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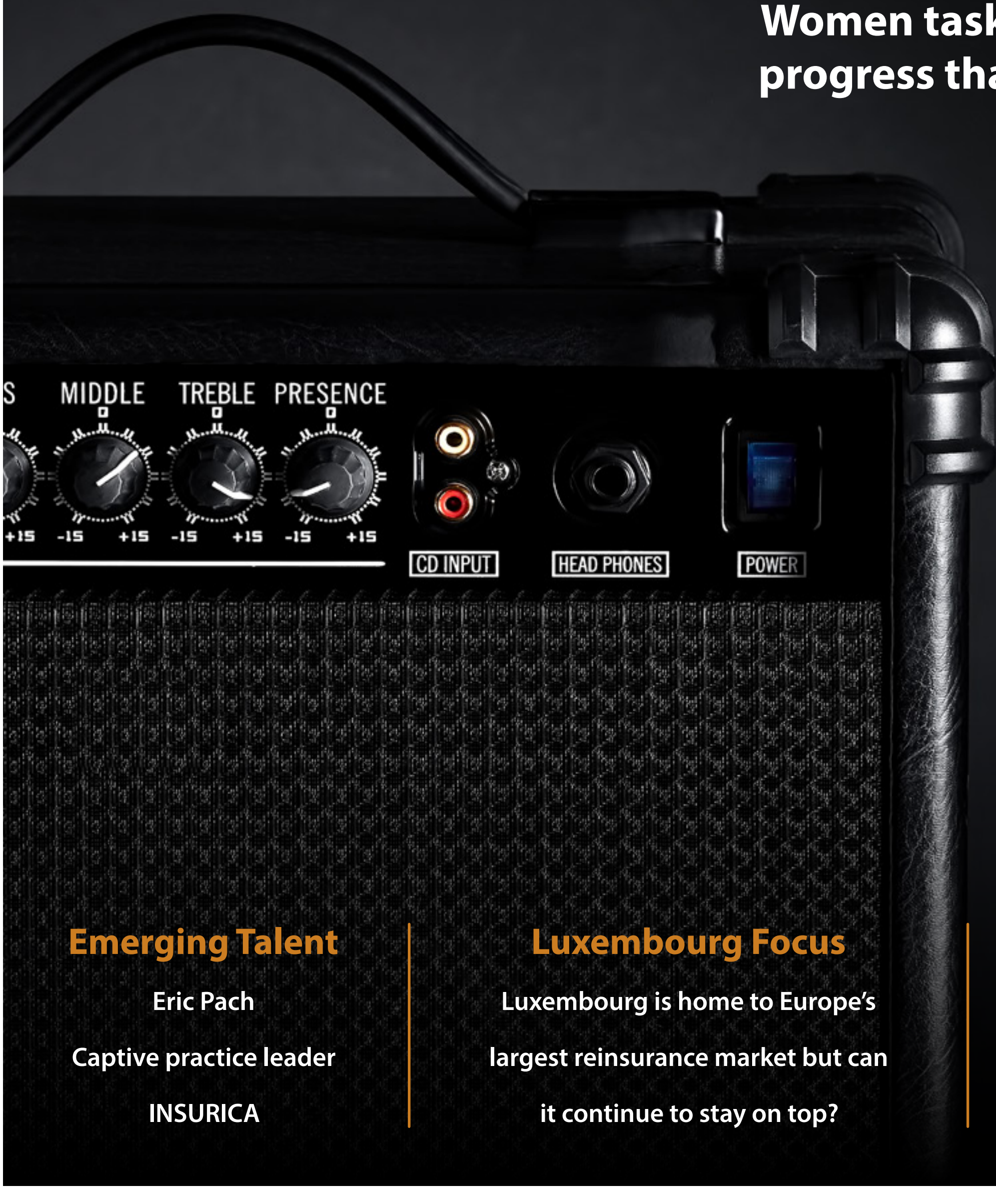
Amplify Women

Almost one year since its launch, members of the CICA Amplify Women taskforce discuss the progress that has been made



Emerging Talent

Eric Pach

Captive practice leader

INSURICA

Luxembourg Focus

Luxembourg is home to Europe's largest reinsurance market but can it continue to stay on top?

New Appointment

Ian Davis discusses his new role at People's United Bank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In this issue

Reinsurance Collateral Trusts

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

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Labuan IBFC's insurance profitability grew almost 50 percent in 2019

The Labuan Financial Services Authority (FSA) has revealed that its insurance industry showed "modest top-line growth but higher profitability performance" last year, according to its Labuan International Business and Financial Centre (IBFC) market performance report for 2019.

The report revealed that total gross premiums were transacted at $1.5 billion with 89 percent of the total premiums originating from the Asian market.

The industry's profitability grew by 43.7 percent to $190.5 million, which the Labuan IBFC said was mainly due to improved underwriting performance and better cost management.

Labuan IBFC is the second-largest captive market in Asia, after first being established in 1994.

At the end of 2019, Labuan had 52 captives operating after licensing three new captives and having one closure.

The report also showed that Asian companies are embracing the use of captive as alternative risk management. Labuan IBFC said it will continue to tap on this potential with suitable captive structures supported by a strong pool of intermediaries and insurers.

Overall in Labuan, the report noted that the IBFC "remained resilient in the face of challenges in the global market".

It said: "The centre maintained its growth in key business sectors and witnessed a surge in innovative business ventures - in tandem with Labuan IBFC's progressive shift towards more digital-based financial business."

While 2019 had been a year of growth for Labuan IBFC, it was noted that the start of 2020 had been challenging as global markets were impacted by the COVID-19 pandemic and distressed oil prices.

The report said: "Considering the uncertainties looming in the international business scene, Labuan FSA has been closely monitoring the situation and taken pre-emptive measures to maintain stability and sustainability of the industry."

"A set of regulatory reliefs which provided administrative flexibilities and financial reliefs was given to Labuan entities to cushion the impact and minimise disruption to business operations arising from the COVID-19 outbreak."

The Labuan FSA said that it remains optimistic that the centre would continue to grow in strength and expand its regional prominence.

It explained that this is made possible by industry players' business agility coupled with robust capabilities and capacities that allow them to realise their strategies while at the same time adapt to new business norms.

In a recent interview with Captive Insurance Times, Stuart Herbert of Marsh Management Singapore said: "Last year proved to be an interesting year for Labuan captives; there were several formations but this was unfortunately offset by a few closures as well."

Herbert added: "We are seeing growth for Labuan coming from Malaysia and also Japan with the last six captives being a 50/50 split from these locations." ■

New captive tax premium bill signed into law

Oklahoma's governor Kevin Sitt has signed HB 3864 into law, which sets out how premium taxes by captive insurers should be distributed within the state of Oklahoma.

The bill, which was signed on 19 May 2020, stated that the first $500,000 of tax collected from captive insurance companies, 36 percent will be distributed to Oklahoma firefighters pension and retirement fund, 14 percent to the Oklahoma police pension and retirement fund, five percent to the law enforcement retirement fund, and 45 percent to the general revenue fund.

It also noted that 100 percent of the next $250,000 collected will be sent to the Oklahoma Insurance Department for administering the Oklahoma captive insurance company act.Any taxes collected that is the excess of $750,000, a further 36 percent will be sent to the Oklahoma firefighters pension and retirement fund, 14 percent to the Oklahoma police pension and retirement fund, 5 percent to the law enforcement retirement fund, 15 percent to the general revenue fund, and 30 percent to the Oklahoma Insurance Department.

The bill outlined the distribution of captives taxes will start for the fiscal year beginning 1 July 2020, and for each fiscal year thereafter.

Commenting on the new law, Jerry Messick, CEO of Elevate Risk Solutions, said: "The public usually doesn't know how these funds affect a State. In Oklahoma's case, the Oklahoma firefighters fund, the state police pension and retirement system, as well as the law enforcement retirement fund all benefit from captives electing to domicile in Oklahoma." ■

A.M. Best affirms ratings of W. R. Berkley Corporation and its subsidiaries

A.M. Best has affirmed the long-term issuer credit rating of "a-" of W. R. Berkley Corporation (Greenwich, Connecticut) and all associated long-term issue credit ratings and indicative long-term issue ratings for securities issued by W. R. Berkley.

Additionally, A.M. Best has affirmed the financial strength rating of A+ (Superior) and the long-term issuer credit ratings of "aa-" of Berkley Insurance Company (BIC) (Wilmington, Delaware) and its reinsured subsidiaries and affiliates, collectively referred to as the W. R. Berkley Insurance Group (the Berkley Group).

