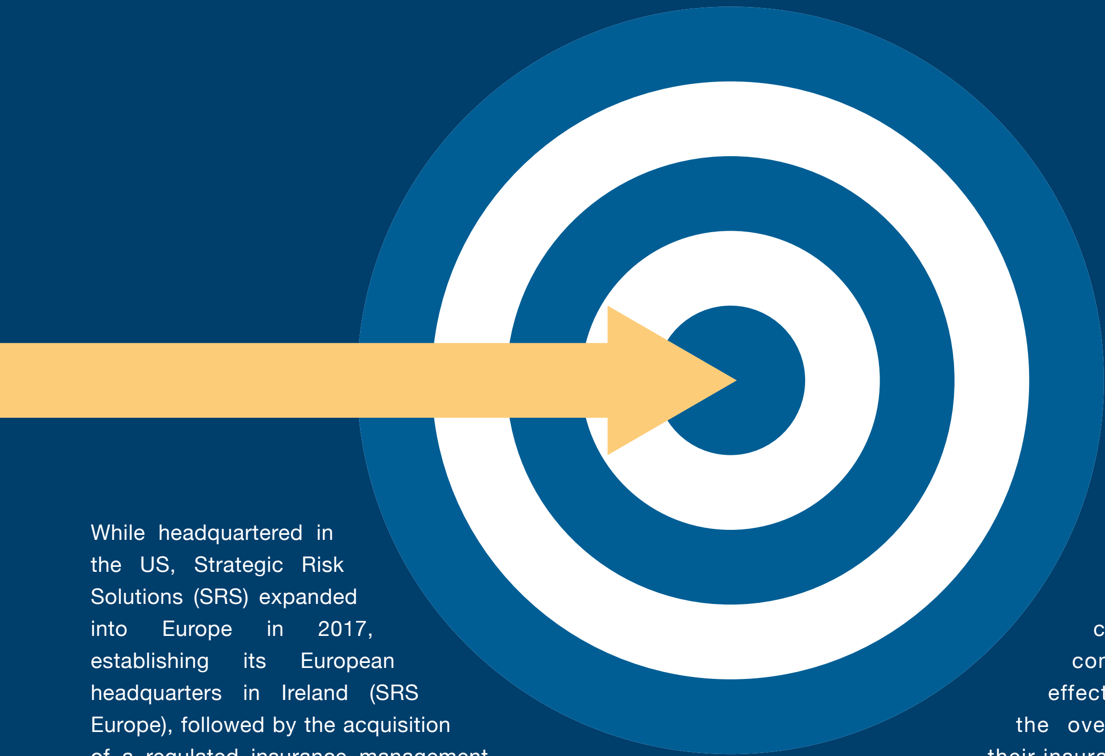
A different approach

Strategic Risk Solution's head of governance Mary McMorrow discusses the firm's specialised captive governance services offering

Set against a backdrop of new, emerging risks and increasing regulatory scrutiny, it has become more important than ever that companies adopt an approach that places governance at the heart of positive captive ownership. As the world's leading independent captive consultant and manager, SRS has worked hard to respond to those demands by offering a tailored approach to governance risk and compliance (GRC) services that supports clients in implementing the robust governance framework now essential.



While headquartered in the US, Strategic Risk Solutions (SRS) expanded into Europe in 2017, establishing its European headquarters in Ireland (SRS Europe), followed by the acquisition of a regulated insurance management company in Malta.

As with their highly regarded US network, SRS Europe has deliberately focused on the provision of the highest standard of client services, both domestically and across Europe, recently announcing branch establishments in Ireland, Luxembourg, The Netherlands, Sweden and Switzerland.

As Mary McMorrow, SRS Europe's head of governance explains: "We have set a conscious strategy to operate a lean and agile business model and become the premier level firm across Europe."

