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# captive insurance times

The primary source of global captive insurance news and analysis

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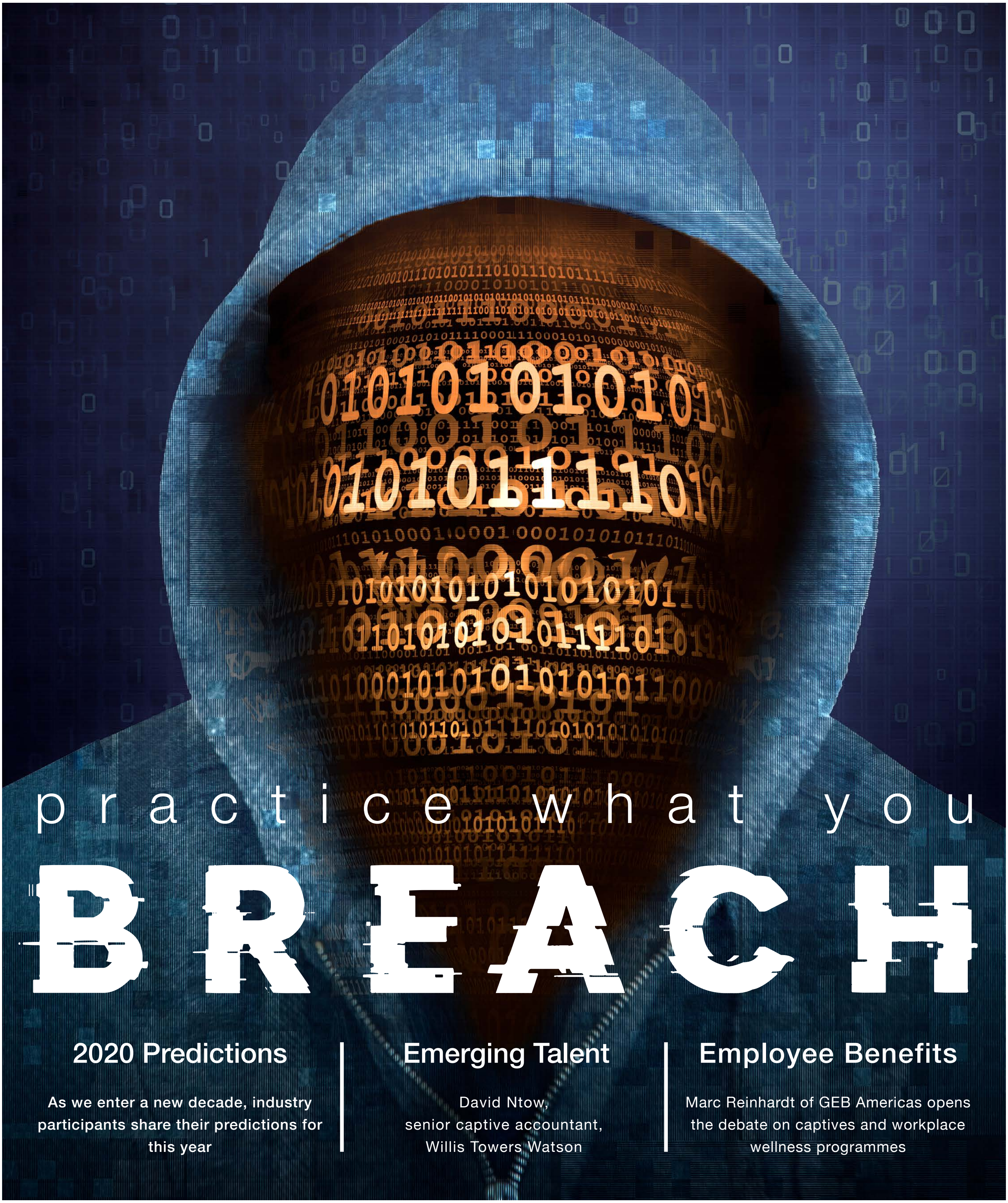

# practice what you BREACH

## 2020 Predictions

As we enter a new decade, industry participants share their predictions for this year

## Emerging Talent

David Ntow, senior captive accountant, Willis Towers Watson

## Employee Benefits

Marc Reinhardt of GEB Americas opens the debate on captives and workplace wellness programmes

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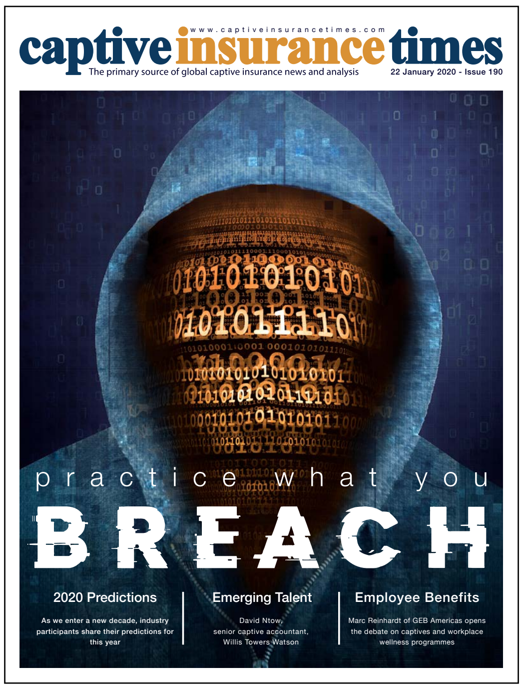


# *In this issue*



# Vermont welcomes 22 new captives in 2019

The Vermont Department of Economic Development has revealed that 22 new captive insurance companies were licensed in 2019.

The data showed that new licenses were made up of 14 pure captives, an increase of two from 2018. The rest included four sponsored captives, two risk retention groups (RRGs), one special purpose financial insurer and one industrial insured captive.

Vermont is now home to 585 captives, an increase of 558 in 2018, the new figures consist of 559 active and 26 dormant captive insurance companies.

Six of Vermont's 22 new captives were redomestications from other jurisdiction; including three from New York, two from Bermuda and one from Switzerland.

New companies include Massachusetts Mutual Life Insurance Company, KPMG, University of Vermont Health Network, Stamford Health, RELX, and Fortive Corporation.

Ian Davis, director of financial services in Vermont, said: "[The state's] 2019 licensing activity in many ways reflected the changing insurance environment." He continued: "We licensed nine new captives in Q4 alone and, given the hardening market, we expect the momentum to continue on into 2020."

Vermont has licensed a total of 1,159 captive insurance companies since 1981. With an active pipeline of prospective new captive insurance companies already underway for 2020, the state expects continued growth in the coming year.

In 2018, Vermont licensed 25 new captives, made up of 12 pure captives, four risk retention groups, three sponsored captives, two industrial insured captives, two special purpose financial insurers, one branch captive and one affiliated reinsurance company. ■

## $8.5 million settlement of tax whistleblower case against Moody's and Marsh

Kirby McInerney has secured an $8.5 million recovery in a tax whistleblower case alleging an underpayment of taxes to New York State and New York City by Moody's Corporation, along with Marsh & McLennan Companies.

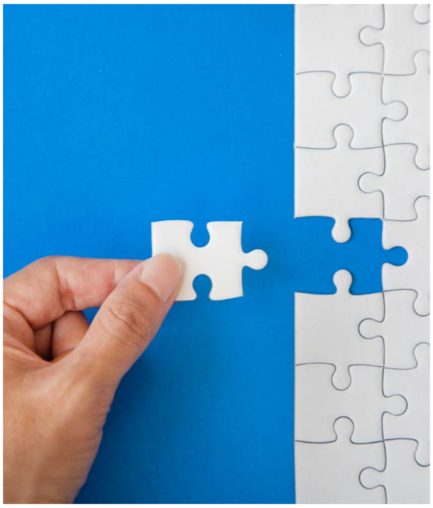
Kirby McInerney, who represented a former Moody's employee, alleged that the firm underpaid New York State and New York City business taxes between 2002 and 2014 by "mischaracterising its income as supposed premiums to its wholly-owned captive insurance subsidiary". The firm further alleged that Marsh aided and abetted the scheme. The lawsuit was brought as a 'qui tam' suit, on behalf of the government to help the government recover money lost by fraud. The whistleblower receives a percentage of the share of the government's recovery as an award.

The government declined the case, however, Kirby McInerney, on behalf of the client, pursued the claims for the benefit of the government. With this settlement, New York State and New York City will now share in the recovery of millions of dollars.

The settlement is also the largest non-healthcare recovery in 2019 under the New York False Claims Act.

In September 2018, Moody's previously stated that they "acted properly" with regards to the tax treatment of its captive insurance company. The firm said it would demonstrate this at a "later stage", despite accusations from a former employee that it pursued "aggressive, risky, and/or abusive" behaviour.

Marsh declined to comment. Moody's has been contacted for comment but did not immediately respond. ■



## AXA XL completes merger of XL Insurance

AXA XL has merged AXA Corporate Solutions (ACS) and AXA ART into XL Insurance Company SE (XLICSE).

The decision to merge ACS and AXA ART into XLICSE was made following the acquisition of XL Group by AXA, which was completed in late 2018.

This merger was approved by the relevant regulatory authorities including the Central Bank of Ireland and the Irish High Court, effective on 31 December 2019.

Commenting on the announcement, AXA XL's chief executive officer, Greg Hendrick, said: "We are extremely pleased to have completed this merger. Consolidating our legal entities across AXA XL allows us to streamline our processes to the benefit of our clients and brokers."

He added: "I am proud of the AXA XL team for their dedication and the work undertaken in the last year, which has led to the successful establishment and unification of AXA XL." ■

# Insurance sector continues to be 'vital' to Tennessee's economy

The Tennessee Department of Commerce and Insurance (TDCI) commissioner Hodgen Mainda has described the state's insurance sector as an "important and vital part" of its economy after $31.4 million was located and returned in combined life insurance benefits/annuities and monies returned through the department's mediation efforts last year.

TDCI figures showed the growing importance of the insurance industry in the state, including 192 licensed captive insurance companies and 460 cell companies totalling 652 risk-bearing entities.