The rating firm also has affirmed the financial strength rating of A+ (Superior) and the long-term issue credit ratings of "aa-" of Berkley Life and Health Insurance Company (Berkley Life and Health) (Urbandale, Iowa). The outlook of these credit ratings is stable.

A.M. Best suggested that the ratings of the Berkley Group reflect its balance sheet strength, which they categorised as strongest, they also state its strong operating performance, favourable business profile and appropriate enterprise risk management.

The assessment of the group's balance sheet strength is based on its risk-adjusted capitalisation, which is also at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR).

A.M. Best stated it also reflects the group's "well-managed and generally conservative investment portfolio".

The group's high-risk asset holdings are diversified and represent a modest portion of the overall invested asset base, while the group's loss reserves generally have developed favourably in most recent accident years, according to the rating company.

A.M. Best said: "The Berkley Group consistently outperforms peers' underwriting and operating results, and produces consistently more favourable returns on revenue and equity, supporting its strong operating performance assessment. The group has demonstrated an ability to grow stockholders' equity organically through the generation of favourable levels of pre-tax operating income and total returns."

"The group's business profile assessment reflects its strong market position, as it ranks among the top 20 US property/casualty organisations and holds a leading position in many of its targeted market niches, along with its experienced management team", it added.

The group managed its exposure to catastrophes, demonstrated by its favourable results in 2018 and 2019.

At the end of 2019, W. R. Berkley's unadjusted debt-to-total capital ratio measured 29.3 percent. Adjusting for the equity component of hybrid securities, financial leverage measures 20.6 percent.

In recent years, A.M. Best explained the group's financial leverage has been trending downward, and, while still modestly elevated relative to peers, the metrics are comfortably within guidelines. The group's consistent earnings, controlled exposure to catastrophe losses and strong cash flows offset any concern regarding leverage.

It is anticipated that the continuation of W. R. Berkley's strong earnings, with interest coverage and financial leverage levels remaining supportive of the ratings.

A.M. Best suggested the ratings of Berkley Life and Health reflect its balance sheet strength, which they categorise as strongest, adequate operating performance, limited business profile and appropriate enterprise risk management, as well as the financial and operational support of the parent company.

Berkley Life and Health's balance sheet strength assessment of strongest is supported by its strongest level of risk-adjusted capitalisation, as measured by BCAR, as well as the company's conservative, high-quality investment portfolio and favourable liquidity measures.

Berkley Life and Health net premium growth slowed in 2019 due to a greater percentage of business ceded after reporting material growth in 2018 driven by sales of medical stop-loss and group captive products. The company also reported higher earnings over the last two years compared with 2017, mainly due to a larger ratio of higher-margin group captive premium in its business mix.

A.M. Best explained that Berkley Life and Health will continue to grow its moderate share of the highly competitive medical stop-loss insurance market, space where its business is concentrated.

The company receives implicit and explicit support from W. R. Berkley and is fully integrated into the parent organisation's operations and strategic plans .■

FERMA calls on EU to create a resilience framework for catastrophic risks

The Federation of European Risk Management Association (FERMA) has called on the European Commission to create an EU resilience framework for catastrophic risks to address the lack of coverage available for financial losses resulting from non-physical damage business interruption (NDBI).

The letter is a result of the FERMA taskforce, which was set up earlier this month and composed of experienced risk managers from FERMA national members.

According to FERMA, the letter sets out its vision for a multi-layered and graduated public-private partnership in a position paper.

The statement noted that there is currently "little to no insurance coverage" available for financial losses from NDBI in case of catastrophic risks, such as the current COVID-19 pandemic.

"The resilience framework would have the flexibility to respond to a range of catastrophic events, such as pandemic and massive cyber-attacks, that can create severe business losses without physical damage," FERMA explained. FERMA stated to the EC that they are committed to participating in the construction of a Resilience Framework for Catastrophic Risks (RFCR).

The association also highlighted its aim for a multi-layered and graduated public-private partnership that would provide sufficient flexibility to enable an effective response to a range of catastrophic risks leading to currently uncovered NDBI.

The resilience framework proposed by FERMA would function on four levels; Enterprise-level risk management: anticipation, prevention, identification and mitigation of risks; Transfer of risk to private insurance and reinsurance markets, developing enhanced coverage for NDBI; National member state pool guarantees; and EU support for, and coordination between national governments.

FERMA president Dirk Wegener said: "We now aim to deepen discussions with the EU, the Member States and the insurance sector, and to develop solutions for both short-term crisis management and long-term business resilience."

"FERMA members have expertise and experience in the field of business interruption that we want to contribute to the future resilience of European business."

"This holistic approach supported by the insurance sector, national governments and EU institutions would ensure that the resilience framework has the capacity to benefit all businesses, from small and medium-sized enterprises facing immediate liquidity issues, to the largest transnational corporations concerned with supply chain and trade disruptions," Wegener added.

According to FERMA, reinsurance participation is important. The association explained that insurance can apply clear parameters to give risk-based assessments for contributions from enterprises to the framework funding mechanism. Which in turn, would give businesses an incentive to apply risk management methodologies, such as enterprise risk management, because they would be assessed on their risk management maturity.

Wegener concluded: "A resilience framework will support the development of NDBI coverage to give European enterprises the financial security to maintain flexibility in the face of catastrophic events and incentives to apply risk management methodologies." ■

ATGI RRG files lawsuit against former managing general agent

American Transportation Group Insurance (ATGI) Risk Retention Group has filed a lawsuit against its former managing general agent, MVT Insurance Services, along with its principal, Amrit 'Andy' Singh in the Superior Court of New Hanover County, North Carolina. The two current ATGI board members Shamshir Singh and Eleazar Rojas are also named in the lawsuit.

ATGI has alleged that MVT Insurance Services and Singh wrongfully exercised unfettered control of ATGI, misappropriated ATGI funds, and breached their fiduciary duties to ATGI.

Additionally, it alleged that board members Shamshir Singh and Eleazar Rojas breached their fiduciary duties to ATGI by failing to exercise any oversight or control over MVT or Singh.

The lawsuit highlighted that Singh "made every decision, negotiated every contract with other service providers, and otherwise ran the company as if it was his own". The lawsuit also suggested that less than a year into its operations, ATGI was already writing net premiums at three or four times the dollar amounts of the projections provided to and approved by the department of insurance (DOI). This resulted in the North Carolina DOI notifying ATGI on 12 June 2019, that its business plan was not in compliance with N.C. General Statute § 58-22-15 (a) and (b), as its gross written premium far exceeded its approved business plan.

ATGI acting president Michael Hunter said: "We are taking this action to protect the interests of ATGI policy owners and shareholders and to hold those who have taken advantage of them accountable." On 3 April 2020, the ATGI board voted to terminate its relationship with MVT. NCDOI also placed ATGI into administrative supervision on 3 April.

NCDOI, commissioner Mike Causey's order stated that "Singh, director of MVT, has exerted undue influence over American RRG although [Andy] Singh holds no officer or director position with American RRG."

According to a statement from ATGI, MVT continues to hold itself out as the authorised representative of ATGI and continues to actively contact current policyholders and insurance producers.

ATGI president Michael Hunter said: "Marketplace participants should know that the NCDOI recognises the termination of MVT and that the current officers are operating with the department's full approval and with the consent of the majority of the current lawfully constituted board."

ATGI advised any members/policyholders to contact ATGI at admin@atgirrg.com to verify their policy status. It also noted that any policyholders, insurance producers or others who are contacted by MVT or [Andy] Singh "are strongly encouraged to not engage with them" but instead report to the same point of contact as above. Policyholders and agents should know that under the terms of the North Carolina supervision order, ATGI is not currently able to issue any new policies or renew current policies.

ATGI stated that they are continuing to work closely with the NCDOI and they hope to be able to resume issuing policies in the future. ■

AXA COLPATRIA joins MAXIS GBN's international network

Colombia insurance provider AXA COLPATRIA has joined MAXIS Global Benefits Network (MAXIS GBN), to provide medical coverage for MAXIS GBN's multinational clients in the country.

AXA COLPATRIA is a specialist provider of prepaid and health insurance coverage in the country, ranking sixth largest in the prehospital and insurance in terms of revenue with a 6 percent market share and 220,000 customers.

With the addition of AXA COLPATRIA's medical insurance coverage, MAXIS GBN said it can now offer multinational clients a wider service in Colombia, adding to the life insurance services provided by its other network partner, MetLife Colombia.