McMorrow said that this strategy is differentiated by SRS's captive management plus servicing approach, comprising three core service components:

- Delivering outstanding service in our core captive management services
- Helping our clients succeed through the provision of value-added strategic and technical consulting services
- Providing depth of expertise through the hiring and retention of experienced staff

She explained: "We believe in consulting with clients to help them develop GRC best practices on an individual basis that will serve as a platform to build their companies and offer assurance to clients that they not only fully comply with the regulations, but effectively and efficiently improve the oversight and governance of their insurance organisations."

"We understand the importance of good corporate governance but are also mindful of the challenges faced by clients in meeting their regulatory requirements."

"In addition to the Solvency II regulations, captives must adhere to the corporate governance codes, laws and other regulatory requirements of their respective domiciles."

As McMorrow continues: "While recognising the need for proportionality in their application to captives, these regulations as they apply to commercial insurers can act as a source of best practices to captives in their own corporate governance."

She noted that there are numerous benefits in establishing a robust corporate governance framework that is proportionate to the activities of captives, which include:

- Promotes ethical behaviour/culture
- Acts as a risk mitigation tool in itself
- Enables companies to achieve goals and prevents conflicts
- Results in board and other governance bodies' key responsibilities being clearly outlined

SRS offers a comprehensive suite of bespoke GRC services to the captive and general insurance markets, including:

Development of an effective risk management system:

- Define and document the risk appetite framework
- Establish a risk register for the company
- Develop a suite of policies and procedures as required under Solvency II and operational policies and procedures
- Design and embed the own risk and solvency assessment process and report
- Develop a solvency and financial condition report (SFCR) and regular supervisory report (RSR) for the company
- Develop internal control and compliance monitoring schedule

Act as compliance function/provide compliance support:

- Identify and assess compliance risk and develop a suitable compliance plan, monitor and report on compliance performance

Act as appointed internal audit function:

- Develop an internal audit charter
- Perform the relevant audit fieldwork
- Deliver an internal audit report to the board which provides an independent, objective and critical assessment of the design and effectiveness of the company's internal controls and governance system

Independent governance review:

- Independent review of the existing governance system
- Provide the company with an objective and critical assessment of the design, effectiveness and conformity of the company's governance system including recommendations for enhancing the same

Board effectiveness guidance:

- Extensive review of the effectiveness of the board and report to the board with critical assessment thereof including recommendations on optimising effectiveness
- Deliver tailored training programmes on board performance, effectiveness and corporate governance with a focus on effective oversight of Solvency II regulatory reporting

David Lewis, managing director of SRS Europe agrees: "Our view is that governance and compliance is not only essential but can really help captive owners drive the best value from their captive strategy. At a time when parent boards are scrutinising return on investment, we feel that the SRS approach is ideal to help risk managers not only justify the value of their captive internally but help place that vehicle at the very heart of group strategy. Our captive management plus approach, together with our unique strategic advisory capabilities, presents us with the ideal foundation from which to really support our client's strategic objectives."

"Now that SRS has established a firm base in Europe, it's our intention to bring a new dimension to the way that clients utilise, and manage, their captive vehicles. With the platform offered by McMorrow and her team in delivering a genuinely different approach to governance, we are confident that captive owners across Europe will appreciate having a new choice for their captive services and we look forward to being of service." ■

