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16 September 2020 - Issue 207

Investing in the future

Alabama Captive Insurance Association's Norman Chandler discusses the rollout of its new internship programme and growth within the state's captive industry

Airmic Fest

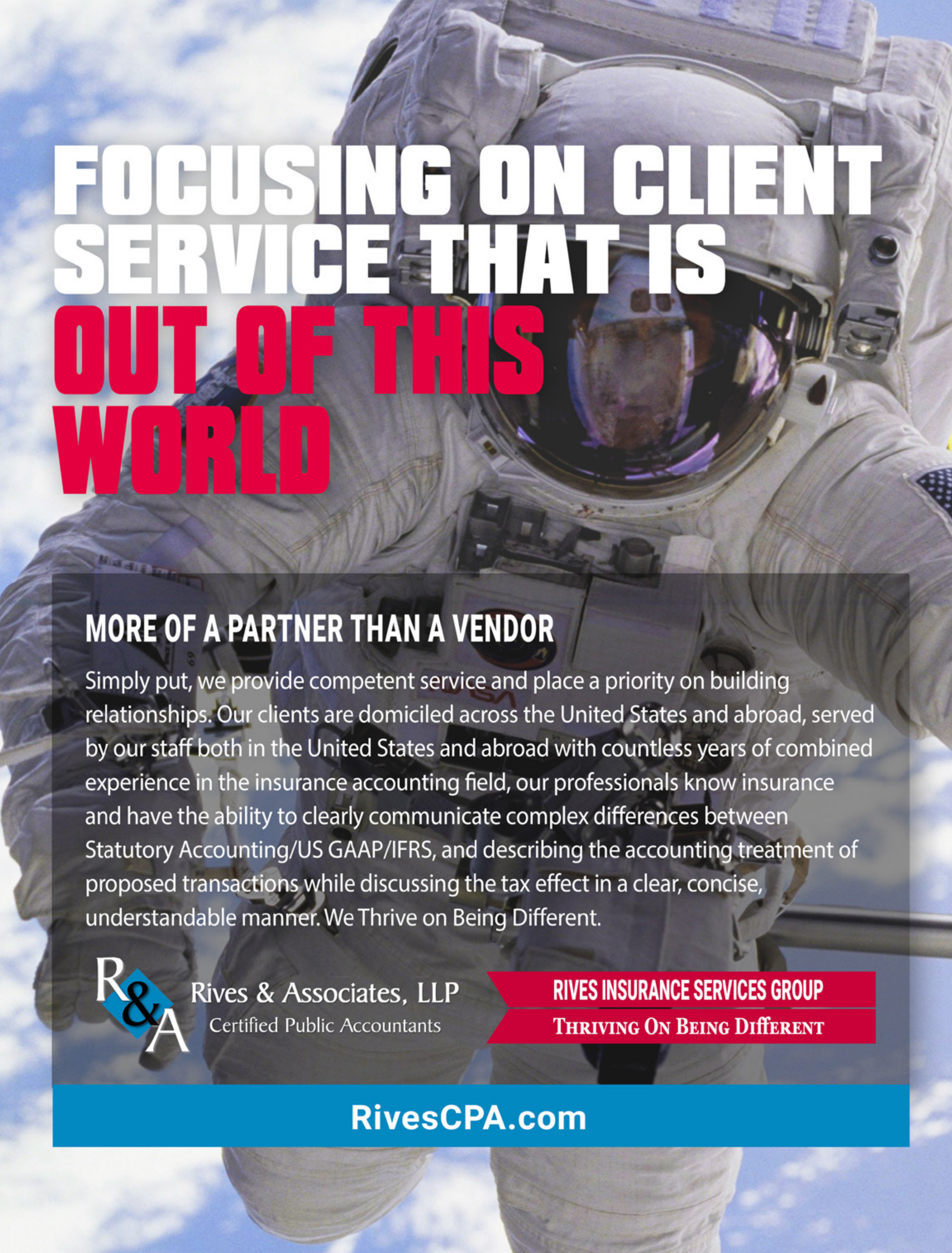
Airmic CEO John Ludlow discusses what attendees can expect from this year's virtual conference

Emerging Talent

Justin Law, chief operations officer Arsenal

Cyber Risk

Industry participants suggest why a captive can play a significant role in assisting with cyber risks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Micro captives named as potential 'abusive tax scheme' in GAO report

Offshore micro captive insurance products were listed as a potential "abusive tax scheme" in a study by the US Government Accountability Office (GAO).

The study, which was published in July, looked at micro captive insurance and variable life insurance policies — two products that the Internal Revenue Service (IRS) recently warned have the potential for such abuse.

In the report, the GAO explained that offshore micro captive insurance products "may be abused if the corporate taxpayer improperly claims deductions for payments made to a micro captive for federal tax purposes".

The study highlighted that courts have applied certain considerations to determine whether these deductions can be claimed.

One consideration noted is whether the insurance legitimately distributes risk across participating entities.

IRS officials said they expend significant resources reviewing these schemes because of the varied ways insurance companies may work, the GAO noted in its report.

Commenting on the study, Peter Kranz, executive managing director and captive practice leader at Beecher Carlson, noted: "While it is unfortunate the study is titled 'Abusive Tax Schemes', the preamble to the 'micro captive' section clearly states such captives which are used legitimately can be very beneficial and highlights some of those benefits."

He explained: "The fact the report explicitly notes that the issue isn't Internal Revenue Code 831(b) but rather the abusive structures established by some promoters is very important."

"The attention from the report does run the risk of portraying the captive industry as a whole, in a bad light when the vast majority of captives are established the right way and for the right reasons."

"It is important that congress and the IRS delineate between the good structures and the bad structures," he added.

Ryan Work, vice president of Self-Insurance Institute of America (SIIA), noted that while they appreciate the GAO report and the GAO staff reaching out to SIIA for industry experts to talk to on this issue, SIIA is "disappointed in the one-sided nature of the report and the lack of industry background included".