MAXIS GBN now has in excess of 30 insurers in the wider Americas market.

Bernardo Rafael Serrano López, general director and CEO, AXA COLPATRIA, said: "The medical insurance market in Colombia remains highly competitive, with strong opportunities for growth. As such, it is great to be working with MAXIS GBN and helping to provide medical coverage to the employees of their multinational clients in the Colombian market. MAXIS GBN's value proposition in the South American market is attractive and we are delighted to have formalised this partnership."

Jérôme Picon, head of finance and operations, MAXIS GBN, said: "With the world focused on best-practice healthcare during the COVID-19 pandemic, we are delighted to be working with a strong medical partner in Colombia and to be expanding our network in Latin America." ■

Amplify Women: Revisited

Almost one year since its launch, members of the CICA Amplify Women taskforce discuss the progress that has been made but also highlights the challenges that remain

Representing half the world's population, women often find themselves overlooked in a working environment, however, many sectors and corporations in recent years have been stepping up efforts to address this issue.

In the captive insurance industry, among other initiatives, Amplify Women is a task force that was set up by the Captive Insurance Companies Association (CICA) in August 2019. Although women dominate the insurance industry, there is a dramatic fall in the number of women that hold senior-level roles. The aim of CICA's Amplify Women is to offer women opportunities for education, networking and influence in the captive insurance industry.

Almost one year on

So what has CICA's Amplify Women task force achieved since its launch last year?

Member of the task force, Alicia Miller, senior tax accountant at Crowe, said that since the launch, "we have developed a strong and dedicated group with each member supporting our goals as a committee".

Miller explains that the COVID-19 pandemic altered their plans for the CICA conference – which had to be cancelled earlier this year – but added that they are currently working on developing different ways to connect with the industry during this time.

Anjanette Fowler, director of business development and relationship management at Madison Scottsdale, and CICA's newly appointed Amplify Women committee chair, says: "We immediately got to work searching for opportunities to shine a spotlight on captive industry women pioneers, as well as newcomers that are already leading us into our future, highlighting their contributions and achievements." Fowler notes that they have also been focusing on fostering industry award nominations for deserving women in the industry as well as helping facilitate media opportunities to increase their industry visibility.

Reflecting on if women are still missing out on being hired for leadership positions, Anne Marie Towle, global captive solutions leader at Hylant, believes many women are considered at times for leadership positions, however, she notes that "women don't always feel comfortable or confident in raising their hands".

"Women tend to believe they need more experience or demonstrated proven capabilities prior to being considered for a leadership position," Towle adds.

In addition, Fowler highlights that while the industry is making great strides on this issue, she feels that there is still room for improvement. She notes: "I'd like to believe we are within 'the last mile', but perhaps we are a bit further out than that."

Fowler points out that organisations that embrace a broad and diverse leadership approach that is inclusive of women achieve measurably better results financially, and otherwise, as evidenced in study after study.

"Women bring tremendous contributions to the success and leadership prospects for an organisation when they have a seat at the table," she adds.

Don't hold back

Some studies have revealed that women feel childbearing holds their careers back – young women generally believe they miss out on senior-roles as employers believe they will be either planning on starting a family or have one to take care of.

One study suggested that men generally do not face this sort of sigma that women are subjected to, as women try to shake off the idea that they are the sole carers of children. Families also now come in different sizes - children can be from a one-parent home, with a mother or a father, or have step-parents, or even same-sex parents.

"I can speak from experience having my son in October of 2018, I see first-hand the work-life balance struggle"

Alicia Miller
Senior tax accountant
Crowe

However, the pregnancy itself is a major factor – nearly every country in the world, according to a report by the Organisation for Economic Co-operation and Development (OECD) has some sort of maternity leave, except the US, which has none.

According to the OECD, the average paid maternity leave in the EU is 22.1 weeks.

Towle suggests that the 'work-life balance' for child-rearing is still viewed as a female issue.

She highlights that particularly with younger females building a career, many still struggle with the promotability and family obligations. She explains it is a challenge and many women need guidance and assistance working through the career and life rewards.

"Amplify Women can be a sounding board and support females throughout their careers," she says.

Miller adds that naturally, women feel the most burden when it comes to this subject.

She comments: "I can speak from experience having my son in October of 2018, I see first-hand the work-life balance struggle. However, I am extremely grateful to work for a company that is beyond supportive of working parents and giving us the flexibility that is often needed. I will say, although women feel like a burden especially in the early years of having children, men also must balance work and life responsibilities and can also feel that pressure," she adds.

In addition, Fowler generally, believes work-life balance regarding child-rearing is still viewed as a female issue still holds true.

However, Fowler argues: "I do believe the issue has been evolving rather dramatically over the last five-ten years. I hear about more instances of women being the primary financial provider outside of the home, with men being open and willing to break with our deep-rooted traditional roles and mores on this front."

"I do think women and men have become much more comfortable with women being the primary financial provider for their families than in the past, while dads take child-rearing responsibilities on. It's a great thing," she adds.

Passing on the wisdom

Looking at how young women who want to join the industry with ambitions and how they should reach senior-level positions, Towle's advice is to always ask questions and raise your hand to learn a new business line, client or overall process.

"Amplify Women can be a sounding board and support females throughout their careers"

Anne Marie Towle
Global captive solutions leader
Hylant

She explains: "The more well-rounded a young person is, particularly with many different project involvements, the better off in the long run and will create opportunities for senior-level positions."

"Organisations seek individuals with varied backgrounds and creative ways of managing and delivering solutions to their clients/customers.

The more diverse the experiences of a female striving for a leadership position, the outcome will be successful with a fulfilling career, Towle notes.

Miller identifies that women should continue to learn and develop their knowledge within the industry and most importantly build strong relationships with the people in their network.

She highlights: "Your network is your strongest asset and will be what supports you throughout your entire career."

In addition, Fowler thinks it is important to not be afraid to ask for help. To identify a leader that exemplifies your own goals for your career and reach out to them.

"See if they would be willing to mentor you, or at least share their story as to how they achieved their success and, more importantly, what mistakes they made along the way—those are the priceless nuggets', she comments.

"Eventually, you will have an excellent guidebook of industry wisdom that coupled with your own unique talents and ideas will be an invaluable resource in mapping your journey to a senior-level role."

Dan Towle, president of CICA

Why do you think it's important for initiatives like CICA's Amplify Women?

The captive industry is on the leading edge of what is happening in insurance and risk management. It is important to draw bright, talented individuals into the industry so we will have the diversity of talent the next generation of captive professionals will need. People will stay to work where they are valued and supported and where they see they can advance. We hope that today's Amplify Women initiative will support women in building their captive careers and help everyone in our space to better understand the benefits of fostering and promoting individuals based on talent, without gender bias or other filters.

How do you think CICA's Amplify Women programme will help to promote women into more senior-level roles?

The captive industry is probably a little better than the overall insurance industry. We see examples of women leaders in senior positions at some of the largest captive management firms. Through Amplify Women we want to not only connect and support future women leaders, but we also want to celebrate the success of current women leaders. By recognising successful women and role models in the captive industry, and making them more visible, we can inspire more future leaders.

What has Amplify Women accomplished?

Last Summer, when we launched Amplify Women, one of our goals was to have more opportunities for women speakers at our conference. Unfortunately, we had to cancel the conference due to COVID-19. The conference programme committee worked hard to diversify our speaker lineup to provide more opportunities for women and young professionals resulting in 40 percent of our speakers being women. As our association partners develop virtual events and programmes, we encourage them to see what opportunities they can create for women speakers

New committee chair: Anjanette Fowler

You were recently appointed to chair the Amplify Women programme, as chair what are your aims?

The CICA board did an extraordinary job of drawing together an incredible group of female thought leaders and innovators in our industry. While I was not involved in the critical early work, I am honoured to join forces with this fantastic group as a member and committee chair. Beyond our activities to bring visibility and recognition to women in the captive insurance industry, other critical pieces to our success will hinge on growing and expanding our Amplify Women membership and expanding our male captive industry ally partners. We already have many strong industry allies; however, we need to challenge ourselves, and our allies, in exploring additional ways we can bring women to centre stage in leading roles. We will have accomplished all our goals when the need for Amplify Women no longer exists because we've achieved parity across every measurable metric.

Do you feel gender bias is present in the captive insurance industry?