The Volunteer State also revealed a $22.2 billion nationwide premium written by Tennessee domestic insurance companies and $44.8 billion premium volume written in Tennessee by insurance companies.

Hodgen Mainda, the newly appointed TDCI Commissioner, said: "When Tennesseans feel overwhelmed when it comes to questions about insurance policies and coverage, I urge them to remember that we are tireless advocates on behalf of consumers when it comes to answering questions and providing assistance."

TDCI assistant commissioner Rachel Jrade-Rice, commented: "Tennessee policyholders should remember that filing a complaint or otherwise contacting the department is always an option if they are ever denied a claim or even if they have a question or concern about their insurance policies. I join commissioner Mainda in congratulating our team on their work on behalf of consumers."

In December, Mainda appointed Michael Corbett and Jennifer Stalvey to new leadership roles in the department.

Corbett was named director of business development of TDCI's insurance division while Stalvey was appointed as director of TDCI's captive insurance section.

Mainda said that Corbett will spearhead the department's new effort to bring more insurance companies to Tennessee by taking on the role as director of business development.

With Stalvey assuming the leadership of the captive insurance section, Mainda said that he is "confident Tennessee will quickly be recognised as a 'best in class' captive domicile".

In a recent interview with Captive Insurance Times, Mainda said: "Collaboration has been key to Tennessee's success as an innovator among domestic captive domiciles. We will continue our work with federal, state and local elected leaders."

He also stated that his ambitions include "continuing the Volunteer State's growth into an international economic leader". ■

# Bermuda captive relocates to Kazakhstan

The Astana Financial Services Authority (AFSA) has issued a license to the Kazakhstan Energy Reinsurance Company (KERC) to continue the regulated activities of effecting contracts of insurance and contracts of insurance as a captive insurer, after relocating from Bermuda.

The transfer of incorporation of the captive insurance firm from Bermuda where it had been operating since 2004, to the Astana International Financial Centre (AIFC) marks a "positive process" of the relocation of Kazakhstan capital and assets from foreign jurisdiction.

According to AIFC regulations, the transfer of incorporation allows KERC to continue to have all the property, rights and privileges, and be subject to all the liabilities, restrictions and debts, that it had before the continuation.

Kazakhstan Energy Reinsurance Company is an affiliated company of KazMunayGas, carrying on insurance business within KazMunayGas and the National Welfare Fund Samruk-Kazyna, which is its ultimate parent holding company.

The AIFC has implemented a regulatory regime that allows attracting capital to the country, including repatriation of assets.

The transfer allowed KERC to transfer all legal rights and liabilities to the new entity, which is the same legal person as the originally overseas-incorporated company, as well as become the subject of tax preferences and legal regulation in accordance with international standards.

Mukhtar Bubeyev, acting CEO of the AFSA, said: "The transfer of incorporation of the Kazakhstan Energy Reinsurance Company to the AIFC gives a clear message that the legal framework of the AIFC supports Kazakhstani companies willing to relocate operations and assets to Kazakhstan through the AIFC, where a regulatory regime is well placed for doing financial services business and the protection of investments."

Aigul Beknazarova, managing director, financial controller of KazMunayGas, added: "The AIFC opens new opportunities for large companies conducting international business. This is a good opportunity, and we are pleased to take advantage of what this jurisdiction offers."

"This is not our first transaction on this platform, but we took advantage of the opportunity to transfer of company incorporation to the AIFC jurisdiction for the first time. We hope that the AIFC will continue to be a flexible and convenient platform for business." ■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OUT OF THIS WORLD
MORE OF A PARTNER THAN A VENDOR
Simply put, we provide competent service and place a priority on building relationships. Our clients are domiciled across the United States and abroad, served by our staff both in the United States and abroad with countless years of combined experience in the insurance accounting field, our professionals know insurance and have the ability to clearly communicate complex differences between Statutory Accounting/US GAAP/IFRS, and describing the accounting treatment of proposed transactions while discussing the tax effect in a clear, concise, understandable manner. We Thrive on Being Different.
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# Green Mountain launches group captive profit centre programme

Green Mountain Sponsored Captive Insurance Company, a Vermont-based protected cell company, has launched its innovative group captive profit centre programme, Greenguard, for owners and providers of multi-family properties.

As part of the launch Strategic Risk Solution (SRS) will provide captive management services to the Greenguard programme. Additionally, SRS is a shareholder in Green Mountain and helped design the programme.

The programme is designed to ensure tenants have adequate liability coverage and to provide protection for their personal assets while also generating income for property owners/managers for their efforts to market and administer the programme.

As increasing numbers of new apartments nationwide often means increasing the level of self-insured losses caused by fires, natural catastrophes or the negligence of their residents and tenants.

The Greenguard programme offers property owners and managers an opportunity to provide protection for such losses while offering their residents and tenants convenience in complying with insurance requirements under their lease or rental agreements.

Chris Kramer, managing director of Green Mountain, commented: “We are excited about the launch of the Greenguard programme as its ease of participation and lack of financial risk will entice candidates to use our programme.”

“For agents/brokers seeking to fortify their relationship with their clients in multifamily, residential, and tenant-occupied property industries, Greenguard can provide a unique service and benefits.”

Brady Young, president of SRS, added: “We are pleased to support this new programme in a sector where greater transparency is needed and both tenants and property owners/managers can benefit over the current fully insured products being sold today.”

“We have large clients that already do this on their own but this programme will enable mid-size companies to access the same benefits on a turn key basis with no upfront investment”, Young added. ■


## Dan Towle, president, CICA

This will be the year that elevates the value proposition of owning a captive insurance company. With the hardening insurance market, risk managers, CFO's and boards of directors will fully understand the value a captive insurance company brings to their organisation's bottom line.

As companies feel the economic effects of the hardening market, they will quickly look to form captives. Companies with existing captive structures will be expanding the use of their captives.

## Dominic Wheatley, CEO, Guernsey Finance

Moving into my sixth year at Guernsey Finance, I find myself for the first time focused on traditional captive insurance – my old stamping ground.

Over the last 10 years or so, captives have remained attractive in US markets for a range of reasons, but in our UK and international markets, the persistent soft market has made the up-front financial case for risk retention on the major corporate property and casualty risks marginal.

But things are changing. Over the last few years, a number of emerging cyber risks have been reaching main board agendas, while market cover available in areas such as professional indemnity and supply chain risks has been hardening in terms of limits, terms and price.

The big change in the last few months has been in the hardening of rates led by the reinsurance markets. Many commentators, including myself, are seeing this as a market adjustment rather than part of the traditional rating cycle.

As terms, limits and rates become more restricted, companies are being encouraged, or even compelled, to retain more risk and, to look for the most effective and efficient ways to manage and finance these risks. Inevitably, interest in captives has increased and continues to do so.

The value of using the working capital in your business to capitalise and provide reserves against claims on retained risks, backed by the high-quality insurance programme management provided by a properly administered and directed, and well-regulated, captive insurance company, delivers a level of security and risk governance not available through other self-insurance models.

## Sandy Bigglestone, director of captive insurance, Vermont Department of Financial Regulation

I predict growth in the captive insurance market. Even with a certain level of saturation, the tightening commercial marketplace will generate renewed interest for existing captives, to increase coverage retentions and expand into new lines of coverage. Growth will happen with new formations of single-parent captives, group-type captives, and especially cell captive activity.

The benefit of sponsored cell captives is that they provide an efficient solution for typically small- to mid-size businesses, but not restricted to those. Once a sponsored cell captive is set up, the turnaround time for adding cell business is relatively quick. In 2019, Vermont experienced growth in the number of captives licensed as well as the number of cells, so I expect that activity to continue well into 2020. We have already licensed four new companies in 2020.

## Debbie Walker, senior deputy commissioner, North Carolina Department of Insurance

The expectation for 2020 is the continued formation of new captive insurers and redomestications of captive insurers from offshore to the US.

Growth in captive insurers providing medical stop-loss coverage and tenant liability coverage is anticipated.

Also, growth is expected in the number of captive insurers providing coverage for traditional risks such as workers' compensation, general liability, and professional liability as business owners address rising commercial insurance prices or seek to fill gaps in their coverage. It is likely the use of cell structures, group captive insurers and agency captive insurers will be appealing to those desiring to enter the captive industry during 2020.

As with 2019, likely there will be small captive insurers that make the decision to terminate and wind-down their operations, but at the same time new formations of small captive insurers will continue, but at a slower pace than the growth that was occurring three to five years ago.

## Laurent Nihoul, board member, Federation of European Risk Management Associations

For the coming year, FERMA will be focusing on specific elements which will be crucial for the captive industry. FERMA's European risk manager survey will keep asking members about their intentions on using captives for traditional and non-traditional lines.

By comparing the previous results, where there was a fear that risk managers will stop using captives because of Solvency II and BEPS, we saw the use of captives stayed rather stable: from 34 percent (2016) to 37 percent (2018). With our 2020 survey coming soon, we will aim at trying to find out if risk managers are planning to create or use more intensively their existing captives.

The hardening insurance market might bring a renewed interest in the use of captive insurance vehicle and the primary rule of using a captive to buffer market conditions should then be back on the risk manager's desk.

Moving towards risk financing schemes based on technical risk premium will be a way to achieve less dependency on the insurance market's restrictions This is where we will clearly see captives helping risk managers to achieve more efficient and less costly solutions than traditional insurance covers with more retentions and higher premiums.

Therefore, with the overall industrial and commercial insurance market turning to more restrictive underwriting conditions, we can expect to see an increase in both the number of new captives being set up and the use of existing captives' capacity to support traditional insurance programmes.

## Kelvin Wu, group assistant general manager - risk management and insurance, International SOS, treasurer and member of EXCO, Pan-Asia Risk & Insurance Management Association

My predictions for the captive insurance market in 2020, I think there will be strong renewed interest of captives as a concept as the insurance market hardens, with more companies taking the leap to set up a captive proper.

Existing captives will play a bigger strategic role in the 2020 renewals, affording clients more flexibility and options to manage this hardening market cycle.