Work explained that in many instances the GAO "simply duplicated verbatim past statements from the IRS that are broad sweeping in nature, rather than providing appropriate differentiation between abusive structures and non-abusive".

He added: "Nor did it provide any context or explanation on the appropriateness of captive structures in mitigating risks that businesses may not be able to access in the commercial market. It is unfortunate that the report did not offer a balanced and accurate approach to the captive market, nor its importance in the current market."

Elsewhere, Sean King, principal at CIC Services, suggested that this GAO study "provides no new information".

King highlighted that the abusive potential of micro captive transactions, whether offshore or onshore, has long been well-known and appreciated by tax authorities.

He explained: "The sad thing is that the IRS could end virtually all abusive transactions overnight by simply offering the industry guidance and safe harbours regarding what does and does not constitute a legitimate insurance arrangement for federal income tax purposes."

"Taxpayers would overwhelmingly comply with such guidance, and the IRS has promised it for literally decades now. But to date it has offered the industry nothing of consequence, despite the fact that IRS Notice 2016-66, the entire purpose of which was supposed to assist the IRS in defining abusive transactions, is now nearly four years old," he added.

Work also noted that the US Congress gave the IRS rulemaking authority back in 2015 "to curb certain abusive practices", which he stated the service "has yet to take any action upon despite numerous industry and congressional requests".

He highlighted that the GAO also fails to make mention of the tens of thousands of data filings and dozens of data requests the IRS has imposed on the industry. He said: "Time and time again the industry has provided that data and the IRS has failed to provide additional clarity."

"At the same time the industry spends tens of millions of dollars a year in compliance costs, the GAO cites IRS 'concern' about their own expenditure of resources in reviewing how American small and medium-sized businesses are utilising captives to mitigate against risks, the vast majority of which are doing it for the right reasons", he continued.

King explained that the industry must ask themselves why the IRS has failed to provide any meaningful guidance. "It's quite clear that, despite its posturing, the IRS does not really want greater clarity around the definition of legitimate insurance arrangements. Rather, it has concluded that it can raise more revenue by promoting fear, uncertainty and doubt around such arrangements. By keeping the lines blurred, indeed by actively blurring them itself, the IRS believes that it can scare people away from captive insurance arrangements, arrangements that have literally saved hundreds of small businesses and their jobs in just the recent several months alone. And the uncertainty also permits the IRS to extort settlements from even law-abiding taxpayers by arbitrarily claiming that any captive transaction it wants is 'illegal' or 'abusive' or 'illegitimate'," he added.

Work said: "SIIA looks forward to a dialogue with the GAO and federal agencies to better educate them on captives, and continues to have ongoing discussions with a number of members of Senate Finance and captive owners on the benefits of 831(b) captives addressing low-frequency high-cost risk, such as we are currently seeing during the current COVID-19 pandemic."

He noted that SIIA will follow-up with Senate Finance and others "to correct the inaccuracies we believe are contained in the GAO report".

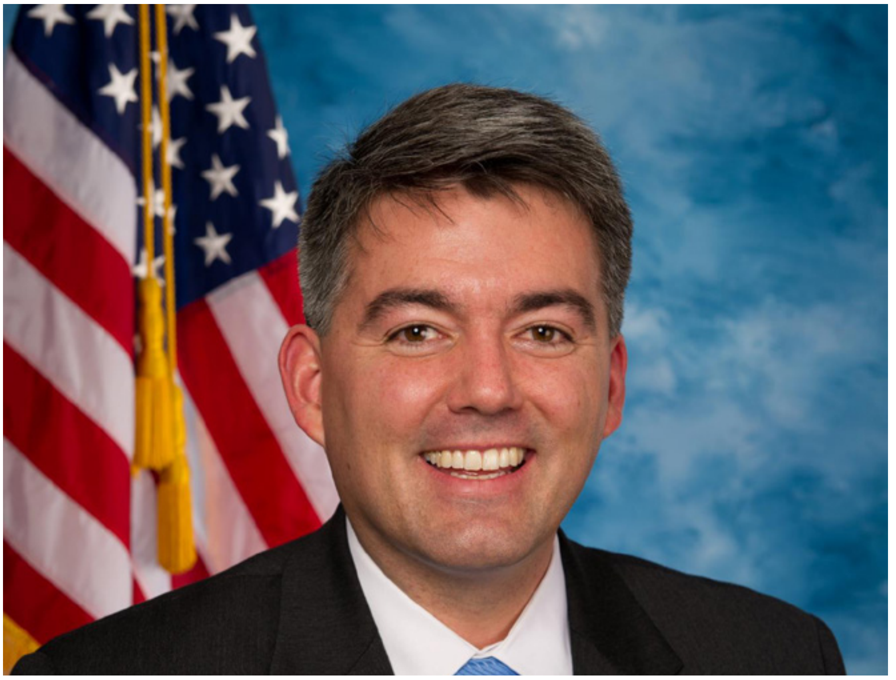
In July, micro captives were not listed on the IRS' 'Dirty Dozen' list of tax scams for the first time in five years.

For the last five years, the IRS has referred to micro captives as an "abusive tax shelter" and suggested that certain micro captive "structures, promoters, accountants or wealth planners persuade owners of closely-held entities to participate in schemes that lack many of the attributes of insurance".

Although micro captives were not mentioned on the IRS' official list, it did state that an upcoming series of releases will be published on topics such as abusive micro captives and fraudulent conservation easements.

The IRS said that these releases "will emphasise the illegal schemes and techniques businesses and individuals use to avoid paying their lawful tax liability". ■

Colorado Senator calls on IRS to halt review of micro captives



The US Senator for Colorado Cory Gardner has called for the Internal Revenue Service (IRS) to suspend its review of tax benefits claimed by micro captives until resolution of the current litigation in the US Court of Appeals for the Tenth Circuit.

In a letter to Steven Mnuchin, secretary of the US Department of the Treasury, and Charles Rettig, commissioner of the IRS, Gardner said that although he supports the IRS' goal of "eliminating bad actors in the industry", he explained that the tenth circuit is "currently considering an appeal that will likely provide significant guidance for the industry".