Maybe because I've been around for so long, I have a broader window of experiences in seeing the positive changes on this front as well as areas we still have room to improve. To varying degrees, I believe it is still present in many industries, and not unique to the captive space. And whether female or male, we are all likely subconsciously guilty of expressing it in some way, shape, or form. Having a willingness to self-examine to gain awareness of where we each might hold a gender bias and how it manifests in our day-to-day experiences will go a long way in eliminating them. The captive industry has made a concerted effort to address the issue, and I do see the changes as a result.

What does Amplify Women aim to work towards over the next 12 months? What is on your agenda?

I would personally like to see our Amplify Women membership grow exponentially. The key to achieving that will centre around continuing to share our message and goals every chance we get, in part by building on our networking opportunities, not only at large national or international conferences but on a regional and local level.

We also hope to use our newly discovered virtual networking event possibilities—something we have already embraced as a result of our current circumstance. We held our first Amplify Women Virtual Happy Hour networking event recently, and I think we were all pleasantly surprised by how fun and successful it was in getting to know our captive industry colleagues.

Secondly, and I already touched on this, although, I don't think the importance of Amplify Women allies can be overstated. Our aim is not to be a women-only club or sorority. We want to effect change, and it will take everyone's involvement and buy-in to accomplish that. The more members we have supporting efforts and embracing our goals, regardless of gender, the faster and more effective we will be in achieving them.

And last, but certainly not least as Amplify Women is a dynamic collective that will embrace the issues in front of us as they unfold, I personally would like to see our Amplify Women group help lead the charge in bridging our industry talent gap. CICA and its board are doing fantastic work on this critical issue with its NextGen and mentoring initiatives.

Amplify Women can support that important work by in hosting opportunities to get out there in front of young people and share with them their personal stories, the exciting things our industry is doing, and the unlimited possibilities a career in the captive industry holds. In doing so, we not only support the efforts of our NextGen colleagues but as Amplify Women, we truly exemplify the leadership women bring to the captive industry. ■

Anjanette Fowler
Director of insurance business development and relationship management
Madison Scottsdale

Banking on new adventures

Ian Davis discusses his new role at People's United Bank and what he will be working on in the next 12 months

What does your new role involve? And what are your main objectives?

In my new role at People's United Bank, I am primarily responsible for the business development, expansion and overall relationship management of the bank's captive insurance portfolio. People's United and its predecessors have a long history of servicing captive clients, and my aim is to contribute the knowledge, networks and experience I have gained working in this dynamic industry to help support those efforts into the future.

Working alongside Mary Santor, what are your current priorities and main focuses?

I have had the pleasure of knowing Mary for many years and am excited to now be working alongside her in this new capacity.

Mary has over 30 years of banking experience servicing the captive insurance industry, and I look forward to learning from her as we seek to further enhance services and support for our captive clients.

Over the coming months, I will be collaborating with my colleagues to develop and implement new marketing and communications strategies that increase the banks visibility in the industry, as well as partnering with our treasury and wealth management teams to align our offerings to best meet the diverse needs of captive owners.

I am also looking forward to working with our existing clients, many of whom I know well and have strong relationships with, to see how else we might support their banking needs.

What are the biggest challenges for the captive industry right now?

Every industry has been affected in one way or another by this global pandemic, and there remains a lot of uncertainty about what the future will hold. When I think of the challenges faced by our industry, what really sticks out is the highly personalised nature of how we conduct business, and the inability, at least at this present moment, to attend in-person gatherings such as conferences, networking events and client meetings. But I am confident, in part because of the efforts of organisations like the Vermont Captive Insurance Association (VCIA) and others, who have shown great leadership and provided new opportunities to continue to network and engage with the captive community and with our industry partners.

"The COVID-19 pandemic and the devastation it is causing for many individuals, businesses and communities has cast a bright light on the insurance industry, of which captives play an important part"

I really credit our industry for being so innovative and adaptable and believe that as a result, we will come out of this experience stronger, more resilient, and better equipped to support our colleagues and clients.

Do you think in light of the COVID-19 pandemic, there will be a large uptick in captive interest?

The COVID-19 pandemic and the devastation it is causing for many individuals, businesses and communities has cast a bright light on the insurance industry, of which captives play an important part. While I am hesitant to give predictions, particularly given all the uncertainty that exists right now, I do anticipate that the industry will see an uptick in captive activity. For many businesses, I think the advantages offered through a captive—including the ability to craft bespoke coverages that are otherwise unavailable, unaffordable, or that don't meet an organisation's risk financing objectives—will only be more appealing.

What key trends are you seeing right now within the captive space?

Given the market conditions in the months preceding the COVID-19 pandemic, I was certainly expecting an upward trend in terms of new captive formations and growth in existing programmes. Even with all that is still going on, I suspect that activity will continue, at least to some degree. Sponsored and cell captive growth is another positive trend for the industry, particularly for small- and mid-sized companies, in cases where a single parent captive might not be an option. Lastly, and perhaps unsurprisingly given the current environment, I expect we will see more and more companies looking to write coverages like business interruption and pandemic risk than ever before.

What is People's United Bank working towards in the captive space over the next 12 months?

As mentioned previously, the next six to 12 months are going to present a great opportunity for our captive team to revisit our strengths, identify areas where we could improve our business offerings, meet existing clients, and position ourselves for continued success.

The upcoming VCIA virtual conference is also fast approaching, and I look forward to reintroducing myself to the captive industry in this new role. ■

The climate is right

Temple University's Michael Zuckerman explains how a captive can be used to help manage complex risks associated with climate change, pandemics, and supply chain

We are living in a VUCA period. The elements of a VUCA Business Environment, according to the Centre for Executive Education, are Volatility, Uncertainty, Complexity, and Ambiguity. VUCA is an acronym that arose in the 1990s from the US Army War College strategic leadership training to describe a more volatile, uncertain, complex, and ambiguous, multilateral world that emerged from the end of the Cold War. The relevance of VUCA for risk managers is that climate change and pandemics are challenging to predict in terms of frequency, severity, aggregation, and timing of impacts arising from these specific perils or threats. The more uncertain and volatile our environment becomes, the greater the need for alternative risk management tools.

So, what do climate change, pandemics, and supply chain disruption have in common? Business interruption! Managing risks to business operations associated with climate change, pandemic, and supply chain are becoming more complex, and, therefore, we have less clarity, or more ambiguity, about what is the appropriate investment balance between loss prevention, mitigation, and risk financing. We may be able to identify the inherent risks associated with our business environment, but it is far more challenging to assess the residual risk. There is much debate about the difficulty of modelling the likelihood of and impact from pandemics and natural catastrophes. What we do know is that these events will substantially disrupt our business operations and supply chains. Moreover, there is also a growing interrelationship among the various risks associated with these events. For example, a health care crisis quickly becomes an economic crisis resulting in increased hazard and operational risk to our personnel, IT systems, data privacy, premises, business operations, suppliers, customers, boards, and earnings before interest, taxes, depreciation and amortisation (EBITDA).

Having said all of this, can an organisation fund first-party physical and nonphysical damage business interruption losses in a captive insurance company? This coverage must also include contingent business interruption coverage because it is an integral part of this exposure. The first question is, how can we estimate funding and at what limit of coverage? If commercial insurance is unable to insure pandemic triggered business interruption, how can a captive insurance company? Self-insurance is intended for high-frequency, low-severity risk, not for highly volatile and unpredictable threats. Despite all this noise, the clear signal is that a captive can be used to fund and manage this risk proactively, not retroactively to bail out the parent. No one, however, is suggesting that any organisation attempt to transfer the entirety of this threat to a captive. Again, the modelling is not perfect, but as we learn more, it will improve. It is essential to move forward cautiously and start small but start.

A captive insurance company is a strategic risk management tool. The captive, therefore, can be a conduit for loss prevention, loss mitigation, and business resilience investment. A captive should not be used to accumulate idle capital from its retained earnings. A captive, however, can use its retained earnings or excess capital to provide some funding for loss prevention initiatives by offering risk management grants to its member insured(s). This begs the question; can the captive also fund a portion of the member insured(s) investment in their suppliers' contractually required risk management initiatives? This type of grant should be viable if appropriately structured. Nonetheless, this grant process must be adequately governed and regulated with input from the captive manager, external auditor, actuary, tax attorney, board, and domicile insurance regulator.