# Captives find a home in The Bahamas

## The Bahamas Financial Services Board discusses the benefits of the country's captive environment

Research indicates that there are over 6,500 captives operating worldwide and over 1,000 global companies successfully using captives. A common misconception is that captives are only for and formed by large public companies, but there is a growing trend for small private companies to own captives.

Data suggests that 47 percent of captives are owned privately and this helps to dispel the myth that only Fortune 500, or Fortune 1,000 companies use captives.

This is where jurisdictions such as The Bahamas offer a unique advantage with a well-regulated insurance sector and a collaborative public-private sector approach.

**Captive insurance environment in The Bahamas**

The Bahamas' captive environment is comprised largely of small to medium-sized international enterprises seeking to establish a captive insurance presence through a stand-alone or segregated account entity. The Bahamas' growth in the captive space continues to be attributed to the use of segregated accounts (cell captives) given that their cost effectiveness is more favourable than operating a stand-alone captive.

The Insurance Commission of The Bahamas, the insurance industry's supervisory authority, continues to enhance the captive industry by streamlining the application process and maintaining a robust regulatory and supervisory framework which meets international standards.

As a result, The Bahamas has registered captives insuring risk emanating from various industries such as medical and healthcare administration, retail and wholesale distribution, agriculture, construction and real estate.

All captives are licensed in accordance with the External Insurance Act, 2009. The captive insurer application process includes:

- A scheduled pre-application meeting to discuss the proposed business plan
- Submission of a completed application which includes, but is not limited to, the following: detailed business plan; actuarial review or feasibility study; projected financial statements for three years – including of balance sheet, income statement and solvency calculations; sample policies to be marketed and sold by the applicant; details of the reinsurance programme; and due diligence documents for proposed shareholders, directors and senior officers
- Application review and consideration for approval by the board of commissioners. An approved application receives approval in principle where the applicant is given 30 to 60 days to meet the conditions of approval

Once the conditions of approval are met, a certificate of license is issued to the applicant.

### How captives benefit domiciles such as The Bahamas

While the primary purpose of a captive insurance company is to insure the risks of its owner(s), The Bahamas engagement of the captive insurance sector provides a few benefits to its overall economy. These include:

**An economic stabiliser:** Insurance, overall, is an economic stabiliser. During difficult economic times, companies tend to buy more insurance, which results in a better return on capital for those who have put up capital in the insurance sector. Through economic growth, there tends to be increased incorporations and thus a greater demand for insurance.

**Promotes growth in the overall insurance sector:** Specifically, with captives, markets tend to experience increase growth through hard insurance markets, where premiums are rising and available limits are being reduced. We are seeing this trend currently with clamping down that Lloyds of London began early in 2018.

**Creates opportunities for professionals such as accountants and attorneys:** As the sector grows employment numbers will grow as will the revenue of existing service providers like attorneys and accountants.

**Creates employment and can attract foreign direct investment:** Many captives ultimately become full stand-alone insurance companies and often times they establish these full insurance companies within the domiciles of the former captive. Therefore, they have a physical presence. This means investment in real property, which gives them a long-term relationship with the domicile.

### The Bahamas advantage

It is not by chance that The Bahamas is the most diverse and successful

The Bahamas has registered captives insuring risk emanating from various industries such as medical and healthcare administration, retail and wholesale distribution, agriculture, construction and real estate

international financial centre in the Caribbean region today.

More than 80 years of thought, effort and co-operation have produced ideal conditions for captives, investment by and relocation of (ultra) high net worth individuals, efficient management of wealth by families and businesses in comfort and style.

The country's mature financial services industry, established infrastructure, progressive government, tax-neutral environment and luxury lifestyle have all been carefully cultivated to satisfy the specific needs of this most exclusive clientele.

The many advantages of doing business in The Bahamas are as clear as the crystal waters surrounding the 700 islands of the archipelago, these include:

**Strategic location:** The Bahamas is situated at the crossroads of the Americas, just 65 miles off the east coast of Florida. It is an ideal hub for regional investment and business in the Eastern US and Canada, and much of Central and South America.

**Political and economic stability:** The Bahamas has an outstanding record of political and economic stability, progress and stewardship. With more than 280 years of uninterrupted parliamentary democracy, it has been an independent nation since 1973 and retains a Westminster-based system of government and an English-based legal system.

**Wealth and asset management options:** The Bahamas offer owners of capital a broad choice of financial institutions that deliver myriad services including banking, private banking and trust services, investment fund administration, capital markets, investment advisory services, accounting and legal services, e-commerce, insurance and corporate and shipping registries.

**Physical resources:** The Bahamas has developed its land, premises and fit-for-purpose infrastructure with the singular focus of facilitating international business.

**Human capital:** The Bahamas has a highly educated local workforce and a long tenure in financial services excellence which has created a deep pool of skill and experience that is recognised and trusted worldwide.

**Investment policy and incentives:** The Bahamas' government is committed to building an economic environment in which free enterprise can flourish.

### The Bahamas is simply captivating

The Bahamas has always sought to provide superior financial products and services and world-class client experience.

It has proven itself to be nimble and responsive to global changes – always mindful of the need to adhere to international standards with respect to compliance, cooperation and transparency.

Any country heavily engaged in financial services bears the responsibility and a commitment to the international community of which it is intricately involved, the financial institutions operating within its borders, the clients which it serves and its citizens which rely on the sustainability of the industry for continued economic development. The Bahamas is such a country.

Three vital features at the heart of what distinguishes The Bahamas as an international financial centre of significance are: expertise, innovation and location.

Everything that comprises The Bahamas value proposition and continued success as a leading international financial services centre is guided by these distinguishing factors.

**Expertise:** With an 80-plus year track record in financial services, few jurisdictions offer the wealth management experience that The Bahamas has to offer.

This heritage is the basis for the strong legal framework that has been cultivated for financial services, an investment climate that has been nurtured through years of maturity and a stable and predictable business environment anchored by the thousands of Bahamian wealth management professionals who work side-by-side with expatriate colleagues in the more than 250 financial institutions that call The Bahamas their home.

**Innovation:** Market responsiveness has long been a part of The Bahamas' DNA as a forward-thinking IFC, and has been the basis of legislation creating innovative, client-centric products and services in a modern, compliant regulatory regime.

Such innovation can be seen in the country's evolving and often ground-breaking trust legislation.

And with this innovative spirit, it should come as no surprise that the country's once-dormant insurance business has re-emerged as a sought-after destination for captives.

**Location:** Our proximity to the US, Central and South America places The Bahamas in an enviable position to serve both our traditional and emerging markets and presents an opportunity to link commercial and financial interests.

In recent years, as more and more individuals have chosen to "follow their money" with respect to where they live and work, The Bahamas with its tropical environment has become the preferred choice for many who yearn for an excellent quality of life while being able to manage their financial affairs. ■

# Captives and workplace wellness programmes: Opening the debate

Sophisticated healthcare reporting, involving analysis and recommendations, is already available to captives and functionality improves every year. But are they completely fulfilling clients' needs? If they are, why are requests increasing for direct data feeds? Marc Reinhardt of GEB Americas says it's time for a cross-industry debate: what's next for data?

Medical claims reporting has become incredibly sophisticated over the past decade, but what do captive clients actually do with the data? Are recommendations translated into local actions with identifiable outcomes? If not, how can we better work in partnership to ensure that client needs are fulfilled?

Alongside this, there seems to be a growing interest – particularly from US-based captives – in direct data feeds. In other words, clients would like to receive their data on a monthly or quarterly basis, with a view to carrying out their own analysis and drawing their own conclusions.

With a history of self-insuring medical plans, many US corporations no doubt already have the internal experience and capabilities to do this. Understandably, they want to ensure a consistent approach with regards to their subsidiaries in other countries.

But this raises a number of questions: even if the data from country to country can be harmonised (for example, using standardised diagnostic or procedure codes) can it be done in such a way that allows for the rollout of US-style workplace wellness programmes in other territories?

Are such programmes even relevant in countries where the scope of cover under local private schemes might be restricted due to the prevalence of local public health systems? And, on a practical level, how do you ensure compliance with each country's data privacy laws?

## Partnership working

These are all questions that we'll be bringing to the World Captive Forum. They're questions that are of huge relevance and importance to all captive clients.

And as reinsurers and network providers, we all need to be cognisant of competition and market share, the big questions that affect all of us need to be discussed out in the open for the benefit of all.

Why? Because people of all age groups, regions and countries are affected by noncommunicable diseases (NCDs). Otherwise known as lifestyle diseases, NCDs are responsible for killing 41 million people each year, equivalent to 71 percent of all deaths globally, according to World Health Organisation (WHO) statistics.

These are chronic conditions such as diabetes, heart disease and chronic pulmonary conditions, the prevalence of which is driven up by unhealthy lifestyle factors, such as inactivity, poor nutrition, tobacco use and frequent alcohol consumption.

Of course, employee health, safety and wellbeing extend even further beyond individuals and their families. It is of paramount importance "to the productivity, competitiveness and sustainability of enterprises, communities and to national and regional economies", as stated by the WHO in a document that is now a decade old but arguably as relevant as ever. In this, Dr Maria Neira, director, department of public health and environment, WHO, neatly sums up the importance of workplace wellbeing: "The wealth of business depends on the health of workers".

### Healthcare system variations

All of these issues will undoubtedly strike a chord with every captive client in every country of the world.

Where each client (or country) differs is in their underlying drivers with regards to ensuring data-driven wellbeing improvements, which brings us back to the questions raised earlier in this article around harmonisation, relevance and compliance.

For example, faced with local healthcare insurance coverage that is much more comprehensive in scope, and an average medical trend rate of 6.5 percent, US captive clients have an obvious financial incentive to limit healthcare claims by reducing the risk of employee ill health. These actions are further reinforced by the US Affordable Care Act – otherwise

## Understanding data-driven priorities: a comparison of universal health coverages

### Regulated system

In the Netherlands and Switzerland, people are legally required to buy one of a range of insurance policies available in the marketplace or else pay a fine. Subsidies are available from the government for those who cannot afford insurance. In the Netherlands, financing is shared between individuals and their employers and insurance plans also cover dependants. The Swiss pay the entirety of their plan costs and separate plans are required for children. Insurance isn't tied to employment.