On 20 March, the IRS sent out letters to around 150,000 captive owners across the US, which were based on 2018 disclosures.

Although the original deadline for responses was set at 4 May, the IRS notified firms in April that the deadline for the micro captive insurance filing positions had been extended by a month to 4 June 2020 due to the COVID-19 pandemic.

Gardner highlighted that these letters were sent out just days into the nation's coronavirus crisis.

He said: "Aside from poor timing given the fast-developing public health crisis, the letter also requested information, under penalty of perjury, that many may not be able to provide."

Various captive associations including the Vermont Captive Insurance Association (VCIA), the Arizona Captive Insurance Association (AzCIA), the Utah Captive Insurance Association (UCIA) and the Self-Insurance Institute of America (SIIA), called out the IRS for sending the letters to companies during a pandemic.

Some suggested the IRS' letter was "intimidating" while others said they were left "astonished and frustrated to receive" such a letter.

Gardner noted that the US Tax Court's decision in Reserve Mechanical Corp. v. Commissioner "presents significant issues for the captive insurance industry".

He continued: "As the amici curiae brief for various state agencies and SIIA makes clear, there is a serious concern within the industry that the tax court's decision is contrary to established law and creates a marked change in the rules for the industry."

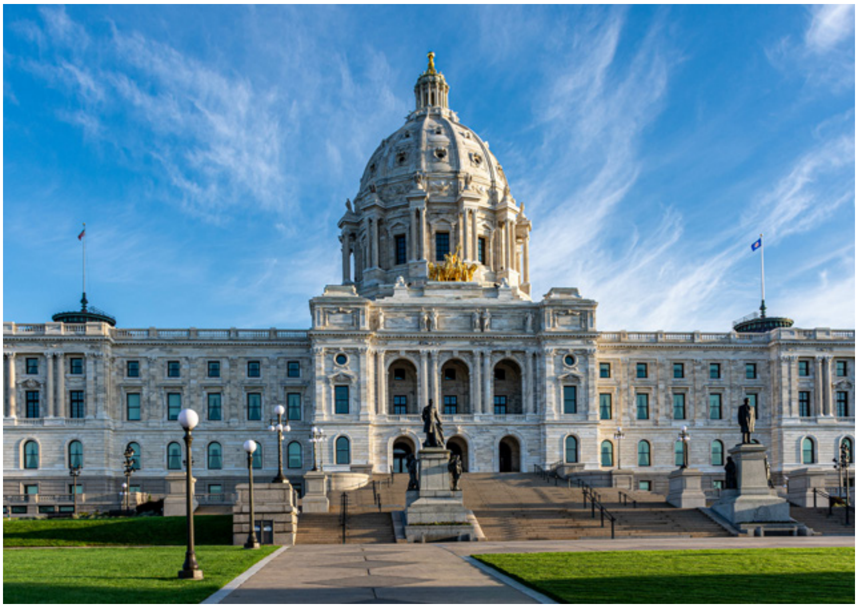
In March, Feldman Law Firm and Foley Gardere filed the opening brief with the Tenth Circuit Court of Appeals on behalf of Reserve Mechanical Corp, a client of Capstone.

To the extent Reserve Mechanical is one of "several recent US Tax Court decisions" referenced in the May 20 letter, Gardner has requested that the IRS suspend action until resolution of the case.

He explained that a decision affirming the tax court's ruling "would provide important guidance for participants in the industry to consider in deciding whether to continue to utilise the statutorily created tax deductions for these arrangements".

He continued: "A decision reversing the tax court's ruling 'will aid the IRS in deciding whether it is prudent to continue to deploy' several examination teams' to scrutinise the industry."

"I am confident that all sides will be better served with greater clarity regarding the rules under which micro captives operate: be it from Reserve Mechanical or more guidance related to 831(b) arising from the Protecting Americans from Tax Hikes or the Consolidated Appropriations Act of 2018," he added. ■



Minnesota direct procurement tax changes to include captive insurers

The Minnesota Department of Revenue has proposed changes to Form IG255 that will require individuals or businesses buying insurance directly from a non-admitted insurer to report their non-admitted direct procured insurance premium tax. The state's department of revenue explained that the proposed updates define more clearly what non-admitted insurance means and further clarify the types of direct procured insurance policies that must be reported to the department for insurance premium tax. It said, in addition to surplus lines policies purchased directly from non-admitted insurance companies, premiums paid to a captive insurance company must also be reported on Form IG255.

Under Minnesota law, an insured headquartered in the state that directly procures insurance from a non-admitted insurer must pay a Minnesota tax equal to 2 percent of the premiums paid.

Individuals or businesses that are required to file and pay self-procured insurance tax are required to file Form IG255 and pay the tax by 1 March for any premiums paid during the previous calendar year.

However, Ryan Sugden and Peter Thrane of Stinson explained that Minnesota's insurance taxation statutes "do not define what constitutes a captive".

Sudgen and Thrane said: "The text of the revised form does not provide an explanation of what is considered a captive for purposes of this tax."

"Insureds directly procuring insurance from an insurer falling within the broad ambit of what constitutes a captive will need to evaluate each placement to determine whether a transaction is subject to the tax and to consider strategies for mitigating the tax," they added. ■

DARAG completes novation agreement through its Bermuda carrier

Legacy acquirer DARAG has completed a novation agreement with a Cayman reinsurer to provide finality for its US liability books, with the transaction value in excess of $40 million.

The transaction has been written into DARAG Bermuda. DARAG Bermuda will provide legal, economic and operational finality for the counterparty's US workers' compensation, general liability, auto liability and product liability books of business.

Daniel Linden, CEO of DARAG North America, the firm's Bermuda and US arm, said: "Our team has worked closely with the client to ensure that their strategic goals are achieved with this transaction. The completion of the deal provides the company with a clean economic exit and certainty about future development."

"We are very pleased to have been able to support such an established counterparty and demonstrate DARAG's expertise as the favoured legacy acquirer for both counterparties and fronting carriers alike."