Moreover, a skilled, diverse, and active captive board can communicate to the captive's parent(s) the need for a more reliable connection between the member insureds' risk owners involved in managing business continuity. This improved risk communication will facilitate a more robust business continuity planning process. But how can a captive board facilitate this improved risk communication? The right place to start is to include business continuity and business disruption threats on the captive board's strategic meeting agenda. The captive directors need to discuss the relevant business continuity issues from an enterprise risk management (ERM) perspective to develop a strategic plan that will support its member insured(s) specific needs. These issues may include:

How does the member insured(s) manage their organisation's most critical operational functions?

What is the depth and breadth of the member insured(s) supply chain risk management programme?

What is the current state of the member insured(s) crisis and business continuity management, emergency response, disaster recovery, and business continuity planning?

What are the best estimates of the likelihood and impact of a disruptive event that will impact operations? Are these forecasts based upon a risk identification and assessment of the entire organisation that then specifically examines the threats identified to the member insured(s) mission-critical functions?

Does the member insured(s) understand the minimum amount of time that the organisation can be down before it suffers critical and permanent losses?

Does the member insured(s) understand whether it can operate essential functions while it recovers?

Will its investment in loss prevention and mitigation protect the member insured(s) against preventable losses?

How can the captive contribute to this initiative?

This list is not industry-specific or all-inclusive. The discussion, however, will enable the captive to determine if and how it can provide the type of coverage which enables its parent to seek a more effective balance between risk control and risk financing. The roadmap to risk financing in a captive has three curves in it.

1. Compliance issues that arise from insurance regulation, contracts, loan/bond covenants, and other legal demands that require commercial insurance. The member insured can partner with a commercial insurance company to address compliance issues, which may be in the form of a large deductible, fronting programme, or by providing supplemental or difference in conditions cover to fill gaps in a commercial insurance programme.

2. Capacity refers to the access to global reinsurance and financial markets, which is a significant captive advantage. Finding the required capital to support funding for loss costs can be elusive. The captive is not unique because it can use its retained earnings over time to increase its ability to underwrite higher amounts of risk. What makes the captive notable, however, is that it is also able to negotiate for additional underwriting capacity directly from the reinsurance and insurance-linked securities markets. In the event the captive accumulates too much capacity, i.e., overcapitalised, it can issue dividends, or provide loan backs, with regulatory approval, to support the parent's cash needs.

3. Control defines the captive owner's desire to design a risk financing programme that meets its specific needs. For example, its willingness to control the cost of risk, claims management, underwriting, coverage terms, loss prevention engineering data, global risk management strategy, and access to reinsurance capacity. This control enables the captive owner to structure its risk financing programme to meet its specific needs. The captive's business interruption insurance policy, for example, can be drafted to cover the member insured(s) particular threats or perils and then negotiate directly with underwriters for reinsurance coverage. The reinsurance market is difficult at that moment, but those organisations that have a robust risk management story to tell, and have exceptional environmental, social, and governance (ESG) ratings will be in a stronger position to access reinsurance capacity. In other words, these characteristics should get a reinsurance underwriter's attention. Moreover, the captive regulators will focus on the strength of the captive's solvency and liquidity ratios within the context of its risk profile, policy wording, funding, and the parent's financial strength when reviewing the captive's business plan amendment to add business interruption insurance coverage. The captive regulator's approval should add credibility to the reinsurance underwriting process providing more control, not less, to the captive owner.

Funding business interruption risk in a captive is not a panacea. The member insured(s) have programme structure decisions to make:

1. What is the goal of the business interruption programme? What is the appropriate balance between

investment in loss prevention, mitigation, and risk financing to provide financial relief from any negative impact on EBITDA and working capital?

2. What is the coverage trigger? Nonphysical and physical damage events?

3. Is this "all-risk" coverage? How is civil authority defined?

4. Does coverage include contingent business interruption?

5. Who will draft the statement of coverage? How are key coverage terms defined, such as the policy limit, business income, period of restoration, extra expense, and business income from dependent properties? What exclusions are needed?

   This list is just a sample of the coverage issues that the member insured(s) must discuss. Business interruption coverage expertise is required to develop the appropriate coverage statement.

6. What is the deductible or waiting period before coverage incepts?

7. Who will manage the claims? Business interruption losses are complicated and require skilled claims adjusters and experienced forensic accounting consulting.

8. How is this coverage coordinated with other exposures such as cyber and terrorism?

9. Is there a need for a parametric insurance programme or catastrophe bond to supplement this captive-based programme by addressing a specific threat not well covered by the reinsurance market, such as a viral cause of the business interruption, for example?

10. There may be tax implications from insuring broad-based business income coverage in a captive if some risk covered is considered business risk as opposed to insurance risk. Always talk with your tax lawyer.

One can argue that we had 100 years to prepare for this current COVID-19 100-year event. What did we learn, if anything, from the 1918 Flu Pandemic?

We can forecast almost anything. But it is a fool's errand to think that any organisation can predict and fund for a COVID 19 business disruption event in a single policy year. The captive cannot underwrite more risk than it has the capacity to support. But the captive can add value to the management of volatile and uncertain risk in a way that is most beneficial to its member insured(s).

And the captive can build increase its capacity to do so overtime, if managed properly. A captive is not a panacea. It is a strategic risk management tool that can be used to support its parent's business continuity planning and management programmes resulting in a more resilient organisation.

Insurance regulators and reinsurance underwriters will be assessing these programme proposals carefully.

The more clarity the captive business plan amendment brings to the compliance, capacity, and control questions, however, the more likely vital stakeholders will understand and approve the plan.

Once implemented, the captive's business interruption insurance programme becomes an essential tool in the member insured(s) VUCA management toolbox. ■

"A captive is not a panacea. It is a strategic risk management tool that can be used to support its parent's business continuity planning and management programmes resulting in a more resilient organisation"

Michael Zuckerman
Associate professor
Temple University Fox School of Business, Department of Risk, Insurance, and Healthcare Management

North Carolina - Becky Bellamy reports

Adapting to the unexpected

Debbie Walker discusses developments in North Carolina's captive industry, challenges around COVID-19 and the priorities of the department of insurance for the rest of 2020

What developments do you see taking place in the NC captive insurance industry this year?

This year has turned out to be a very unusual year for everyone due to the impact of COVID-19 and the experience of the captive insurance industry is no exception. We expect to see some captive insurers managing and settling claims for their insureds due to losses experienced from business interruptions caused by COVID-19. Some captive managers have discussed with us the uptick in claims experienced by certain captive insurers as a result of the pandemic's impact.

One positive outcome from this extremely negative COVID-19 experience is the possibility that business owners will further consider the benefits available through the utilisation of captive insurance companies. As business owners further evaluate the risks they face that are not covered by their commercial policies or find that insurance to address those risks is too expensive in the marketplace, we hope they will give more thought to using captive insurers. With the tightening of the commercial markets, this is a great opportunity for growth in the captive insurance industry.

As some of the insured businesses of captive insurers face difficult financial times, we anticipate more captive insurers may request approval to issue dividends or loans to provide liquidity to those businesses during this difficult time. The North Carolina Department of Insurance (NCDOI) will work with those desiring to enter into those transactions, reviewing each situation on a case-by-case basis, to determine whether the captive insurer has the financial ability to enter into those transactions.

In the North Carolina captive insurance industry, we expect to see new formations, and at the same time, we expect there will be closures. So far this year, the NCDOI has licensed eight new captive insurers and approved five new protected cell business plans. There are three captive insurer license applications and seven protected cell/series business plans under our review currently. The newly licensed captive insurers are varied in their writings from tenant liability insurance to general and professional liability to other property and casualty lines of business. Two of the new captive insurers are providing reinsurance for auto liability and other property and casualty coverages.

What challenges do you see in the industry at this time?

One primary challenge in the industry at this time is, of course, developments caused by COVID-19. Some captive insurers are reviewing and settling claims for losses due to the pandemic. Unlike the traditional insurance marketplace, in some cases, insurance policies issued by some captive insurers, including business interruption policies, are providing coverage for losses of the insureds and giving them some degree of relief from the impact of COVID-19. While the captive insurers are paying benefits under these insurance policies, they are simultaneously managing their liquidity needs in order to pay those claims. The impact of COVID-19 on their investment portfolio, resulting in a loss of value of certain investments, presents additional liquidity challenges for certain insurers.

How has COVID-19 impacted the NCDOI's regulation of captive insurers?