### Single public plan

This is where national, regional or local governments are the main payers of healthcare. The National Health Service in the UK is funded by national taxes. Other systems are decentralised, with revenues raised through regional taxes (Canada) or local taxes (Sweden). A level of patient cost sharing applies, for example a portion of prescription drug costs. Also, aspects such as vision and dental benefits are only available for children and low-income adults.

### Private coverage

Supplementary insurance plays a role - to varying degrees – in all countries with universal coverage: to pay for non-covered aspects such as dental, vision care, chiropody and physiotherapy or to provide quicker access to elective care. Meanwhile, Australians are incentivised through premium discounts and rebates by the federal government to purchase private hospital insurance. And in Germany, where health insurance is mandatory, individuals have a choice of two systems: the first, competing, not for profit, non-governmental health insurance funds (sickness funds); and the second, substitutive private health insurance.

known as Obamacare. This act permits employers to offer financial incentives for achieving health related goals, such as stopping smoking or losing weight. US organisations are also advanced in using data and metrics – for example, from screening programmes and health risk assessments – to track progress of employee wellbeing programmes.

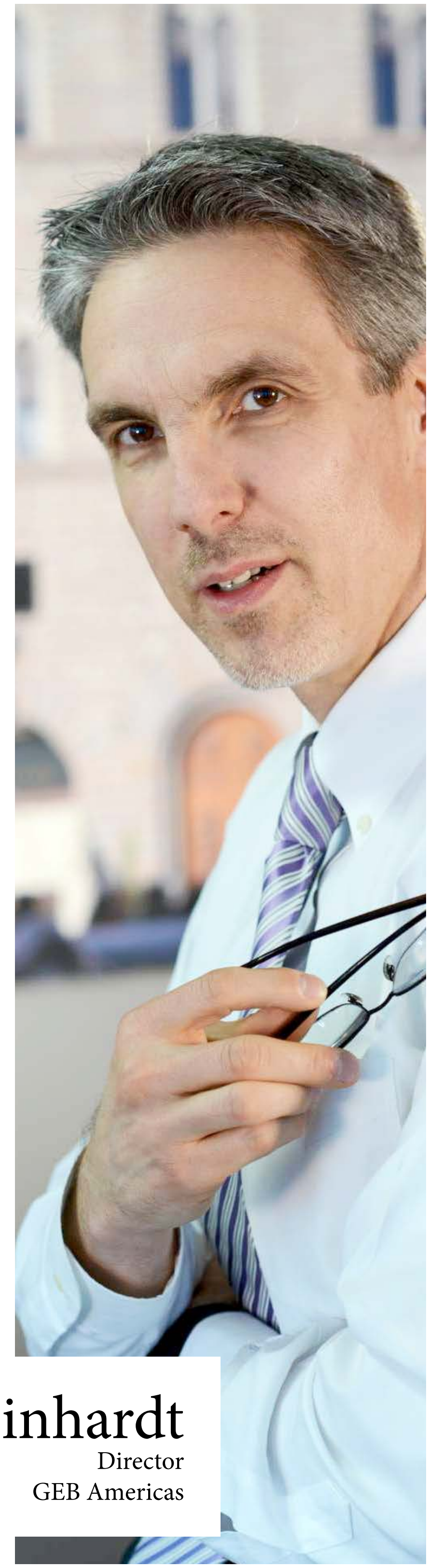
By way of a stark contrast, compare this with the UK, where the average medical trend is around the same as the US but only around 10.5 percent of the population have access to private healthcare, but where the local scope of cover is not as comprehensive. In the UK, the main financial incentive to invest time and resource into wellbeing programmes tends to be to address short and long-term sickness absences: cutting the cost of which is much more indirect and intangible than limiting healthcare claims, and where financial incentives aren't used to achieve wellbeing goals. It's more about encouraging individuals to buy into a lifestyle change.

### Different wellbeing priorities

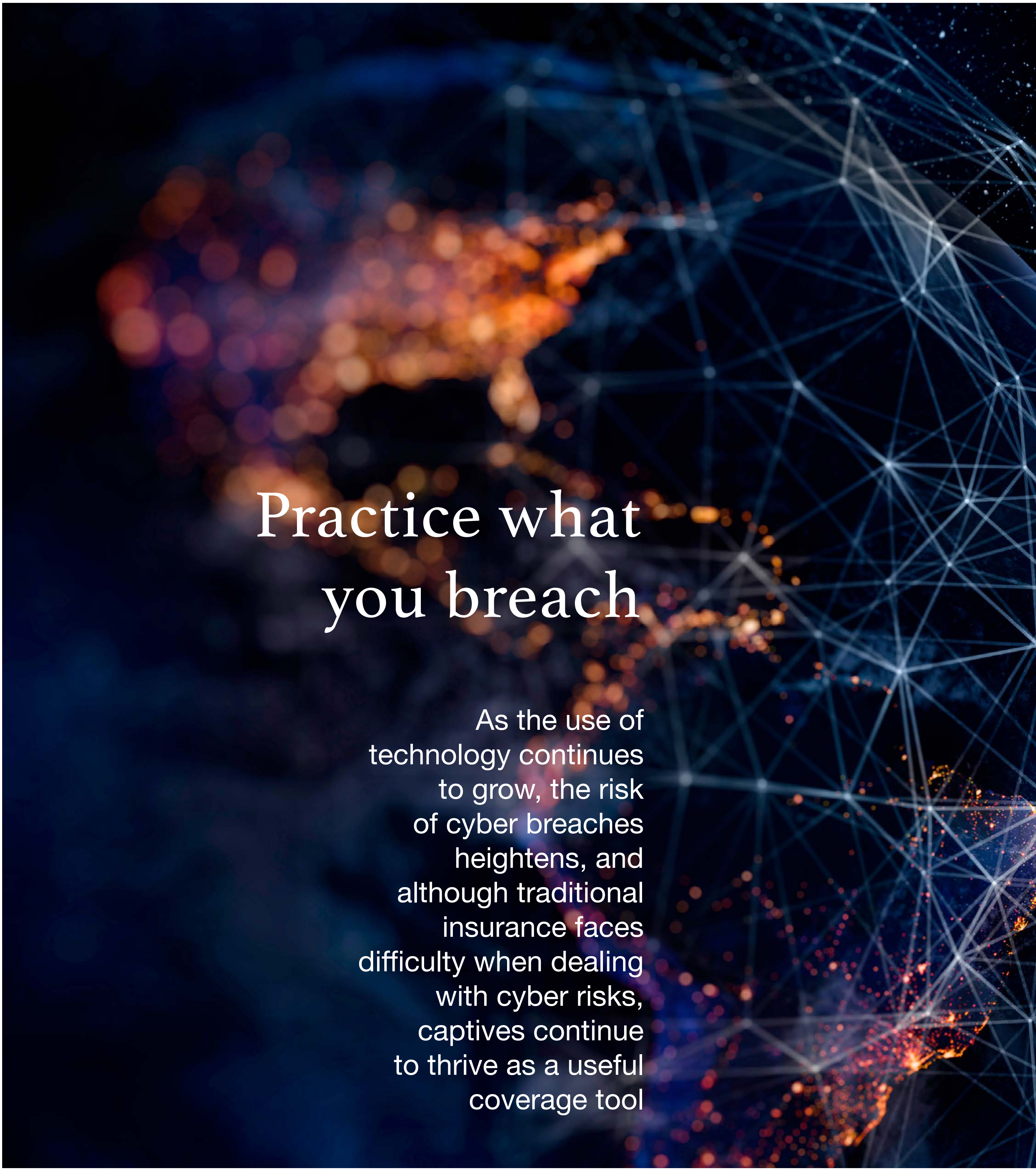
In fact, across Europe, in Canada and also much of the Asia Pacific region, the focus for employee wellbeing has moved away from reducing insurance costs to helping employees perform better, engage with their colleagues and contribute to a positive company culture. This, in turn, is thought to help improve recruitment, retention and ultimately business performance.

Bearing all of the various healthcare systems and workplace wellbeing drivers, how can we ensure the facilitation of data-driven, sustained improvements for captive clients across all the territories in which they operate? How can we help clients turn recommendations into actions and outcomes? And although direct data feeds are valuable in the US, is harmonisation possible – or even relevant – across other countries? Will it raise more questions than it answers? To be discussed. ■

"Bearing all of the various healthcare systems and workplace wellbeing drivers, how can we ensure the facilitation of data-driven, sustained improvements for captive clients across all the territories in which they operate?



Marc Reinhardt
Director
GEB Americas



# Practice what you breach

As the use of technology continues to grow, the risk of cyber breaches heightens, and although traditional insurance faces difficulty when dealing with cyber risks, captives continue to thrive as a useful coverage tool

Technology has advanced so much over such a short period of time – it's in every aspect of our lives; from how we communicate with peers to how we operate our cars.

In 20 years, we have gone from a computer that had to use dial-up internet, to today, where everything is at the touch of a button. But with all these advances, a door has opened for a new way for intelligent criminals to operate.

Businesses are all about using the latest technology but many lack the security programmes that protect them from criminal hacking, for example, JPMorgan Chase, Marriott International and social media platforms such as Facebook, were all victims of this criminal activity, which led to the exposure of over one billion data records.

Traditional insurance faces difficulty when dealing with cyber risks as it is a difficult area for these companies to define. Cyber risks are constantly unfolding and full of complexities. They involve intangible data, which presents a challenge for many of these companies. Only a scattering of owners/managers of small organisations knows precisely what they need.

When organisations increase in size and expand into different territories, the complexity increases considerably. All companies deal with cyber exposures in different ways, while some deal with major cyber disruptions others deal with the worry of interruptions.

With the risks and losses that companies are facing being unpredictable, companies are turning to captive insurance as a more flexible and tailored approach in order to protect themselves.

## Phishing for solutions

Aon's Captive Cyber Survey 2019 found that the volume of captive premium growth for cyber risk has expanded by 263 percent in the past year. This growth has outpaced growth in the commercial cyber insurance market – which saw a 50 percent increase in its annual growth – however, the number of captives retaining cyber risk is low at only 3 percent.