Tom Booth, CEO of DARAG Group, said: "Our Bermuda operation is pressing ahead with our expansion strategy in the region. We continue to invest in our global business and to provide tailored capital relief solutions to clients and we look forward to further transactions in North America." ■

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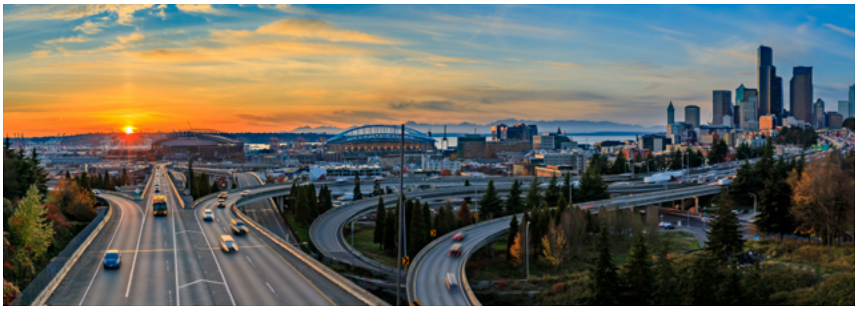

Washington OIC launches study to reveal unpaid taxes by insurance

Washington Insurance Commissioner Mike Kreidler has started a study to determine how many organisations in the state are not paying insurance premium tax as required under state law. The study launched with an initial survey sent to around 5,000 businesses and other organisations in Washington asking if they use a captive insurance company.

Currently, captive insurers are not authorised under Washington state law. Additionally, companies using them are not paying a 2 percent premium tax on the insurance they buy.

Kreidler's office contracted with Washington-based Milliman to conduct the survey and study.

It was noted that the information gathered will not identify organisations failing to pay the premium tax but will show an overall projected amount owed.

I'm addition, Washington's Department of Revenue is assisting with the survey while Kreidler's office will report results of the study to the legislature later this year.

At the start of this year, Kreidler introduced draft legislation on captive insurance that would create a statutory framework for how captive insurance companies can be formed by Washington state companies, who can form them and what taxes will be paid by them to Washington state.

Commenting on that legislation in an interview with Captive Insurance Times, Kreidler noted that this legislation would not ban captives.

He continued: "Instead, it would create a legal framework to allow their use. However, the bill would not make Washington a captive domicile state. Washington is not a captive domicile state, so captive insurers cannot be set up in this state."

In addition, Kreidler set up a self-reporting plan for companies in December 2018 that resulted in some businesses reporting their use of this arrangement. This led to the initial payment of about $4 million in previously unpaid premium tax, fines and interest.

He explained that in an effort to understand the magnitude of the amount of unpaid tax, he has suspended enforcement actions against captive insurers, pending results of the survey and study.

RYSKEX's start-up selected for Lloyd's Lab COVID-focused cohort

Lloyd's has launched its fifth Lloyd's Lab cohort, featuring RYSKEX, a Berlin-based start-up, offering a blockchain-based ecosystem for alternative risk transfer and innovative insurance solutions.

In July, the Lloyd's Lab Fusion programme named Ryksex startup Ten C's as this year's event winner.

The event will be centred around three key themes: data and models; new insurance products and markets; and the insurance response to COVID-19.

Ten C's is a start-up formed to develop a parametric disaster response solution designed to fill the coverage gap of traditional, indemnity-based insurance for global, systemic risks, such as COVID-19, and to ensure that the insurance industry is ready for the next pandemic. The new start-up was founded by Patrick Kelahan of H2M and Marcus Schmalbach, CEO of Ryskex GmbH.

The solution will support businesses during systemic risk events quickly and will distribute pay-outs immediately once an agreed parameter is triggered.

Commenting on the selection, Schmalbach said: "We are looking forward to partnering and working closely with Lloyd's deep experience and global network."

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2RS strengthens captive management services with Sogecore acquisition

Risk and Reinsurance Solutions (2RS), a subsidiary of the Siaci Saint Honore Group, is set to strengthen its captive insurance and reinsurance management services with the acquisition of Sogecore.

The deal will see 2RS acquire the Luxembourg client portfolio of insurance and reinsurance captives from Sogecore SA and Sogecore France SARL.

In addition, Sogecore has made a commitment to invest the full amount of this transaction in 2RS capital, to become a 10 percent shareholder.

The deal is set to create a captive management leader in Continental Europe, providing companies with solutions for the financing and management of risks likely to affect their assets. It will also see 2RS become the first and only independent captive manager present in France with a service offering, designed particularly for French companies.

Christian Burrus, who has been managing Burrus Group for 25 years, said: "The Sogecore teams are delighted to join the Siaci Saint Honore Group through its subsidiary 2RS. We will be able to combine our strengths to offer ever more innovative solutions in this specialist market."

Pierre Donnersberg, chairman of the Siaci Saint Honore Group, explained that Sogecore's expertise will strengthen the insurance and reinsurance captive business within its subsidiary.

Donnersberg added: "This partnership with an entity of the Burrus Group is the result of full cooperation between our two groups and I am confident in our shared ability to create value for our shareholders and employees."

2RS manages over 50 captives and is also present in Malta and Switzerland.

Aon and WTW shareholders approve proposed combination

Shareholders of Aon and Willis Towers Watson (WTW) have approved all proposals necessary to complete their combination announced earlier this year. In March, Aon announced its intention to buy WTW in an all-stock transaction with an implied combined equity value of approximately $80 billion. Earlier this month, proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis & Co recommended the shareholders of both Aon and WTW to vote in favour of the proposed combination.

The deal remains subject to customary regulatory and other closing conditions, is expected to close in the first half of 2021. Upon the closing of the combination, WTW shareholders will receive 1.08 Aon shares in exchange for each WTW share they held immediately before the closing.