Mary McMorrow
Head of governance
Strategic Risk Solutions

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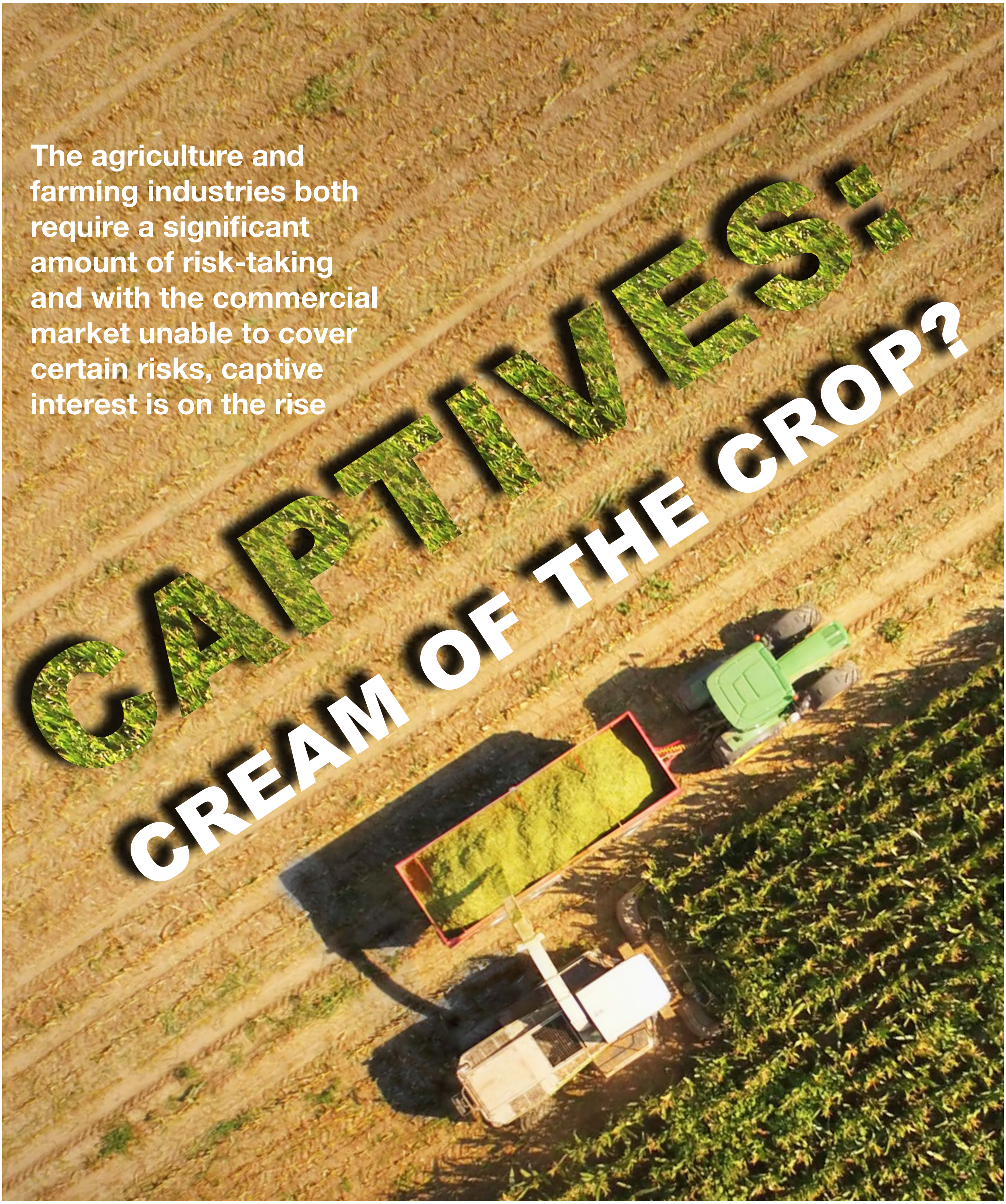
The agriculture and farming industries both require a significant amount of risk-taking and with the commercial market unable to cover certain risks, captive interest is on the rise
CAPTIVES:
CREAM OF THE CROP?

The agriculture sector plays a major role in the world's economy as 60 percent of the world's population depends on agriculture for survival. However, in recent years, many challenges are facing this sector resulting in higher costs for business owners.

With trade wars, new technology and climate change, the agriculture sector is facing a challenging time.

The US has over two million farms within the country that employs just under one million people. The sector has a value total of over $130 billion in exports, however, it's widely reported that US President Trump's trade war with China and the EU is actually damaging American farmers. Adding to the damage are the increase in droughts and forest fires in California over recent years, risks are increasing as are the costs. The agriculture and farming industries both require a significant amount of risk-taking, and with the commercial market unable to cover certain risks, captive insurance companies seem to be on the rise to cover specific risks that commercial insurers cannot compete.