The impact of COVID-19 on the financial health of North Carolina's captive insurance companies is of utmost importance to the NCDOI captive regulatory team. Upon licensing, each captive insurer is assigned a first and second level analyst responsible for the ongoing regulation of that insurer. Over the coming months, the analysts will be assessing the impact of COVID-19 on the licensed insurers and will be working with any insurers that are experiencing financial and compliance issues to bring those issues to resolution.

COVID-19 and the stay-at-home orders in place have created difficulties for some captive insurers to meet all the statutory requirements and deadlines in place. As a result, the NCDOI has waived certain requirements, such as original signatures and notarisations on documents and extending deadlines. We continue to assess the situation to determine if other measures are necessary to assist the insurers. Additionally, we have encouraged our industry to notify us of any individual special needs and the NCDOI will review those requests on a case-by-case basis.

There has been a logistical impact, as the NCDOI's captive regulatory team has been operating remotely during the COVID-19 outbreak. Fortunately, with technology, we have been able to effectively handle our regulatory responsibilities, including the timely licensing and ongoing regulation of licensed captive insurers. Through emails, conference calls, and virtual meetings, we have remained available and accessible to the captive industry and to current and potential captive owners to discuss new captive formations and developments with existing captive insurers. Before the pandemic hit, the majority of our regulatory work was already handled electronically as filings are submitted by captive insurers and managers through the NCDOI's online filing system and our analysis and licensing processes are also handled electronically. Given that, no real changes to our processes were necessary in order to make the change from working in the office to remote locations.

> "So far this year, the NCDOI has licensed eight new captive insurers and approved five new protected cell business plans"

Have you seen an uptick in interest from potential new captives?

I mentioned the growth from new formations that has occurred already this year, which is about the same growth experienced at this time last year. With that said, everyone right now is still dealing with COVID-19 and its impact, but we have had and will continue to have discussions this year with captive managers and potential captive insurance owners about the formation of captive insurers in the coming months. We are hopeful that as business owners work through issues caused by COVID-19 and evaluate their risk management programme, they will consider the use of captive insurance companies to manage those risks. It is anticipated that as those risks are evaluated and as prices rise in the commercial market, more business owners will see the benefit of utilising captive insurance.

What are the state's priorities this year and next for the NC captive insurance programme?

The most important priority will continue to be the ongoing regulation of the captive insurers licensed in North Carolina and the assistance our regulatory team will provide in resolving challenges the insurers are facing as a result of COVID-19. At this critical time, it is advantageous that the captive laws of our state allow the NCDOI to prudently and fairly regulate, with discretion, the financial condition of each insurer on a case-by-case basis.

In addition, whether working from the office or remotely, we will continue to be accessible and available through phone calls, emails, video conferencing, and hopefully before too long, in-person meetings. We continue to timely review and make decisions on filings presented to us.

As the situation with COVID-19 improves, we look forward to attending and participating in future conferences and captive insurance events to educate others about the benefits of forming a captive in our state. The North Carolina Captive Insurance Association's 2020 Conference is scheduled for 31 August through 2 September at the Washington-Duke Hotel in Durham, North Carolina. Our entire captive regulatory team, as well as commissioner Mike Causey and chief deputy commissioner Michelle Osborne, will be participating in and exhibiting at the conference. We look forward to meeting with the captive industry at the conference, especially in light of the earlier conference cancellations this year due to COVID-19.

How do you feel about the NCDOI's resources for regulating captive insurance companies?

The NCDOI is fortunate to have the personnel and technological resources in place to fulfil its regulatory and customer service missions. Our dedicated captive insurance team understands the nuances of appropriately licensing and regulating captive insurance companies. Our team is comprised of credentialed, professional accountants, actuaries, examiners and others in the NCDOI that provide support. Results of remote work during this COVID-19 event have demonstrated that our team members are responsible and possess the necessary tools needed for addressing regulatory responsibilities timely and appropriately, whether they are in the office or working remotely. The NCDOI continues to have the resources required to properly regulate current and future captive insurers selecting North Carolina as their home. ■

"As the situation with COVID-19 improves, we look forward to attending and participating in future conferences and captive insurance events to educate others about the benefits of forming a captive in our state"

Debbie Walker
Senior deputy commissioner
North Caroline Department of Insurance


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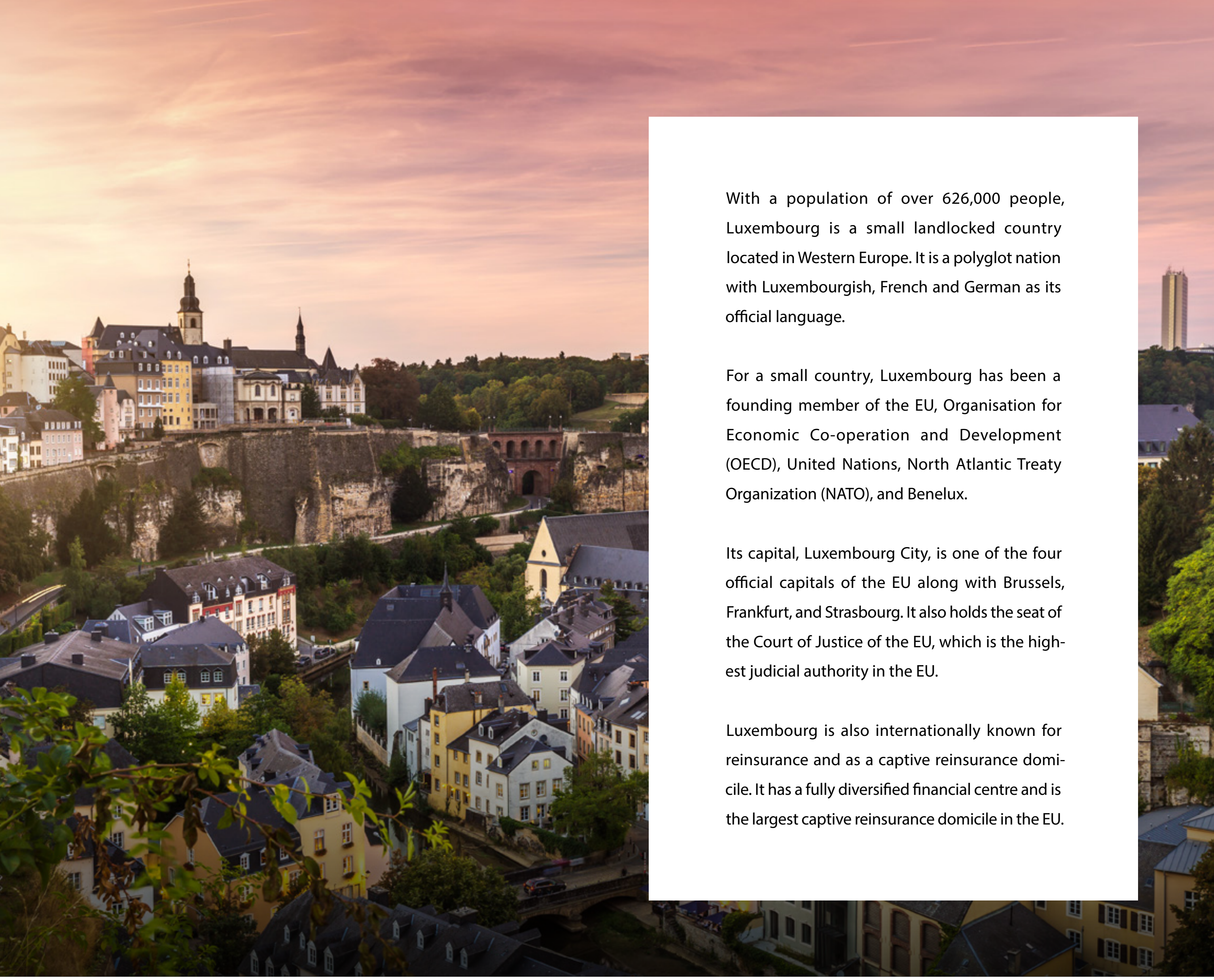
The hidden gem of Europe

Luxembourg is home to Europe's largest reinsurance market but over the years with several new compliance rules, the trend of consolidation and now the COVID-19 pandemic, can Luxembourg continue to stay on top?



With a population of over 626,000 people, Luxembourg is a small landlocked country located in Western Europe. It is a polyglot nation with Luxembourgish, French and German as its official language.

For a small country, Luxembourg has been a founding member of the EU, Organisation for Economic Co-operation and Development (OECD), United Nations, North Atlantic Treaty Organization (NATO), and Benelux.