Commenting on the announcement Greg Case, CEO of Aon, said: "On behalf of Aon's board of directors and executive team, I would like to thank our shareholders for their overwhelming support of the proposed combination with WTW. Our combination, which will accelerate innovation and strengthen our capability to provide more relevant solutions for clients, has only become more important through the COVID-19 pandemic. The events of 2020 are illustrative of the exact type of transformative long-tail risk our new organisation will be best positioned to address, creating significant value for clients, colleagues, and shareholders."

John Haley, CEO of WTW, noted: "Today marks an important milestone towards completing the transaction. The vote reflects our shareholders' confidence in this next step of our journey. We are pleased with the outcome of today's meetings and we thank all of our shareholders for their support of this combination that will bring together our complementary strengths and expand our capacity to address unmet client needs," he added. ■

Investing in the future

Alabama Captive Insurance Association's Norman Chandler discusses the rollout of its new internship programme, growth within the state's captive industry and the first in-person conference since the COVID-19 lockdown

What is the current climate like in Alabama's captive insurance industry?

Alabama's captive insurance industry is rapidly growing. The state's regulators continue to respond quickly and fairly to captive requests. The domicile is recognised by its ability to find innovative solutions to complex and ever-evolving problems.

For the fourth consecutive year, Alabama placed in the top five nationally in net captive formations and continues to push the industry forward with industry-leading updates to the Alabama Captive Act. The state has established itself as a respected jurisdiction with a willingness to work with prospective and licensed captive companies.

What has the ACIA been working on?

The ACIA has been working hard in 2020. In January, the ACIA rolled-out its Risky Business Internship Program in partnership with Troy University's Risk Management and Insurance Program. Risky Business is a collaborative internship experience, whereby students will spend time with multiple employers, including the Alabama Department of Insurance, during the course of a 10- or 15-week internship. The goal of the programme is to provide students with exposure to multiple areas of the industry, promote networking, and allow employers to "try before you buy". Over the course of a 15-week internship, students will spend time with three different employers, and employers will host three different students. Since January, six interns have completed the internship programme, and three of the students, all graduating seniors, have accepted full-time jobs from their internship experience.

Elsewhere, the association ran a bill to improve the Alabama Captive Insurers Act in early 2020, passing the Alabama House of Representatives' Insurance Committee, Alabama House of Representatives, Alabama Senate Insurance Committee without a single nay vote. This bill was on the docket to be voted on by the Alabama Senate a week after the Alabama Legislature recessed due to COVID-19 concerns in March 2020. The ACIA will run the bill again in 2021, with additional language to improve risk retention group (RRG) regulation in the State of Alabama.

> *"We are very excited to welcome more than 30 risk management and insurance students to the ACIA conference"*

Upon passage, we expect to see an increase in the formation of branch captives and additional RRGs. As for the legislation currently enacted, Alabama has seen consistent growth in captive insurance companies over the past 12 months.

To further support the captive industry within the state, ACIA established a Political Action Committee in 2020 to assist future growth in Alabama's industry.

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

One of the most pertinent emerging issues the industry faces today is preparing for the next 20 years. How is the industry going to cope with the rapid retirement of many of its most skilled and senior leadership? This talent crisis is the reason why the ACIA has made such an aggressive investment and push to involve risk management and insurance students with the industry through its Risky Business Internship Program.

What are you most looking forward to about the Alabama Captive Insurance Conference?

To be honest, I cannot pick just one. I am excited to see our friends and colleagues from across the industry in-person again. We have missed the networking and fellowship opportunities that cannot be facilitated across digital platforms.

We are very excited to welcome more than 30 risk management and insurance students to the ACIA conference. This is a great opportunity for students, and their professors continue to tell us how excited the students are to get to spend time around the captive industry. We have several networking events built in, even a resume swap, and a student-focused curriculum for industry newbies.

Lastly, I am excited about the Capstone social event Taste of Birmingham at Avondale Brewing Company at their beautiful open-air outdoor concert venue. We will have more than half a dozen locally brewed craft beers from around the city and a number of local food vendors will be serving some of their favourite meals! We will top it all off with live music and a congratulations to our Risky Business employers and interns.

What can attendees expect from this year's event?

Attendees can expect to have a good time with quality programming and COVID-19 safety measures in place in accordance with CDC Guidelines.

We are welcoming back many association members and a number of ACIA newbies who are eager to get back on the conference circuit.

There will be ample networking opportunities and we made sure to secure a location that exceeded social distancing requirements.

A COVID-19 safety precaution will be provided to each attendee at check in. Attendees will have a temperature check upon entrance and will be provided with a filtered cloth mask. They will also receive a personal bottle of hand sanitiser that may be clipped to name tag. Hand sanitiser stations will feature throughout the venue and there will be zero-touch food and beverage stations. Finally, there will be an option of red or yellow wrist bands to display personal social distancing expectations and no-touch conference greeting.

Attendees should also expect to see a number of unfamiliar faces, as we will have more than 30 risk management and insurance students attending from across the state.

What will the ACIA be working on for the rest of the year and how do you expect the next 12 months play out?

The ACIA will continue to promote and grow the Risky Business Internship Program and prepare legislation to be considered by the 2021 Alabama legislature. We expect great growth from Risky Business as the programme continues to build momentum and grow in popularity among students and employers alike. As always, ACIA legislation will be drafted to improve Alabama as a captive domicile, particularly as it pertains to RRGs. We are grateful to have a regulator that is pro-business and a legislature that is dedicated to economic development; thus we anticipate a favourable outcome in respect to 2021 legislation. We expect to release further information about our service provider certification programme during the next 12 months. ■

How to bring 'mature' advantages to EB captive programmes

Successful employee benefit captive management is all about corporate philosophy and risk appetite, as highlighted during the COVID-19 pandemic, says Fabian Vanhecke and Lara Ribeiro of Generali Employee Benefits Network. But how do you build in such a level of maturity when all eyes are on costs?

The management of COVID-19 pricing has shown two sides of the same coin when it comes to employee benefit (EB) captive programme behaviours.

On one side is those that worked closely with their local subsidiaries and network insurers to facilitate waiving all relevant existing exclusions, with a view to prioritising quality of coverage; and on the other side, those that ensured all exclusions remain in place – perhaps because their workforce is made up of a young demographic so the risk is mitigated.