Commercial vs captive insurance

Dustin Partlow, senior vice president, Caitlin Morgan Captive Management Group, said that the firm is getting an increase in the number of inquiries and a rise in the amount of interest in the agribusiness and farming sector.

Partlow adds: "We have received a number of inquiries for large scale produce farmers in the California area in addition to a number of inquiries from large scale agribusinesses in the Midwest."

Pinnacle Actuarial Resources have also seen an increase of captive insurance in those sectors, with Aaron Hillebrandt, director and consulting actuary, stating that there had also been an uptick in "emerging areas such as hemp and cannabis farming operations have expressed a lot of interest in captives since they can have even greater insurance coverage gaps than traditional farms".

Hillebrandt adds: "There has also been an industry-wide trend of consolidation in the agriculture industry. Consolidation and growth of cooperatives make captives increasingly viable and more attractive to agribusiness."

He explains that there has been a "tremendous amount of change in the agricultural industry" including a broader understanding of the environmental risk of herbicides and pesticides; overspraying into adjacent organic farms and fields which may result in significant losses to organic crops; genetic modification of crops; increasing threat of avian and porcine influenza; and, the increasing integration of a variety of drones and robotic equipment in farming production.

Hillebrandt notes: "All of these issues make captives a potentially powerful option to consider for agribusiness and farming."

Partlow explains that the biggest risks that generally drive the formation of a captive for the agribusiness and farming industry are product recall and crop insurance.

Hillebrandt also looks at crop insurance, stating that a natural place to start is gaps in federal crop insurance coverage.

The US federal government offers multiple-peril crop insurance but that coverage has several shortcomings. Farmers are left with large self-insured retentions, some crops are not covered by the programme, and many combinations of specific crops and geography (state-county) have known subsidies.

That makes deductible reimbursement and differences in conditions coverage for crop insurance natural fits for captives.

He adds: "There are other potential coverage gaps, however, depending on the operation's commercial insurance policies that may include examples such as pollution coverage related to overspray, those instances when chemicals intentionally sprayed onto a field are carried by wind onto a neighbouring field that the farmer doesn't own."

"That example represents a typical material liability risk, particularly when the neighbouring field is organically farmed."

Outlining product recall, Partlow explains that generally for produce farmers, anytime produce they grow gets recalled due to contamination if it's from a farm in their general geographic area all of the produce grown in that area is recalled for safety reasons. These recalls are becoming more and more common.

He says: "These farmers are then faced with the lost revenue from that produce in addition to the costs of pulling their produce from the shelves."

On crop insurance, Partlow suggests that although there is federal crop insurance available to some farmers, "it is only available to those growing certain crops and even those who can obtain federal crop insurance coverage is limited and there is still retained risk. For those in which the federal crop insurance is unavailable, the cost of commercial coverage is generally prohibitive and can be difficult to obtain".

Hillebrandt believes that many larger farms are engaged or have expanded food processing capabilities. He states: "Issues with food-borne illnesses, product liability and product recall are all foreseeable risks."

He adds: "Reputational risk or brand rehabilitation risk can be a material issue, causing serious damage to a company when a recall is large and makes national news."

Partlow explains that traditional risks such as workers' compensation, general liability, and auto liability can be covered in addition to medical stop loss.

He continues: "Generally agribusiness and farming entities have a great deal of expensive machinery as such coverages such as machinery breakdown are of interest to those in the industry considering a captive."

Hillebrandt suggests that there are several types of captives that can be used in the market, however, a vital component of any farming-related captive programme should be geographic diversification of risk.

He believes that insuring some of the catastrophe risks through a captive can be helpful to a farming operation, but the captive is still taking catastrophe risk which may ultimately lead to solvency concerns.

Outlining one example, Hillebrandt says: "A captive programme that writes a multitude of independent farming operations in the same general geographic area may be exposed to significant solvency risk if that area is hit by one storm. But catastrophe and solvency risks are certainly mitigated when a captive programme's multitude of insured farms are scattered in diverse locations across the country. A fairly obvious, alternative way to mitigate catastrophe risk is by securing catastrophe reinsurance from the commercial market."