Its capital, Luxembourg City, is one of the four official capitals of the EU along with Brussels, Frankfurt, and Strasbourg. It also holds the seat of the Court of Justice of the EU, which is the highest judicial authority in the EU.

Luxembourg is also internationally known for reinsurance and as a captive reinsurance domicile. It has a fully diversified financial centre and is the largest captive reinsurance domicile in the EU.

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Companies from around the globe have domiciled almost 200 reinsurance vehicles in Luxembourg, 90 percent of which are captives, choosing it for a variety of reasons.

These include its stable democracy and strong economy situated in the heart of Europe, its economic, social and political stability, which ensure a secure legal and tax framework, as well as a skilled multilingual workforce, and a modern legal and regulatory framework for captive reinsurance companies.

The regulator for Luxembourg is known as the Commissariat aux Assurances (CAA). As a member of the EU, Luxembourg adopts all EU regulation but the country generally does not add on any of their regulation on top of this.

Matt Moran, deputy advisory leader at PwC Luxembourg and head of insurance, says the Luxembourg captive market is "unique given its focus on international insurance activities and the fact that it has, in the CAA, a dedicated regulator specifically for the insurance sector".

Moran explains that it is one of only three countries in the EU today with a separate competent authority for the sector. "Luxembourg has a separate regulator which covers other financial services including banking and asset management."

Geraud de Borman, partner at PwC Luxembourg, highlights that the appeal of the Luxembourg captive system was mainly due to the pioneering role played by the Luxembourg Government lawmakers in Europe.

He states that they anticipated the 2005 European directive on reinsurance (2005/68/EC) by establishing a prudential framework as far as back as 1991.

This anticipation of the future European framework highlights the Luxembourg authorities' experience and understanding of the advantage of insurance or reinsurance captive for groups, according to de Borman.

He says: "One clear illustration of that expertise was linked to the decision of using the concept of equalisation provision."

"In addition to the large expertise of the Luxembourg regulator, together with the generic advantages of Luxembourg captive – such as a reduction in overall insurance costs, protection against insurance market volatility, better management and control of group risks and claims, optimised management of retention, direct access to the reinsurance market, first level of pooling at group level) – the equalisation provision regime is a key differentiator for Luxembourg," de Borman adds.

When looking at the adoption of the Luxembourg law on reinsurance companies, the authorities in Luxembourg considered that the technical provisions as provided by the European insurance regulation at that time "were not sufficient to cover the concentration of the risk supported by the reinsurance companies and even more by the captive", according to de Borman. He explains that the technical provisions covering the insurance companies were determined based on the concept of a mutualisation of the diversified range of risks between a large number of third parties policyholders whereas the reinsurance companies (and even more for captives) were based on mutualisation of a limited range of risks between a limited number of policyholders.

Equalisation provisions can be defined as technical provisions intended to cover exceptional or significant claims which might occur, or reserves set aside in compliance with legal or administrative requirements to equalise fluctuations in loss ratios in future years or to provide for special risks.

> "The appeal of the Luxembourg captive system was mainly due to the pioneering role played by the Luxembourg Government lawmakers in Europe"
>
> **Geraud de Borman**
> **Partner**
> **PWC Luxembourg**

De Borman adds: "It aims to equalise claims fluctuations for future years and to cover special risks though the claims fluctuations provisions. De Borman adds: The possibility for a reinsurance company to book equalisation provisions is specifically provided for by 2005/68/EC, the reinsurance directive, and the commercial charge linked to equalisation provisions is tax-deductible."

As a member of the EU, Luxembourg has to comply with Solvency II rules, which is a directive introducing practical requirements tailored to the specific risks which each insurer bears. They

> "The current transitioning insurance market has generated a new interest in the formation of captives, holding higher retention rates, and adding additional coverages"
>
> **Claude Weber**
> **Managing director**
> **Marsh Captive Solutions**

promote transparency, comparability and competitiveness in the insurance sector and therefore harmonise the EU insurance regulation.

Claude Weber, managing director at Marsh Captive Solutions Luxembourg, explains that there has been a significant increase in compliance rules in the last years in addition to Solvency II.

Weber suggests that this has resulted in additional costs for captive owners and managers.

He adds: "Accordingly, the entry costs for newcomers have increased and more reporting and compliance tasks are required for existing captives."

This has led to fewer captives with higher gross premiums remaining, and they are writing more specific risks than in the past, such as employee benefits, cyber, and financial loss policies, Weber says.

Because of the low rates for traditional lines of business, such as property damage/business interruption and casualty, captives have been used less to cover these risks over the last decade, however, Weber adds that today, captives more than often provide coverage for non-traditional risks, that the insurance market was reluctant to accept or only offered at too high a cost.

He highlights that while this reduction of premium rates has had a negative impact on the number of captives, "the current transitioning insurance market has generated a new interest in the formation of captives, holding higher retention rates, and adding additional coverages".

"This trend may be enhanced by the global changes related to the COVID-19 pandemic," he adds.

Market trends

Over the past three years, Luxembourg has seen an interest from many groups to incorporate/re-incorporate their captives. De Borman explains that this is happening because Luxembourg is a key location in the EU, and companies can benefit from the various benefits outlined above.

Looking at other trends within the country's captive market, Weber argues that due to its central position within Europe, having "reactive and effective control of the regulator" and having a good reputation within the captive industry has led to more than 10 Brexit companies having set-up their EU head offices in Luxembourg.

He outlines the international tax situation, Brexit, and Solvency II has had serious impacts on the substance requirement for captives, which has then affected the professional management, stability, and security of the captives based in the country. But adds that the captive's underwriting activities have adapted to the market changes.

He explains: "Over the last few years, the levels of retention have substantially increased due to the pressure of the insurance markets for higher deductibles. This is even more important now with the increase in pricing and the reduction of capacity in the market."

"This trend, combined with the larger parent groups and the worldwide use of the captives, has driven a constant increase in the size of the captives," Weber adds.

Challenges

Looking at challenges for the captive insurance market in Luxembourg, Anthony Dault, audit and advisory partner at PwC Luxembourg, believes that the cost burden associated with new regulations is one of the challenges that captives face given that they are relatively small in size. "Although," Dault continues, "the Luxembourg captive industry has processed the Solvency II impact very well and efficiently already, without any compromise on compliance from the Regulator and players in Luxembourg."

Also weighing in, Weber outlines what he believes the number of new compliance rules, international tax reporting standards, information obligations, and other reporting requirements are the key challenges for captive management professionals. Even though captive managers have implemented several IT solutions to simplify and render secure all this new reporting, Weber says with shorter reporting deadlines every year, more time and training is required to explain and implement all these new regulations.

Staying competitive

Luxembourg is the largest captive reinsurance domicile in the EU but the figures have dropped over the years from nearly 250 reinsurance domiciled in the country in 2012 down to 196 in 2019.

Dault explains there are several reasons for this. He notes that some foreign groups had acquired several captives in Luxembourg and decided to merge several of their vehicles which results in the optimum scale and efficiency.

Some others, especially smaller entities, exited the market where their insurance need is expected to remain low and hence would not justify the cost to maintain the company. Also, the attractiveness of a captive can be influenced by general insurance rates, according to Dault.

Moran suggests that another reason could be the trend of consolidation that the world is currently seeing. He explains: "What you see here is a smaller number of captives but much larger in size. What you have now is people creating an international risk centre in Luxembourg using captives as a core element."

According to Moran, PwC has been involved in several transactions by helping companies to consolidate and enlarge their captive, which he explains reduces the number of absolute captive entities.

Weber suggests that other countries have also implemented measures to attract captives to their home country.

He says: "For example, Sweden has offered the possibility to set up substantial catastrophe reserves for direct writing and reinsurance captives. Luxembourg does not allow an equalisation reserve for direct writers. Also, France is currently offering the same in combination with strict tax controls for companies operating a captive outside of the country."

What does the future hold?

Like most countries right now, a lot has been put on hold due to the current COVID-19 pandemic.

The Prime Minister of Luxembourg Xavier Bettel declared a state of emergency on 19 March after the country had 335 cases and four deaths.

Looking at how COVID-19 will affect the Luxembourg market, de Borman suggests that some groups will use their captives to cover business interruption risk and within that, the pandemic risk will be included in their captive.

He states that this is why a group would have decided to go to Luxembourg as they can benefit from equalisation provision to also benefit from reinsurance or regulatory capacity of the captives to cover the exceptional risk.

Analysing the future for captive insurance, Weber points out that for many years, the traditional lines of insurance were soft with low rates on the line.