Removing exclusions in the latter circumstance might only serve to put undue pressure on local insurers to do the same in order to remain competitive.

These responses to the COVID-19 outbreak help highlight the fact that the success of a captive is not just about pricing, it is about added value.

This is only achieved through understanding corporate philosophy and risk appetite. Pricing might represent the differentiator at the start of the journey, but over time it's the human dimension that will ensure sustainability.

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The pandemic effect

COVID-19 has not changed any of this, but it has arguably readjusted the business balance towards people. During lockdown, there was a lot more evidence of wellbeing, flexibility and support. Right now though, faced with an underlying economic crisis, the narrative for businesses across the world has quickly shifted towards business recovery. This is all about survival. Organisations are going to need a lift-off performance during the ongoing return-to-work phase in order to 'up' the financials. The priority is to balance the short-term need to reduce outgoings and the long-term impact these decisions can have on people and business. EB captive programmes can help greatly in this regard.

Where's the roadmap?

There's no blueprint though as no two organisations are the same and, accordingly, no two captives are the same. Understanding corporate philosophy is all about getting to grips with: what is the DNA of the organisation? What's their purpose and ethos? The thing that determines their priorities and their risk appetite. Ultimately, it's about understanding people – such as employees, local communities, network insurers and other key stakeholders.

But how do you build in this deep level of understanding? Not to mention the associated collaboration between all parties required to help the captive move forward?

Feasibility assessment

For this, the benefits of carrying out a feasibility study cannot be under-estimated: either at the very start to assess the value of adding employee benefits to a captive arrangement and looking at how to proceed; or over time to identify gaps in coverage as part of an existing EB captive.

A feasibility study would bring to the core all the pragmatics, allowing organisations to better articulate and understand their own philosophy and risk appetite, before making any decisions. It would ensure network insurers are assessed not only on pricing where everything becomes equal over the long term, but also on the added value they bring to all the market players involved to establish how they can support the organisation's priorities.

Once a captive and its network partners are clear and aligned on corporate philosophy and risk appetite, they can raise the bar far beyond the financial aspects such as pricing optimisation and cost control, ensuring that the benefits programme supports people-related priorities, in terms of recruitment, retention, productivity and profitability, in a way that is sustainable.

Some of these non-financial aspects include:

- Tailor-made underwriting such as cost containment, medical underwriting
- Streamline process and global communication with insurance partners
- Flexible terms and conditions
- Easy access to information/single point of contact
- Digitisation: paperless/signature in insurance, captive reporting, online data access
- Prevention and mitigation: medical underwriting, local and central health and wellbeing initiatives
- Social trends alignment: for example, same-gender partners and mental health to be included in the terms and conditions

With age comes experience

It is generally the case that the more mature the EB captive, the more focused on the non-financial aspects it becomes.

Those organisations that have been using a captive arrangement for 10 to 15 years have reached a high level of underwriting skills, therefore economy of scale is no longer the key goal.

New captive arrangements tend to be more focused on the financial aspects only. This is perhaps understandable considering the lack of history and, hence, lack of knowledge.

However, some of the non-financial advantages could be realised at a much earlier stage, as mentioned above. Arguably, they should be realised at an early stage. As the COVID-19 experience has shown, the power to improve quality – as opposed to just cost – of coverage could be proven extremely valuable both to employees and to business.

Insights and early-mover advantages

There is an argument that considering the importance of corporate philosophy and risk appetite, the request for proposal (RFP) process should include consideration of these aspects, as opposed to pricing only.

If an assessment of a potential partner were not only based on how they perform as a financial operation but also on whether their philosophies were aligned, it could help make the relationship more productive from day one.

During the RFP phase, pricing is everything and here this is little differentiation between providers. What really sets a captive apart from its peers is the extent to which it is maximising the non-financial aspects.

Unfortunately, in the absence of a feasibility study, the first opportunity to assess whether philosophies are aligned comes after the RFP decision has been made: at the implementation phase.

At this stage it often becomes clear that continuing with the captive journey will require an investment of considerable time in building relationships with local HR because corporate philosophy hasn't been articulated and understood within the organisation, never mind across other stakeholders. This is a common experience of course and certainly not a deal breaker, but it could largely be avoided. ■

New captive arrangements tend to be more focused on the financial aspects only. This is perhaps understandable considering the lack of history and, hence, lack of knowledge

Fabian Vanhecke
WEMEA regional manager
Generali Employee Benefits Network

What really sets a captive apart from its peers is the extent to which it is maximising the non-financial aspects

Lara Ribeiro
Captive manager
Generali Employee Benefits Network

Enhancing your EB programme: key points

It's a case of the bigger the better when it comes to a captive programme. The more business an organisation includes within the captive, the greater the opportunities to influence the financial and non-financial aspects.

During the COVID-19 pandemic, captives are realising some of these non-financial advantages in terms of facilitating the removal of exclusions.

The only way to increase the amount of premium volume in the programme is to ensure all stakeholders are fully engaged on a global and local level. These stakeholders now extend beyond the traditional realms of HR and risk, to now also encompass procurement, compliance and legal.

Organisations don't tend to have a central mandate to say that employee benefits business must be placed in the captive.

Therefore, full buy-in requires a cohesive and persuasive narrative. One that extends beyond just the financial operation to also encompass the benefits that a personal and tailored approach to underwriting, terms and conditions can bring to people and business.

Success in this regard rests on everyone having an understanding of corporate philosophy and risk appetite. There's an argument for articulating this at an early stage.

Going digital

Airmic CEO John Ludlow discusses COVID-19 pandemic effects, what the association has been working on and what attendees can expect from this year's virtual conference

Like most events due to be held this year, Airmic's annual conference is another that was cancelled due to the ongoing pandemic. However, the UK association for risk and insurance professionals will play host to Airmic Fest, a virtual event on 22 to 24 September.