Aidan Kelly, director, risk finance and captive consulting at Aon, suggests that developments are needed in understanding the rationale for captive utilisation, how coverages can be enhanced using a captive and that greater analysis of pricing, funding limits and retentions within overall risk tolerance and appetite is still needed.

Kelly expresses that Aon has noted that the cyber insurance market continues to harden for US and European markets. This is leading to a further reduction in capacity offerings, coverages and competitive pricing.

He adds: "These constraints in the market push clients towards greater self-retention of risks and through that impact, there is a greater need for sophisticated risk retention and risk improvement or funding strategies. This is where the use of a captive can be a primary tool for many clients."

Aon's Cyber Captive Survey also predicted that, in five years time, 34 percent of all captives will be underwriting cyber, which can be achieved through the integration of cyber risk into a wider framework of risk management, increased capacity allocated to coverage components, and an industry shift in asset value from tangible to intangible.

Kelly explains that a captive, as a central tool for risk financing in an organisation, can act as a protection vehicle or as a funding mechanism.

He says: "Risk or security leaders within organisations can position a captive as a funding vehicle for cyber risk improvements. Captives have long been used as enablers of property or casualty loss prevention or risk mitigation initiatives."

"This important role can be expanded to the data protection and IT spaces to better protect entities from cyber events and using existing funds within captives as a source of enhancing IT budgets, and ensuring that CISO and CSO's see the captive as an integral part of the overall risk financing of the organisation," says Kelly.

He outlines that engaging a captive as a fundamental cornerstone of how organisations tackle cyber risks should be considered and it can help maintain strategic control at an enterprise-level rather than the response just being managed at an operational level.

**Covering the risks**

The diverse cyber risks that exist within companies posing a real threat, include, data breach; social engineering; malicious software; denial of services; insider threat and cyber espionage; web technology attacks; and supply chain attacks, according to Fernando Sevillano, head of cyber risk consulting Iberia, Willis Towers Watson (WTW).

Sevillano says: "Additionally, regulatory and financial risks caused by cyber threats also apply to the captive industry."

Cyber risk financing strategies have evolved in response to developments in digital technologies, such as artificial intelligence, distributed ledger technology and cloud computing.

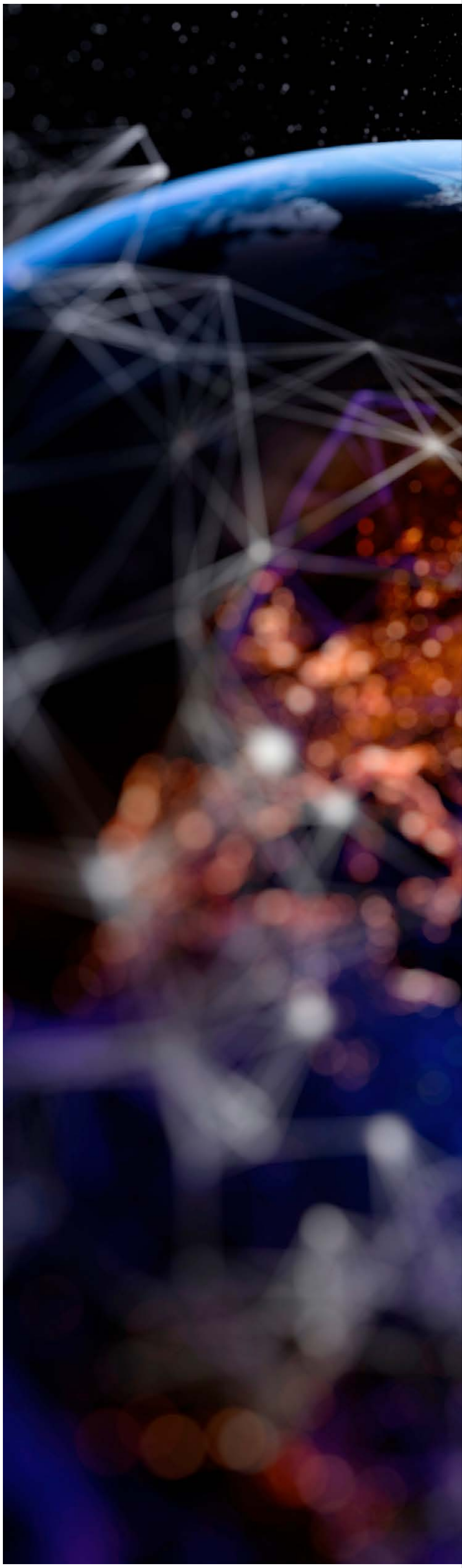
Such advancements are designed to stimulate the economic motivators of automation and connectivity; however, this also poses risks involving disruption, confidentiality and suppliers.

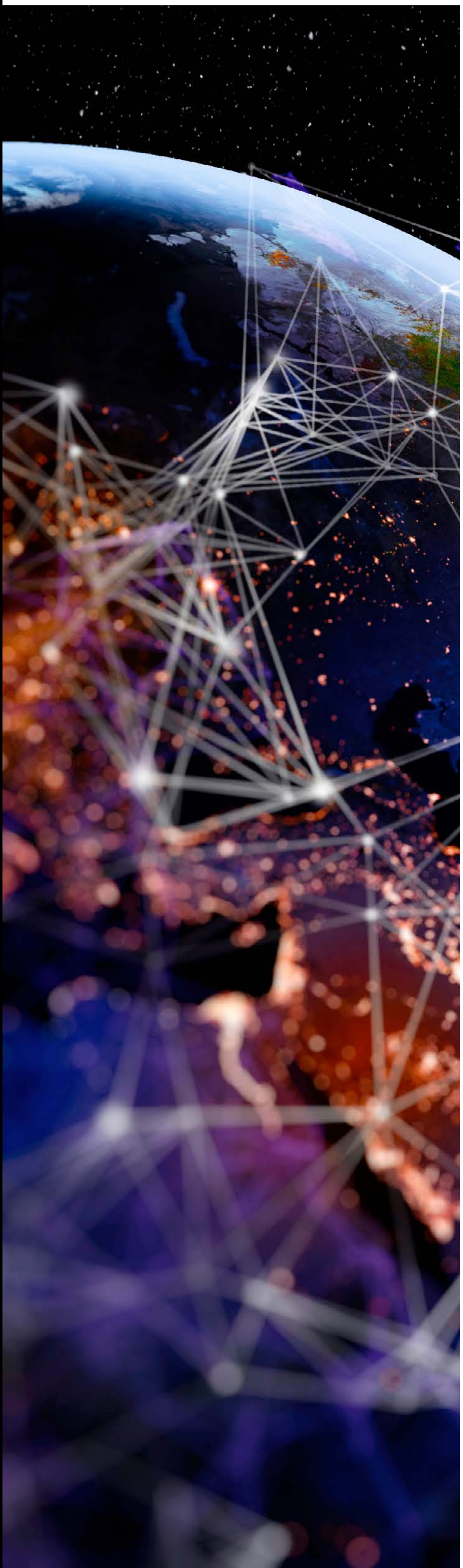
Kelly articulates that risks faced by organisations from cyber risks continue to escalate and develop. The advancements in digital technologies being deployed to drive automation and connectivity in business are creating emerging threats.

He believes that these threats are not just confined to businesses but have evolved into political actions led by state-backed entities launching cyber-attacks for a variety of outcomes. These campaigns and actions are resulting in losses for both public and private enterprises. The main areas of risk are from disruption risk, confidentiality and privacy risk and risk from global networks of suppliers and customers.

On the benefits of having cyber risk coverage, Sevillano states that captive insurance has a specific method of mitigating risks and it must be balanced against other insurance and risk mitigation strategies.

According to Sevillano, for some organisations, a captive insurance programme allows retention of capital and flexibility but he believes the administrative costs, and the cost effectiveness of using traditional insurance markets, can reduce the benefits of a captive insurance approach.





Sevillano adds: "Understanding each organisation's risk management goals and financial objectives is critical to making an informed decision, especially in regard to cyber risk which can change very quickly and is a fast-evolving market."

A captive can be used for various coverage for cyber risk including, expanding the 'contingent' business interruption coverage from 'dependant systems' to include key vendors; reputational risk, more data, benchmarking and methodologies are being developed leading to greater capacity in the market; increased costs of working; regulatory fines and penalties; and intellectual property claims.

On coverages, Sevillano disclosed that in the last year, a lot of companies have made digital confirmation programmes, which incorporates technology (in terms of information and operations) within interconnected systems.

He comments: "While this improves ease and efficiency, the more technology and automation you have, the higher your cyber risk is compared to separate systems. Cyber risks are a very specific type of risk because they are evolving so fast."

**Risk assessment**

Cybersecurity expert and risk thought leader Peter Hacker believes that cyber is a known unknown emerging exposure with billions of business connectivity and interdependence triggering many unparalleled challenges for the private, public and (re)insurance sector.

He outlines three trends he's seeing in cyber risk and cyber risk coverage as; non-kinetic warfare; extortion; and silent (non-affirmative) cyber risks.

Hacker states that non-kinetic warfare is nothing unusual in today's world, but is becoming exponentially more prominent. He says: "It's global, highly volatile and potentially disastrous for economies and individual sectors/companies."

"Despite such risk development facts affirmative cyber policies have become broader in some cases being potentially extended into non-kinetic war."

He also explains that while state-sponsored attacks are extremely difficult to prove, it is questionable, whether such attacks could and should be covered sustainably through the (re)insurance market and at what price and level of contract certainty.

At the same token, it may well be the case that state sponsored cyber-attacks cannot be easily excluded as proper legal proof will be extremely difficult. Thus such exclusion will fuel again contract uncertainty.

He adds: "Notwithstanding such conclusions, there are sectors (for example, critical infrastructure) in which such attacks trigger the main interest for affirmative cyber coverage and equally massive underwriting headache."

The question we should ask ourselves is whether governments should offer a state sponsored pool that would cover the consequences of a wider state sponsored attack, and if so, at what price, scope of cover and backed by which additional parties.