He highlights: "A number of captive owners used to arbitrate transferring these risks to the insurance market instead of using their own captives with the goal of minimising their total cost of risk."

"These last quarters, the market situation has changed – some insurers are imposing higher rates on line and reducing capacity substantially - especially for corporations facing significant historical claims over the past few years, but also for companies with excellent claims statistics," he continues.

Weber believes looking at these developments, there are trends for captives to bear more risks for the traditional lines, but also to write new lines of business. Also, numerous projects are going on for new captive formations. Adding that this trend should continue in the coming months.

He notes: "We know that COVID-19 will be an exceptional risk but it is clear that captives, as in business interruption risk, would be impacted by the pandemic."

"What you have now is people creating an international risk centre in Luxembourg using captives as a core element"

Anthony Dault,
Audit and advisory partner
PwC Luxembourg

Eric Pach

Captive practice leader
INSURICA

Personal bio: I'm lucky to be married to my amazing wife Nichole and a proud father of two boys Jordan and Connor. We live in sunny Arizona so we enjoy hiking, swimming, and riding our bikes. My hobbies are spending time with my family, playing soccer, or a nice round of golf.

Professional bio: I have worked at INSURICA for the last 10 years, and currently serve as captive practice leader, insurance broker, and minority owner.

Previously, I spent four years at two local insurance brokerage firms, as well as two years with American Family Insurance.

I am a Certified Risk Manager and Certified Insurance Counsellor as well as a qualified Construction Risk Insurance Specialist, Management Liability Insurance Specialist and Master Workers' Compensation Advisor.

Additionally, I have an Associate in Captive Insurance degree. I earned my Masters of Business Administration in Finance at Grand Canyon University in 2009 and a Bachelor of Science in Business Administration in 2007.

How did you end up in the captive industry?

I first learned about captives in my Certified Risk Manager course in 2009. The concept intrigued me but it wasn't until 2012 when the first opportunity came my way. A very safe and conservative construction company was getting frustrated with the lack of control and the rising cost of guaranteed cost insurance.

I mentioned to him that he should consider a captive. He responded that "his current broker said he's too small and it's too risky". Upon thorough education of group captives, we placed him in a homogeneous construction captive. That was, and continues to be an amazing success.

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

The results! It's rewarding to see the results my clients have received through the utilisation of captives in their risk management programme including reduced costs, increased control, and positive change in their safety culture. Now, every dollar counts!

I feel very blessed that my clients are able to see their cost of risk decrease, invest those funds back into their risk management programme, and take the safety of their employees.

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

I've had a lot of influencers in the captive industry. The biggest shout out needs to out to all the people at the International Center for Captive Insurance and the Associate in Captive Insurance programme.

The team behind the scenes, the instructors, and the Vermont Captive Insurance Association are all doing a great service to the captive industry.

I can't list everyone but I've personally been assisted by some of the greatest captive minds in the business like Brady Young at Strategic Risk Solutions, Stuart Stagner at Innovative Risk Management, and Sam Wagener at Artex Risk Solutions. I ask a lot of questions, so I'm grateful they take the time to answer those questions and mentor me along the way.

> "Eric is a great resource for his colleagues at INSURICA and is always willing to jump in and help them on captive-related opportunities despite having his own portfolio of clients to manage and other responsibilities. He is bright and curious with a strong financial foundation that will serve him well in the future."
>
> **Brady Young, president and CEO of SRS**

What is your impression of the industry?

The captive industry is a mix of some of the most brilliant minds in the insurance business. It an honour to be around such talented people! To me, captives have a very entrepreneurial vibe where creativity, innovation, and investment can thrive. It's exciting to be a part of captives being formed today that may one day change the world.

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

As the captive practice leader at INSURICA, my goal is to continue to educate business owners and executives about captives so they find ways to use the entrepreneur spirit that already exists within them, to create or join their own insurance company. These executives take on risk every day – I've found that their business functions better once they understand that risk, quantify it, and control it so their business can be an even greater success.

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

The depth of knowledge required is much deeper than one might) think. Many people dabble in captives, and I caution people/agents to not think of captives as another insurance offering.

It's critical that broker and other industry professionals understand the legal and financial intricacies of captives. It's critical they surround themselves with experts. For those agents and industry professionals who like thinking outside the box, the captive business is unlike any other! Its a ton of fun. ■

The board of directors of Randall & Quilter Investment Holdings (R&Q) has appointed Thomas Solomon as group chief financial officer (CFO).

Solomon will also be appointed to the company's board of directors later in the year. Based in R&Q's New York office, he will report to William Spiegel, group deputy executive chairman. Solomon joins R&Q from his current position as managing director and head of Americas insurance investment banking at Bank of America. He has previously held senior positions at Citigroup and PwC.

Randal commented: "We are delighted to announce the appointment of Tom [Solomon] as our CFO. His experience and skill set make him an excellent fit and it follows the appointment of William Spiegel as group deputy executive chairman, continuing R&Q's careful succession planning. I am pleased with the strength of our management team as we look to capitalise on the opportunities ahead of us. Importantly, Tom [Solomon]'s appointment will enable Alan Quilter, currently acting as interim CFO, to focus on his responsibilities as CEO," he added.

Commenting on his new role, Solomon said: "I am excited to join R&Q. It is a company I have known and respected for many years and am pleased to be joining at this unique time when both of its insurance business lines are poised for significant secular growth. I look forward to working with William [Spiegel], Ken [Randall] and Alan [Quilter] and the rest of the R&Q team."

R&Q has recently also appointed Eamonn Flanagant to the board as an independent non-executive director of the company. ■

QBE North America has promoted Steve Gransbury to head of specialty insurance, a newly created group of existing QBE businesses, and Tara Krauss to head of accident and health.

The specialty insurance unit now consists of QBE's accident and health, aviation, and trade credit and surety practices.

QBE suggested that this new alignment will allow a sharper focus on customer needs to fully realise the tremendous growth opportunity each business holds for the company.

Gransbury, who has more than 25 years of experience in the insurance, reinsurance and captive industry, joined QBE in 2009 when the company acquired SLG Benefits & Insurance, a programme management company co-founded by Gransbury.

Krauss, an insurance executive with 24 years of experience, also joined QBE in 2009, and has since held several leadership roles with increasing responsibilities and successfully driven many of the company's transformation initiatives centred on its people, customers and portfolio.

Tom Fitzgerald, president of QBE specialty and commercial, commented: "QBE accident and health has enjoyed tremendous success over the last several years."

"Much of that is due to Steve [Gransbury]'s hard work and his commitment to his team and his customers. Aligning our specialty businesses within a single unit furthers our commitment to growth in the specialty market, and Steve [Gransbury] was the clear choice to lead the newly formed group," he added.

Commenting on Krauss' promotion, Gransbury said: "Tara [Krauss] has a long track record of significant successes within QBE. That included implementing underwriting guidelines that allow our team to solve customers' challenges quickly and effectively, as well as mentoring teammates to help them reach their professional aspirations. Whatever she does, she's always been totally focused on achieving solid results, and we're all confident that she'll bring the same passion and resolve to her new role."

Krauss added: "I'm excited about the opportunity to lead QBE accident and health, and eager to continue executing on our strategy, while capitalising on the many opportunities we see ahead of us." ■

Catharina Richter has been appointed global head of Cyber Center of Competence (CoC) for Allianz Group.

Richter will report directly to AGCS chief underwriting officer corporate and board member Thomas Sepp. She succeeds Emy Donovan who left AGCS last year. The CoC aims to coordinate and steer cyber risk underwriting and governance across Allianz Group and is embedded into Allianz Global Corporate & Specialty (AGCS).

She joins from Allianz SE, where she is currently head of digital regulation, responsible for developing a regulatory strategy for digitalisation on behalf of Allianz Group and shaping the regulatory and supervisory debate in the field of cyber.

In 2000, Richter joined Mondial Assistance (now Allianz Partners) as general counsel since then she has been head of distribution and solutions legal Europe for Allianz Global Investors and head of regulatory management for Allianz SE.

Sepp said: "Cyber is the top global business risk in the Allianz Risk Barometer 2020 and a significant opportunity for insurance, but at the same time it also requires central governance, steering and control to realise sustainable growth."

He added: "I am delighted that someone of Catharina [Richter]'s background and ability will now take the CoC to the next stage."

Earlier this year, AGCS appointed Ali Shahkarami to the newly appointed role of chief data officer.