John Ludlow, CEO of Airmic, discusses COVID-19 pandemic effects, what Airmic has been working on and what attendees can expect from the association's first virtual conference.

What has Airmic been working on so far this year? How have priorities changed due to the pandemic?

In a time of crisis, organisations should put the feelings of their stakeholders first and try not to be selfish in their approach to business. This has worked well for Airmic. Our team has worked tirelessly and shown great commitment and flexibility.

As the pandemic unfolded, we reviewed our purpose, objectives and the changing needs of our stakeholders for this period of uncertainty. It has been necessary to pivot our business model to digital formats to support our members during a very challenging time and this has boosted both member engagement and numbers.

We have tried to be thoughtful and creative in fulfilling the needs of our partners who sponsor us. We have also tried to be as reasonable as we can in settling redundant contracts with suppliers and customers.

Above all, we have been communicating, listening and embracing the accelerating trends all around us. It is important that we do not rush into making strategically significant decisions before we are ready.

To ensure this is the case, we're taking the fourth quarter to closely examine and consult on our options for the year ahead.

What have been this year's biggest challenges for Airmic and the captive insurance industry?

It has been a year of great opportunity for captives, and we predict the formation of captives is set to increase. It is important not to forget the ultimate beneficiaries of a captive is its parent — the insurance buyer. Harsh insurance market conditions have produced a lot of challenges for our members in the market, particularly when insuring risks such as directors' and officers' liability (D&O).

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While there are great opportunities for captives to take on more risk and write new lines of insurance, this needs to be done responsibly and involves learning and innovation to take on new lines of business. Any such decisions should be based on sound actuarial and risk analysis. Captives need to define their own risk appetite before taking on new business to ensure it makes sound commercial sense. Captives, particularly those within struggling sectors, will also face rating challenges and a tough market for loss portfolio transfers (LTPs) and retrocessional coverage.

The pandemic has also presented challenges for captives in relation to fulfilling board meetings in their domicile where this is required. We have seen most international captive jurisdictions issue guidelines concerning virtual board meetings, but captive owners must ensure they stay in line with HM Revenue and Customs (HMRC) or other tax authorities' own guidelines with regards to economic substance.

Airmic called on the insurance market to choose a more responsible position on the COVID-19 pandemic due to the risk of long-term damage to trust and reputation and the loss of customers. What kind of response have you seen the insurance sector take and has it been enough?

I see signs that insurers are preparing to shift their position to try to limit the reputational damage from the Financial Conduct Authority (FCA) case. However, I do not see any great movement on the core issues from the perspective of risk managers. It is a question of trust: the industry is built on trust; this takes years to build, and it can be damaged quickly but take years to repair.

I hope the industry will see how short-sighted some of their stances are before the market is more permanently damaged, particularly as the insurance industry itself is ripe for disruption, including through increasing use of captives.

What can attendees expect from Airmic Fest?

We're excited about Airmic Fest because we believe it represents a new and innovative conference experience. Digital networking through big conversations are a great way of debating some of the issues out there. People will get out of the experience what they invest in a digital event.

One lasting benefit of Airmic Fest being made available via the web will be an archive of high-quality knowledge which will then remain online for six months. This will provide an unprecedented opportunity to experience everything, and for a much wider audience, which would be impossible at a traditional event.

What are Airmic's main objectives for the next 12 months?

We aim to keep up and to accelerate our digitisation programme, continuing to adapt to the COVID and post-COVID world.

We want to continue to grow and diversify our membership and partnerships to reflect the increasingly complex, connected and emerging risk landscape.

We are also looking to actively mitigate the risks of meeting our 2021 objectives, including the impact of COVID-19 on our reserves.

Another objective is to continue to develop our team, with a few things in mind in particular: to listen to what our members think and need; to speak with a louder voice to exert external influence; to provide increased support for our members' personal professional development; and further develop our special interest groups, where members can drive the agenda and learn from each other. ■

We want to continue to grow and diversify our membership and partnerships to reflect the increasingly complex, connected and emerging risk landscape

John Ludlow
CEO
Airmic

Cyber Risk - By Maria Ward-Brennan

Behind the mask

After a surge of online criminal activity during the COVID-19 pandemic, industry participants suggest why a captive can play a significant role in assisting with cyber risks

Nobody could have predicted the events that have unfolded so far this year. The COVID-19 lockdown, ordered by governments worldwide, meant a lot of people were required to work from home, with not a lot of preparation involved.

With employees of large and small corporations set up from home, the pandemic provided "the perform storm" for cyber criminals to operate.

At the start of the lockdown, Zoom Video Communications, an American communications technology, saw a surge of new subscribers as a new tool for business meetings and keeping in touch with colleagues.

However, issues regarding security soon became apparent especially for companies that were dealing with classified or sensitive information. Zoom was heavily criticised for its lack of end-to-end encryption on the platform. Zoom then addressed the issue with the acquisition of identity management firm, Keybase.

Similarly, Barclays released a report in July revealing an increase in impersonation scams for June involving hackers acting as police or existing bank staff.

In the US, the Internal Revenue Service (IRS) focused its annual 'Dirty Dozen' list of tax scams on aggressive and evolving schemes related to coronavirus tax relief, including economic impact payments.

Paul Phillips, partner at Ernst & Young (EY), highlights that the COVID-19 pandemic has taught companies that times of vulnerability are key points when cyber protections are required.

Phillips says: "The shifting of operational matters and online capabilities are items that are needed to be tested for cyber, and it has also taught companies that they can function remotely without issue, thus work at home is here to stay."

Although commercial insurance coverage is available to protect companies against cybercrime, a captive can provide a tailored alternative solution to meet individual company exposures.

John Ferrara, senior manager, EY's business consulting practice, explains that a captive can help by covering vulnerabilities and key areas where traditional insurance coverage is not available. He adds: "It can also help operations through risk mitigation via controls."

Randy Sadler, principal of CIC Services, suggests that having a captive can play "a significant role" in assisting with cyber risks.

One of the biggest problems with commercial cyber policies, according to Sadler, is that they are not written broadly enough and contain too many exclusions, effectively rendering the business uninsured when the unexpected happens.