Although there are some agribusiness and farming companies that are large enough to warrant their own single parent captive, Partlow believes that generally, these entities are of a size where a group captive structure is more of interest.

There are a number of associations throughout the country that represent growers, farmers in this industry, Partlow suggests that after hearing from their members in regards to hardships around some of these key risks, the associations look into pulling together a group captive solution to benefit its members.

"There is anecdotal evidence of the increasing intensity of storms and in some states where farms are impacted, increasing intensity of wildfires. It will be worthwhile to monitor how the industry continues to evaluate and price that risk"

Aaron Hillebrandt
Director and consulting actuary
Pinnacle Actuarial Resources

Hillebrandt adds: "Captives, in many ways, mirror the benefits of agricultural cooperatives. Farming co-ops, as they are called, are structures in which farmers pool their resources to save costs from inputs (seeds) to marketing. Like a captive, the co-op helps to distribute risk and is naturally and successfully aligned to the structure and benefits of captives."

Agribusiness trends

Looking at the trends, Partlow suggests that with the market starting to harden, carriers are starting to pull out of markets making it harder to obtain coverage.

Partlow explains: "In the farming and agribusiness sector, there has been an uptick in the number of product recalls due to contamination. It seems like there is a new event almost weekly that you see on the news whether its eggs, lettuce, meat, there is a large-scale recall."

He adds that these recalls are very expensive and due to these recent events product recall and contamination coverage is becoming harder to obtain in the commercial market.

In addition to general upward trends in interest from this sector, Hillebrandt says: "We're seeing more and more coverages tailored to very specific farming operations."

Hillebrandt explains that these are things like genetically modified crops, horse shows, livestock market payments, animal mortality, hull coverage for crop dusters, spoilage, and even porcine or avian influenza.

He continues: "The industry is always reckoning with weather catastrophes, but there is anecdotal evidence of the increasing intensity of storms and in some states where farms are impacted, increasing intensity of wildfires. It will be worthwhile to monitor how the industry continues to evaluate and price that risk."

Partlow adds that severe weather events have also caused similar issues in terms of obtaining crop insurance. He also

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looks at commercial auto coverage as another market that has really started to harden and it is an industry that significantly affects the farming and agribusiness sector.

Is a captive the right option?

With the advantages of a new route for businesses to take, there can be disadvantages. Hillebrandt states that "any business owner, farmer or not, needs to go through a captive feasibility study with a reputable captive manager to fully weigh the pros and cons of starting a captive."

As with any business, running a captive takes time, effort and resources, and there are no guarantees.

Hillebrandt explained that captives can lose money just like any other business, especially when they're writing catastrophe risk.

He says: "This is why it's so important to engage with service providers, including actuaries, who understand and have expertise with agricultural exposures."

Partlow believes that captives are a long-term risk management and risk financing vehicle that require an upfront capital expenditure to see an overall reduction in the cost of risk in the long term.

Partlow states: "For farmers, cash flow is generally an issue, so making this upfront cash expenditure to capitalise a captive can be an issue."

Risks such as crop insurance and product recall by nature are low frequency and high severity type coverages. Partlow adds: "If a significant event occurs in the early years of the captive it can be difficult for the captive to withstand."

The future

In any sector, can be difficult to predict the future, however, with agriculture, science plays a big and important role.

Climate change is a huge issue affecting the world and the agriculture sector will face the biggest consequences of this issue.

With weather forecasting becoming harder to predict as climate change continues to reshape the planet, will captive insurance expand for the agriculture sector?

Partlow believes that with global warming causing the weather to be more volatile and harder to predict, it will continue to cause the commercial carriers to withdraw from the market or increase the premiums for coverage to compensate for that unpredictability.

He says: "This inherently will lead more entities to explore alternative risk financing solutions such as captives."

However, at the same time, "a captive makes sense only for insuring those risks that are predictable in nature, as such this unpredictability can also create issues from a captive standpoint," Partlow adds.

"Entities in this sector need a solution to ensure that their businesses can withstand an extreme weather event and survive for another year, as such formalising the funding of these risks through a captive is a likely solution many will be forced to explore."