Hacker sees trends in cyber extortion coverage as another major concern, "independent of the claim and debate whether paying a ransom is justified or not, I feel cyber extortion should be handled entirely separately in a similar fashion as kidnap and ransom with stand-alone affirmative policy".

He explains that in certain jurisdictions, disclosure requirements of cybersecurity, insurance and risk management readiness may trigger a deep pocket focus by intruders.

He adds: "Therefore, keeping extortion cover rather of the combined affirmative cyber cover radar may well tackle a significant ongoing incident and subsequent claims challenge that has gone through the roof in certain sectors and jurisdictions in 2019."

On silent cyber risks, Hacker believes the biggest headache right now is not just the cyber peril development or threat actors, but the internal (re)insurance market homework.

Hacker notes that too many existing policies in property, casualty and other lines of business do not properly exclude cyber (malicious and non-malicious) and are therefore exposed to respond to a cyber event irrespective whether such coverage was ever intended, or any premium was charged (silent exposure).

He stresses: "This ambiguity needs to be urgently removed. It is like an iceberg. The visible part (affirmative) is already dangerous but the invisible part (silent) underneath the water surface will cause for disaster sooner rather than later."

**Security perimeter**

There are regulations already in place around the world including the protection and security of data, such as EU General Data Protection Regulation (GDPR), US Health Insurance Portability and Accountability Act (HIPAA) regulations and more recently, the State of New York introduced specific cybersecurity regulations for the financial services industry which included requirements for data encryption, multi-factor authentication, incident reporting and third-party risk management.

The GDPR is a regulation in EU law on data protection and privacy for all individual citizens of the EU and the European Economic Area (EEA). It also addresses the transfer of personal data outside the EU and EEA areas.

HIPAA was enacted by the 104th US Congress and signed by then-president Bill Clinton in 1996.

It was created primarily to modernise the flow of healthcare information, stipulate how personally identifiable information maintained by the healthcare and healthcare insurance industries should be protected from fraud and theft, and address limitations on healthcare insurance coverage.

The State of New York introduced the NYDFS Cybersecurity Regulation, which was a new set of regulations from the NY Department of Financial Services that places cybersecurity requirements on all covered financial institutions.

In addition, South Korea welcomed its Network Act and Credit Information Act, which requires mandatory liability insurance for cyber events for certain information communication service providers and financial institutions.

Kelly says that while other US states and jurisdictions have not yet followed New York and Korea's lead, "it is inevitable that while cyber events continue to occur, legislators will attempt to mitigate exposures and ensure consumers are protected from these events, where possible".

Meanwhile, Hacker believes that cyber risk is "fundamentally different" than any other current insurable peril.

He explains that it's a truly global exposure, highly volatile peril, less diversified and fully man-made driven by criminal energy with a material probability to cause huge economic losses and material insurance losses.

He comments: "Due to this nature diversification is much less achievable across businesses, corporations and economies than in other lines of business."

"These ingredients carry huge potential for large aggregate losses as a single event might trigger many independent policies and jurisdictions."

Hacker makes clear that depending on the scenarios chosen and the number of threat vector applied, they have predicted economic losses globally close to $240 billion and insurance damages up to $40 billion in a 250-year return period.

He outlines that a maximum of 17 percent of such a major cyber attack would be covered by (re)insurance today. However, pending court cases around not-kinetic war (cyber warfare) and definition of data in insurance terms may well have a significant impact on the insurance loss number(s) predicted. He states that incident numbers across industries and continents vary hugely and so does the level of insurance protection.

"Cyber is a contagious risk which needs to be addressed top down and must become a fundamental minister and board executive priority globally," says Hacker.

Hacker considers it too complex to be handled in isolation. Regardless of the capital size (re)insurance parties can offer, he stresses that it is a challenge that needs to be addressed on the front foot and top-down by regulatory bodies, the (re)insurance industry, capital markets, cyber security vendors and corporations (including captives) together.

Hacker adds: "To my mind, regulators may well play a crucial role including potentially broader solutions (pools or ILS structures) backed by governments, (re) insurers and capital markets in the mid to long term." ■

# Vermont's 2020 agenda

After another successful year of captive growth, Vermont's Ian Davis and David Provost reveal what plans are in place for 2020 as well as the state's key priorities

**Are you happy with how 2019 panned out for Vermont's captive insurance market?**

**Ian Davis:** We are very pleased with the quality of our 22 new captives. By all accounts, it was a strong year for us as well as a consistent one given our growth trajectory over the last five to 10 years. For the first time in the last few years, we saw net new captive growth and given the hardening market, we are very pleased with where we're headed.

**David Provost:** This year is off to a good start. We have already licensed four captives and have received another application to be reviewed. I think the hard market is going to have a significant impact this year. In early 2019 we started hearing

Pictured: Ian Davis (left), director of financial services at the Vermont Department of Economic wDevelopment and David Provost (right), deputy commissioner of captive insurance for the State of Vermont

from a few companies that the market is hardening, the reinsurance market was definitely turning hard and now it's all over the news that rates, availability, and capacity are all tightening up. I have heard some people are comparing it to the kind of hard market we experienced in the mid-1980s.

Because of this, we are seeing a lot of companies with a reduced portfolio of reinsurers, or having to retain more risk themselves before the reinsurers will take it, which indicates the industry has entered a tough market. It's bad for business but good for captive business.

## What plans do you have in place for 2020?

**Provost:** We do not set a goal for the number of captives to license each year because it counters our belief of having the highest standards. We always want to be on the list of places that people want to apply, but if we had a goal of 25 and only had 25 applications we would have to accept everybody. We will reject applications when they need to be turned down.

**Davis:** Echoing what Provost said, we don't have a set goal in mind when we begin the year. We strive to create an environment that is accommodating to new formations and existing captive growth.

We create that environment through our regulation, and we have a package of new legislative proposals that have been introduced that we're confident will help grow the industry while maintaining our state's prudent regulatory standards. This year's bill introduces several technical amendments that we're hopeful will go through and that we think will help drive and increase business in the state.

**Provost:** We are looking to tweak the cell captive law to allow cells to do anything that a regular captive would

> "This year is off to a good start. We have already licensed four captives and have received another application to be reviewed

do and remove any kind of restrictions that might be there—not that there are many but we want to make it clear that a cell is a captive entity and is meant to be an insurance business, making it a level playing field. One of the things we find when the statute is unclear is that if a business doesn't see itself mirrored in the statute then the business may choose to locate someplace where it is able to see what it wants to do in the statute. Although companies appreciate regulatory flexibility, they would rather see a clear path in the law.

We are also simplifying the disclosure for agency captives; we still want to make sure there's proper disclosure, but we hope to make it a little easier to comply. We are also asking the legislature to give us some flexibility in the minimum capital of dormant captives.

In addition, we are looking to adopt the same investment standards that we adopted last year to apply to any company other than a pure captive that had to follow the old investment rules.

We also have a couple of accreditation standards to fit in there too.

We had another captive this year convert from a cell captive to a full-blown captive on its own.

That has happened at least twice now and reflects well on the concept of using a cell as an incubator.

### What other trends are you seeing in the market right now?

**Provost:** We haven't ever been a specialist domicile, even this year the 22 new captives were from all different industries, from healthcare, manufacturers, hospitals, professional service firms with all types of captives too such as pure, risk retention groups, affiliated reinsurers, cell companies and special purpose companies. We're not reliant on one particular sector of business.

**Davis:** One area in particular that we see sustained growth is in sponsored and cell captive activity.

Vermont is now home to 37 cell facilities and over 200 cells. Cells continue to be a great tool for companies to incubate the captive concept and, in many cases, eventually transition to a single-parent captive.

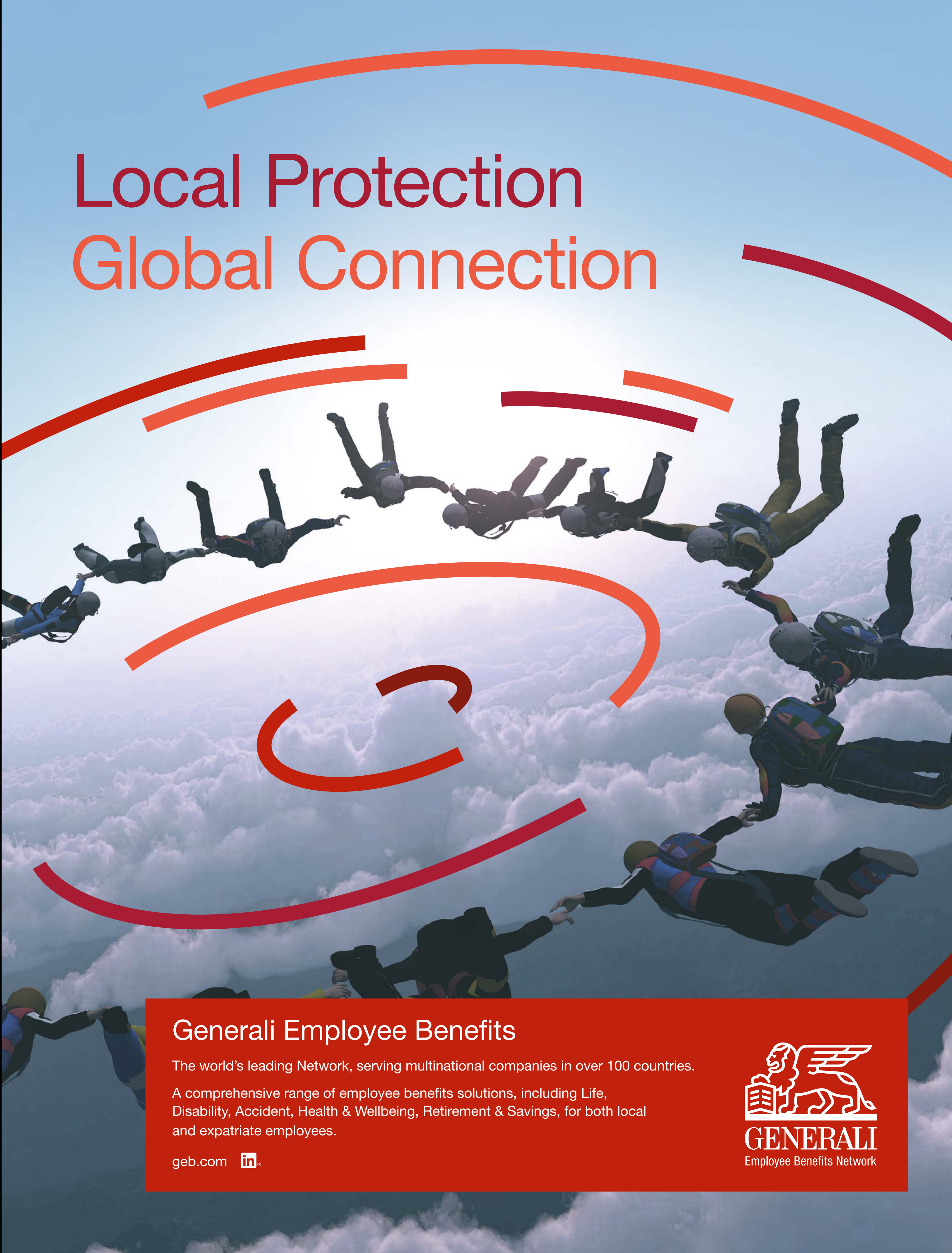
We're hopeful that our new legislative proposals will help to support the continued utilisation of cell captives by small and mid-sized companies.