Hillebrandt explains that the expansion or contraction of captive insurance for this sector may be more driven, domestically, by coverage offered and the rates charged by the US federal crop insurance programme.

He believes that reinsurers may see increasing uncertainty in their estimates due to climate change and other economic, social or political influences.

He concludes: "As a result, reinsurers may build in increased conservatism in their estimates, meaning higher reinsurance rates."

This could lead to captive programmes leaning toward using captive pooling mechanisms as opposed to commercial reinsurance options." ■

Dustin Partlow
Senior vice president
Caitlin Morgan Captive Management Group

"Entities in this sector need a solution to ensure that their businesses can withstand an extreme weather event and survive for another year, as such formalising the funding of these risks through a captive is a likely solution many will be forced to explore"

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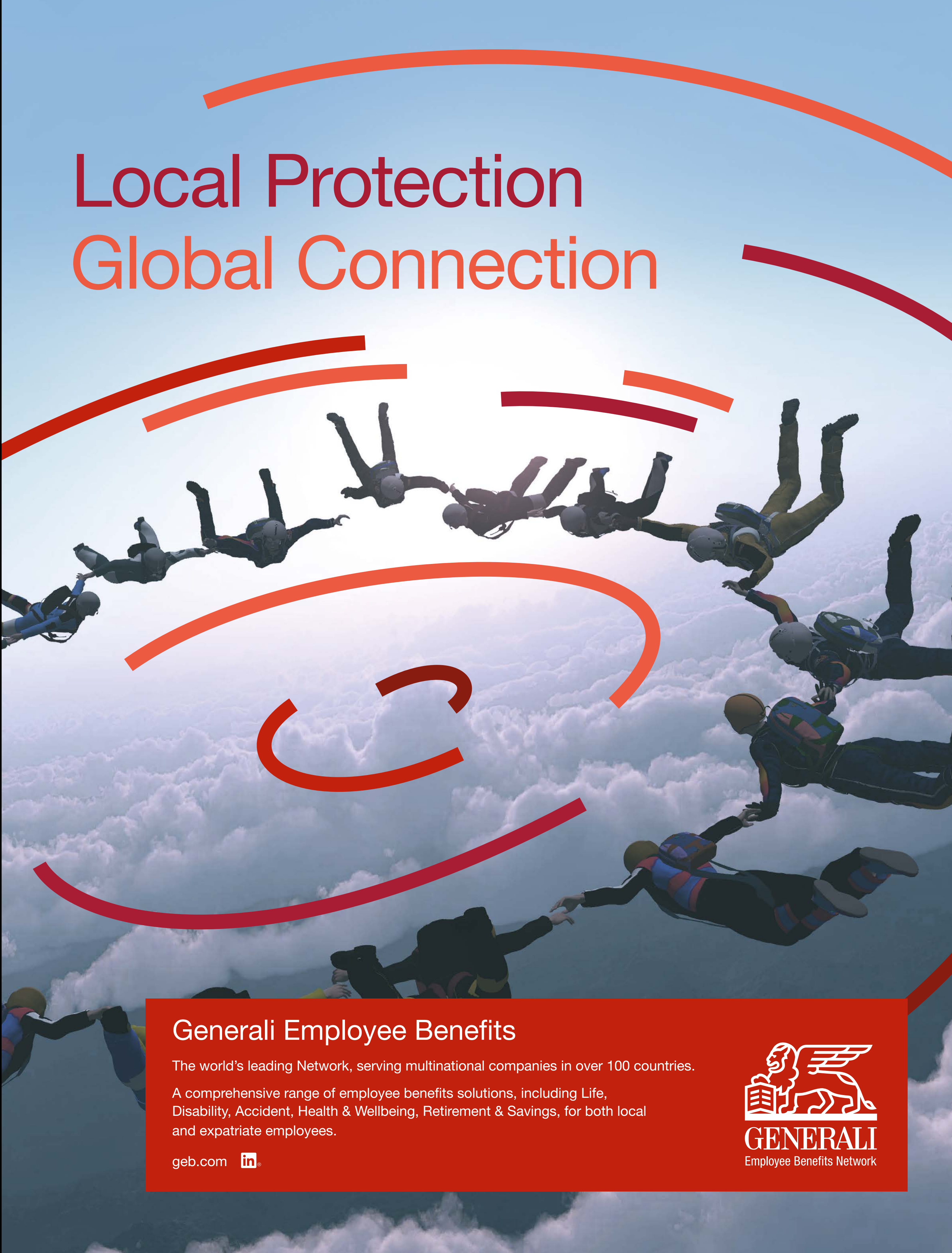
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The latest moves in the captive industry