### What are the state's key priorities in terms of captive insurance?

**Provost:** Keeping up our standards and making sure we follow our accreditation standards, which includes completing exams timely and effectively. I think it is also important to be out and present in the marketplace to make sure people know that Vermont is on the list when considering captives and providing education to the rest of the world to make sure they're aware of captive insurance and aware of Vermont.

There are a number of issues facing the broader captive insurance industry that the state is actively involved in – including attracting the next generation of captive leaders, ensuring that the captive concept is understood and protected, and promoting best practices in the industry. All of these issues affect Vermont and we continue to partner with the VCIA and other captive advocates in addressing them. These are complex issues and will remain key priorities for us in the years ahead. ■

> "One area in particular that we see sustained growth is in sponsored and cell captive activity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# The decade of developments

## Adrien Collovray of Willis Towers Watson explains that a hardening market, irrespective of location, is going to lead to increased captive formations

**What is the current climate in the European captive industry?**

There has been a lot of interest in new formations. There has been a lot of developments, driven by market changes, in the companies that reach out and speak to us.

During 2019, a lot of the market changes were more of a correction, which is why you hear the term “harshening market” being bandied around, as opposed to a “hardening market”.

I think as we move into 2020, we will move into what is more of a hardening market, and then we will see a movement from just discussions about captives into fully-fledged formations and a lot of developments.

From that perspective, the environment is very positive and well-aligned with the utilisation of captives. If we look at the existing captives, there is a desire there to increase utilisation in order to develop or increase the value that is achieved from them.

That is being done in a number of ways, but it is very specific to individual companies as to what they want to achieve and how they want to achieve it. That gives consultants like me a job because we get to do the really interesting stuff, which is programme design.

**What do you predict the biggest challenges will be in 2020?**

To be honest, we got rid of a lot of the challenges in the soft market. That was really the biggest challenge.

Moving forward we will continue to have similar challenges to the challenges, as we’ve had over the past few years, around base erosion and profit shifting, and ensuring new formations remain consistent with corporate strategy and social responsibility.

While we are currently seeing a hardening market, we are not necessarily seeing that translating into increased appetite for corporations to invest a huge amount of additional capital.

So, ensuring that the utilisation of captives is aligned with the value achieved from the contributing capital of the captive together with maximising the existing capital will be key challenges.

**Has the delay in Brexit had a major impact on captives?**

In short, no. We had this discussion at the beginning of the Brexit negotiations with most of our captives. We had all prepared for the 29 March deadline, and while there were a few companies that came to us in February, they were really considered late to the party. In reality, the majority of captives tend to focus more towards reinsurance, or direct writing in non-statutory classes.

Therefore, the impact on the captive industry as a result of Brexit is minimal, and those that do have an impact have measures in place.

While it is still a consideration and something that we need to ensure is managed, Brexit is not going to have a detrimental impact, and it is certainly not going to have a material impact on the captive industry.

**What opportunities does Brexit provide captives?**

Obviously, because of Brexit, there is a need to establish vehicles to access the UK and EU environments. In some cases, this has meant that they have to have additional vehicles and structures in order

> Certainly, a hardening market irrespective of location is going to lead to increased captive formations, there is a direct correlation

to ensure they maintain the availability. In truth, the major opportunities lie in those that have already picked up the baton, such as Gibraltar, which is aligned with the UK.

Gibraltar has between 20 to 25 percent of the UK motor book, not captives specifically, but generally speaking, so it's a very important location for the UK. Gibraltar has a pro-active regulator, protected cell legislation, and provides a lot of opportunities for businesses based in the UK.

**What is your view on the Solvency II whitepaper?**

It's important to have strong and robust regulation; Solvency II has certainly increased the standards of European domiciles and has driven more risk-based, Solvency II-light captive models in other domiciles, so yes there is a lot of value.

Proportionality is an important thing for the captive industry, and if we look at how that is being applied, it is not being applied consistently, which causes frustration but gives opportunities to captive domiciles versus home domiciles. Ultimately, I think we have got to a position where we are starting to get a level of comfort around the application, requirements, and reporting of Solvency II.

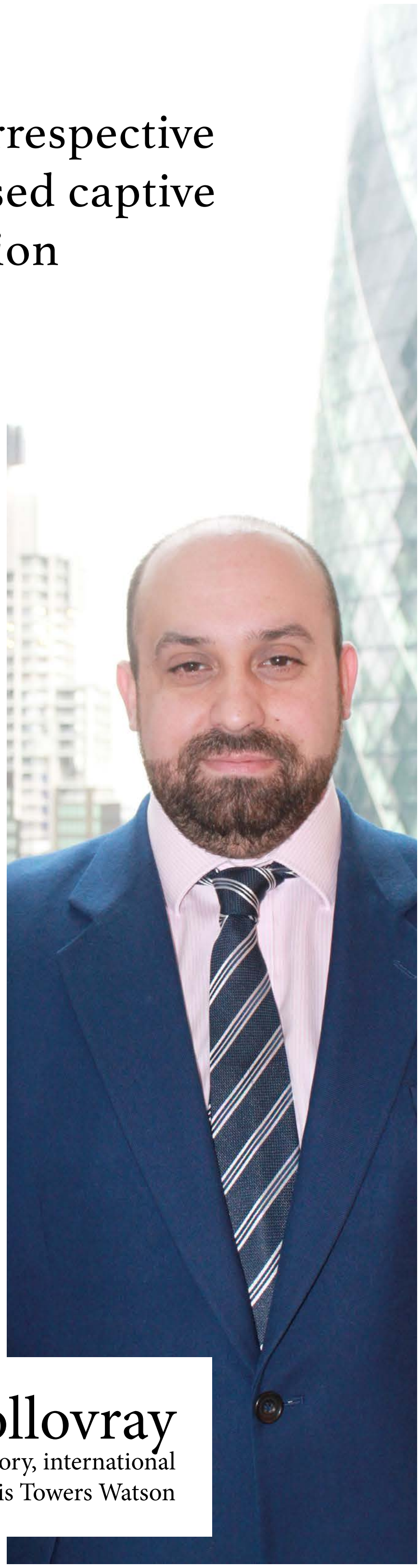
While I know from speaking to captive owners that they still have frustrations around Solvency II, I think in reality we have been able to manage much of the pain over the past few years and should not be fairly comfortable with the requirements despite the additional cost and reporting.

**How do you expect 2020 to playout for the captive industry?**

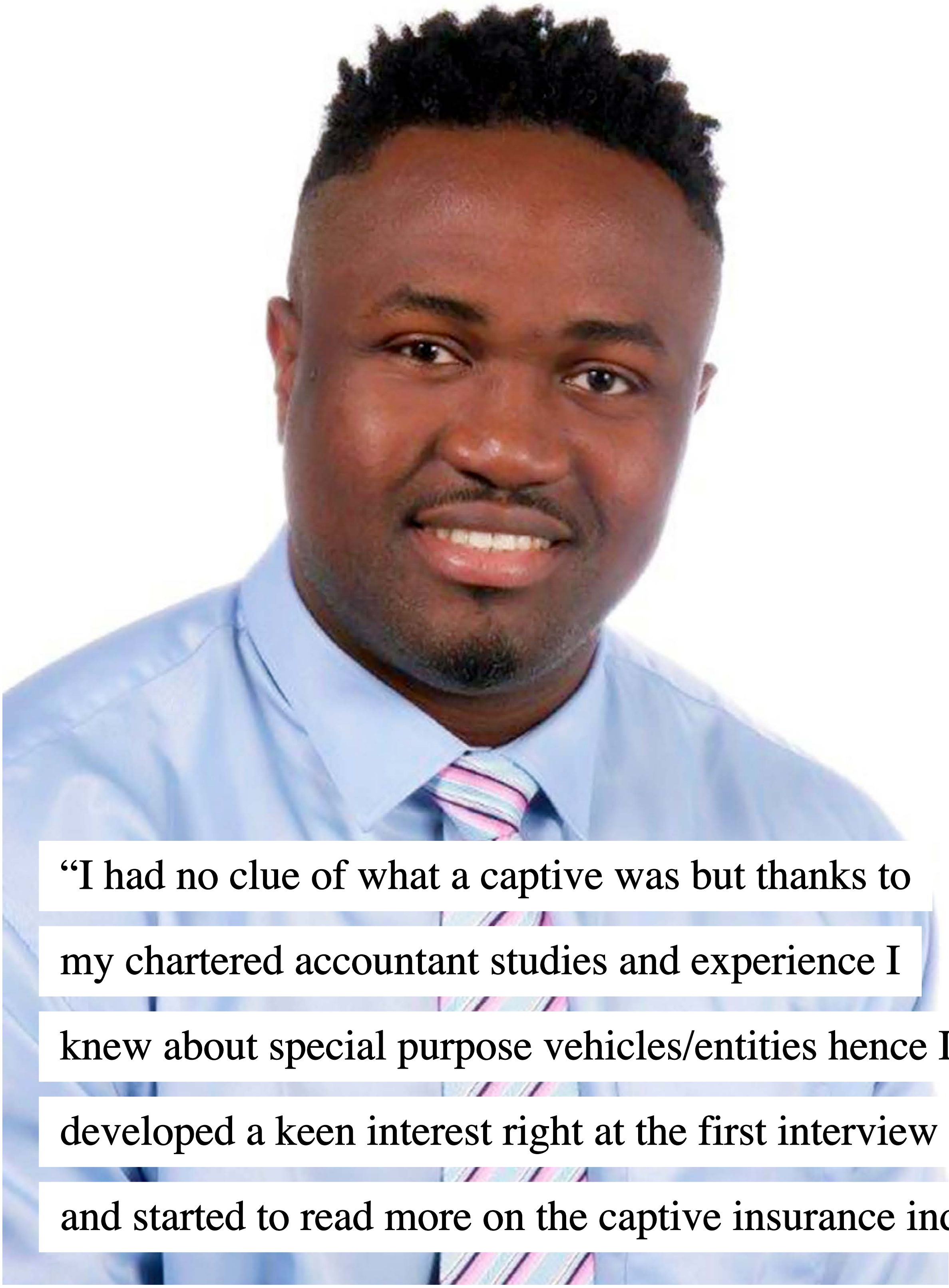
We are going to see increased captives, it's as simple as that. We're going to see captives established to meet current requirements, but we're also seeing companies set up captive licences with a view to having future opportunities, for example. in preparation for anticipated difficult renewals.

At their previous renewal, a few clients might have been caught out from increases that were occurring and they did not have a captive in place, therefore, did not have the options in place. Moving forward, we will see captives establish to allow companies to have that option.

Certainly, a hardening market irrespective of location is going to lead to increased captive formations, there is a direct correlation. ■



Adrien Collovray
Director, captive advisory, international
Willis Towers Watson



“I had no clue of what a captive was but thanks to my chartered accountant studies and experience I knew about special purpose vehicles/entities hence I developed a keen interest right at the first interview and started to read more on the captive insurance industry”

# David Ntow
## Senior captive accountant
## Willis Towers Watson

**Personal Bio**: I was born in Accra, Ghana, West Africa. I'm a family-oriented young man and I love spending my leisure time running, boxing and watching movies/TV series.

I sometimes go to the beach and enjoy a whole lot of outdoor activities. I'm also a foodie and love exploring all kinds of cuisines.

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**Professional Bio**: I am a graduate of Oxford Brookes University (BSc. Hons Applied Accounting), a Fellow Chartered Accountant with the Association of Chartered Certified Accountants (ACCA) and a full member with the Chartered Accountants Australia and New Zealand (CAANZ).

My first role was in a sales/marketing; thereafter I worked in external audit then moved into an accounting role. I have work experience spanning across Ghana, Nigeria and New Zealand.

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### How did you end up in the captive insurance industry?

I've always wanted to work in the financial services sector with a multinational firm and so when I saw the role of a captive accountant advertised by Willis Towers Watson (WTW) I quickly applied. I had no clue of what a captive was but thanks to my chartered accountant studies and experience I knew about special purpose vehicles/entities hence I developed a keen interest right at the first interview and started to read more on the captive insurance industry. Soon after a few months my interest continued to peak and landed me here today.

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

This industry has granted me the platform of dealings with c-level/c-suite personnel and has broadened my horizon in areas such as corporate governance, leadership, strategy and financial reporting. It has also provided learning grounds about wider areas of the industry from my daily interaction with other professionals such as actuaries, bankers, auditors, lawyers, etc.

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

My manager and CEO have had the biggest influence on me. I have also come

to understand certain unrelated industries more such as power/energy, agriculture/

> "David has developed very quickly in understanding the extremely complex business of captive insurance companies, alternative risk transfer methodologies and international reinsurance. This is a vital skill in the current marketplace with retail insurers being under capacity and pricing pressures, and it is our job to bring smarter solutions to our international client base"

**Peter Lowe, CEO,**
**Willis Towers Watson**
**New Zealand**

food, FMCG due to the nature of services we provide them.

**What is your impression of the industry?**

A few words to encapsulate it are innovative, technology-driven, client-focused and creative.

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

I'd like to gain further years of experience and knowledge in order to attain the specialist skill needed to provide the excellent consulting services required various business outfits in the marketspace.

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

Ideally having some sort of industry knowledge is vital but not essential if you are a quick study. Speak to other industry stalwarts in order to know of the various roles available so you can hone your skills towards the division that is most relevant to you. ■

# Industry Events 2020

Don’t miss your copy of Captive Insurance Times

| CICA International Conference | WSIA Insurtech Conference | WRCIC |
|---|---|---|
| California | New Orleans | Utah |
| March | March | May |
| 08-10 | 15-18 | 18-20 |

# The latest moves in the captive industry

**R&Q's co-founder Ken Randall is set to step down from his role as group executive chairman in the next 12 months after 29 years.**

As part of R&Q's management succession plan, William Spiegel has been appointed executive director and deputy group chairman with immediate effect. He will then take on the role of executive group chairman when Randall steps down.

Based in New York, Spiegel will report to Randall and focus on the strategic development and expansion of the group as it builds on its recent outstanding financial performance in the thriving legacy and rapidly growing programme management businesses in the US and Europe.

Spiegel has 30 years of private equity experience and has been a leading financial services growth investor since 2001. Prior to joining R&Q, he worked at Pine Brook where he was co-founded in 2006 and was a managing partner.

He has also worked at the Cypress Group and in the Merchant Banking Group at Lehman Brothers.

Randall said: "I am delighted to welcome an industry professional of William Spiegel's calibre to the senior leadership team at R&Q. I have known Spiegel and followed his career for many years and I know R&Q will hugely benefit from his expertise in managing and growing leading insurance businesses."

"The business is in good shape, delivering record profitable growth and progressing with our objective of becoming the leading provider of legacy and programme management solutions. But there is so much more to be achieved and now is the right time for me to start handing over the reins to R&Q's future leadership."

He added: "I look forward to working with Spiegel and the team over the course of 2020 as the transition takes place."

Spiegel said: "It is a huge honour to be given this opportunity and I am looking forward to applying my 30 years of experience to R&Q. I have built my career on growing financial services companies in the US and the UK with a particular emphasis on insurance and insurance services." ■

**Carey Olsen Bermuda has hired Michael Frith to its corporate practice.**

Frith specialises in all aspects of Bermuda corporate law, with a particular focus on insurance/reinsurance regulatory and transactional matters, as well as economic substance requirements.

He is a member of the insurance advisory committee, advising the Bermuda Ministry of Finance on matters relating to the Bermuda insurance industry. In addition, Frith has been a key adviser to the registrar of companies and Ministry of Finance in relation to the development and implementation of the economic substance act 2018 and related guidance notes and serves on the economic substance task force.

Commenting on his new role, Frith said: "Carey Olsen has very quickly built an exceptionally talented team here in Bermuda, and I am thrilled to be a part of its continued growth in the jurisdiction."

"I am very much looking forward to the challenge of helping to expand the high level of client service for which the firm has become known."

Michael Hanson, managing partner at Carey Olsen Bermuda, said: "We are delighted to have someone of Michael Frith's calibre and experience joining the firm."

"He has a fabulous reputation both in Bermuda and internationally and his arrival is a very welcome addition to an extremely busy corporate practice." ■

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**Origami Risk has appointed David Duden as strategic relationships executive in the firm's core solutions division.**

Duden's role will entail providing account management, business and product development and implementation support services for core solutions clients, including risk pools, third party administrators (TPAs) and property/casualty insurance companies managing general agents (MGAs), and entities with large self-administered workers' compensation plans.

He has more than 30 years of experience in the property and casualty insurance industry and with related consulting and technology solution providers, including risk management information systems (RMIS).

Most recently, he was managing director and national RMIS practice leader at Deloitte Consulting.

During his career, Duden has held various positions with State Farm, WR Berkley Group, Nationwide, and as a member of Deloitte's Insurance Practice for 23 years.

Chris Bennett, president of Origami Risk's core solutions division, commented: "As insurers, TPAs, managing general agents, risk pools and large self-insurers work to navigate an increasingly complex operating environment, many now recognise that technology-based solutions, such as those provided by Origami, can deliver the versatility, efficiencies and added value that are critical for them to achieve sustainable growth and success."

Bennett added: "With his extensive industry experience and impressive record of innovation, David Dunden brings an exciting dimension to our client service and product development efforts. We're delighted that he has joined our team and look forward to his contributions to our clients and our firm." ■

**Artex Risk Solutions has promoted Amber Albin to captive programme manager for its North America division, focusing on group captives.**

Albin started working at Artex in October 2018 as a captive programme assistant.

Based in Illinois, Albin will coordinate loss summaries, review management financial analysis and loss experience charges, and produce quarterly and annual financial reports for the captive's board of directors.

In addition, she will serve as the main point of contact for the captive's service providers, including the actuary, auditor, claims administrator, broker, fronting insurer, and any other professional service providers.

On 7 January, Artex also announced the promotion of Peter Child to head of European operations and managing director overseeing Guernsey, Malta, Gibraltar and London offices.

Child will continue his role as managing director of the Guernsey office, reporting to Nick Heys, CEO of Artex International. ■

# 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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- Regulation 114 Trusts
- Captives
- Surety Bonds
- State Statute Trusts
- Collateral/Depository Accounts

**Our expertise, however, is only one aspect of what differentiates our reinsurance trust business from other firms. Additionally, we excel because of**:

- **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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## Why choose an Insurance Trust?

- **Improved Credit Availability** – an insurance trust has no adverse impact on your available credit.
- **Cost Effective** – insurance trusts generally save you in annual fees compared to other forms of collateral posting options.
- **Convenience** – insurance trusts are tri-party arrangements that require no annual renewals.
- **Reduced Liability Concerns** – insurance trusts may limit the range of acceptable investments; this is done to ensure adherence to all regulatory requirements.

SunTrust®