The Bermuda Development Agency's (BDA) Jereme Ramsay has revealed he will be joining KPMG Bermuda in 2020 as senior manager for markets, with a direct focus on business development and marketing.

Ramsay, who has worked at the BDA since August 2014, currently serves as business development manager for risk solutions.

In his current role. he is responsible for the risk solutions pillar and works with reinsurance, insurance, captives, and insurtech sectors working closely with industry and advisory groups to help shape the jurisdiction's strategy and marketing.

Ramsay said at KPMG he will continue to focus on the insurance and reinsurance sectors.

Commenting on his new role, he said: "It's a great opportunity, but I will continue to work with some great players and still service the existing clients we have across the commercial as well as the captive space and I'm looking forward to working with asset managers and some other institutions that we have on the island." ■

HDI Global Insurance Company has appointed Jim Clark as its CEO, effective 1 January 2020.

Clark, who is currently the company's chief underwriting officer, will succeed current CEO and president, Lothar Becker.

Becker will continue to serve as deputy chairman of HDI Global USA and chairman of the company's excess and surplus lines subsidiary, HDI Specialty Insurance Company.

Clark, who has been with HDI Global since 2003 and has held a number of leadership positions within the company, brings more than 30 years of underwriting and technology experience within the financial services industry.

As CEO, he will be responsible for the continued growth of HDI Global and HDI Specialty, as well as the company's growing operations across Canada and Mexico. Brad Diericx, chief financial officer of HDI Global since 2014, will assume the role of president of the company.

In his expanded role, Diericx will lead the company's information technology, human resources and operations activities, while maintaining responsibility for the company's finance function.

Prior to joining HDI Global, Diericx held senior executive roles in merchant banking, consulting and public accounting over his 25-year career in the insurance space.

Jens Wohlthat, chairman of HDI Global USA, said: "We are pleased about the very well planned and executed leadership transition within our organisation."

"Becker has transformed our initial US liaison office into a sound and very respected insurance carrier and developed our North American Region with growing entities in Canada and Mexico."

He added: "We thank him for his three decades of leadership and dedication to our group and look forward to working with him in his new role."

"At the same time, we feel that Jim Clark and Brad Diericx have the qualities necessary to lead HDI into its next phase of growth." ■

Ethan Crain has joined Marsh as healthcare practice leader for the northeast zone.

Based in Boston, Crain will report to Chris Roak, the northeast zone leader at Marsh.

In the newly created role, Crain will be responsible for delivering transactional and risk advisory services to healthcare clients across 10 states in the northeast.

Crain has 25 years of healthcare brokerage experience, with a focus in medical professional liability, alternative risk financing, and reinsurance programme design.

He joins from EPIC, where he most recently served as a managing principal and Boston operations leader.

Roak said: "Healthcare organisations today are operating in a rapidly changing and complex risk environment. Ethan Crain is an outstanding client advocate whose passion, experience, and understanding of the healthcare industry will further enhance Marsh's ability to support clients with cutting-edge risk solutions to meet these challenges."

Crain added: "Today's healthcare providers and payers require an advisor that can help them manage today's risks and identify those on the horizon."

"Marsh's specialised health care expertise coupled with its unrivalled benchmarking capabilities, superior market relationships, and access to global talent is outstanding."

"I'm thrilled to be here and look forward to working to exceed our clients' expectations." ■