He explains: "Cyber is an insidious and rapidly evolving risk, and captives can write broad policies to address both known and even unknown threats. And, captive cyber policies can be drafted with fewer exclusions, so they can provide far more robust coverage."

Giving an example, Sadler suggests "many commercial cyber policies exclude losses due to human error on the part of a company's employees, but many losses are caused by human error, even if companies have solid training programmes".

However, an Aon whitepaper, titled 'Cyber risk and the captive market - a match made in the cloud?', suggests that a captive does not provide all of the answers "but does offer a focal point

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to gain clarity of this risk, with the strengthened claims and exposure data and market knowledge enabling the implementation of an optimum cyber risk transfer structure".

Cyber challenges

Like any other type of policy, cyber risk policies also have challenges that a captive owner needs to be aware of.

Adam Forstot, vice president, business development, North America at Artex Risk Solutions, revealed the three challenges commonly seen.

The first challenge is determining an organisation's true exposure to cyber events. Forstot used the example of when he worked for a large energy firm which was advised it had significant exposure to operational disruption from a cyberattack.

He states: "Upon completing a formal risk assessment, it was determined their critical system only had outgoing communication. While the system could be sabotaged physically, it was not actually susceptible to a cyber attack."

"They were able to restructure their cyber programme to accurately reflect exposures and avoid potential conflicts with their core property and casualty programme as well as reduce the cyber premium significantly," he adds.

The second challenge is evaluating which risks to retain and which to transfer.

Forstot says that he worked with a large organisation that had significant cyber exposures, including a very large customer base. He explains: "They were running the cyber programme through the captive with a large, blanket retention backed by reinsurance. We worked with the client to breakdown the different aspects of the programme and quantify the risks."

"The assessment concluded that credit monitoring for customers affected by a data breach should be retained in the captive. The client was able to work with their reinsurers to remove the credit monitoring expense from the policy. This allowed the insured to allocate the premium savings and additional capacity to the more volatile risks within the programme," Forstot adds.

The final challenge is determining the true value proposition of retaining cyber risk. Forstot notes that for many companies the risk of a cyber event is low. If they already own a captive, they may be inclined to drop the commercial coverage and fund it through the captive.

However, Forstot says the cost of coverage for those companies may also be low. "Many cyber policies also include loss control and post-event resources which add significant value beyond the coverage itself. If the captive owner is relying on market rates as a basis for determining the captive premium, then it may not be justified."

Forstot says: "If they end up having a cyber event, the cost of the loss plus securing those additional resources directly may offset any upside with retaining the risk. Even if analysis supports a higher than market-based premium, they run the risk of having the coverage challenged unless they can establish material differences from the commercial rates (i.e. higher limits or broader coverage)."

Phishing towards 2021

Predicting the future is never easy, but it's very evident that technology is not going anywhere but instead, it's only getting stronger and more powerful. As this happens, hackers will also try to be one step ahead.

Forstot notes that as the rapid expansion of the use of online platforms for shopping, communicating, dining, financial transactions and assorted other services seems likely to continue after the COVID-19 crisis has passed. He also points out that it appears likely that many organisations will embrace a remote working environment.

He explains: "These changes could materially alter the cyber liability exposures for many organisations and the way underwriters perceive certain risks. If these developments also lead to increased claims activity then I could see pricing begin to firm and terms and conditions possibly become more restrictive. With the overall insurance market moving into a hard cycle, its possible cyber rates simply get pulled along with that trend, regardless of other factors."

Commenting on what cyber risk changes he sees happening over the next 12 months, Sadler suggests that cyber risk will be worse, and cyber criminals will pivot to take greater advantage of the global COVID-19 pandemic and remote workforces.

He continues: "It will likely continue to be worse for years to come."

"There are smart people all over the world who are working tirelessly to create cyber havoc for businesses either for profit, for political reasons, for revenge or maybe even just for fun."

"I can imagine many ways that cyber risks may evolve in the next 12 months and beyond, but if you publish them in this article, you risk giving great ideas to cyber criminals," Sadler adds. ■

Conference Report - Becky Bellamy reports

VCIA: the virtual experience

Hosting the first fully virtual conference in the captive world, VCIA's event focused on how captives responded to the COVID-19 pandemic, exploring the digital future of the captive industry as well as discussions on diversity and the importance of mentorship within the industry

Hosting the first fully virtual conference within the captive insurance industry, the Vermont Captive Insurance Association (VCIA) did not fail to deliver the same opportunities around education, information-sharing and networking as their popular annual in-person event in Burlington.

The big talking points of this year's event included how captives responded to the COVID-19 pandemic and exploring the digital future as well as the importance of mentorship within the industry.

COVID-19 response

Prior to the emergence of the COVID-19 pandemic, the hardening insurance market already produced an increased interest in captive insurance companies, with the companies looking at setting up new captives or expanding their coverage with an existing one.

But the interest surrounding captives has only been heightened since the start of the year, with challenges surrounding commercial coverage being withdrawn for pandemic coverage.

Speaking at the 'Captives and unforeseen pandemic events' panel discussion, Steven Bauman, director of global programmes and captive, North America, AXA XL, suggested that captives have had a positive response to the pandemic in terms of the immediate, flexible transition to a work-from-home model.

Also on the panel, Deyna Feng, director of captive programmes at Cummins, explained that captive coverage was a practical demonstration of the advantages of crisis event simulations in parent companies.

However, Bauman suggested that big stress events "inevitably carry some amount of fallout on carriers".

From a claims perspective, the most significant challenge has been the exponential spike in workers compensation claims from medical providers, according to Clare Bello, senior vice president of VCM, a medical malpractice division of Cannon Cochran Management Services, which has placed stress on the industry as a whole.

In the longer term, Bello expects medical malpractice claims to cause hospitals "to lose tremendous amounts of revenue, on top of their inability to perform elective surgeries which is the cornerstone of revenue for many hospitals".

However, she also recognised the COVID-19 pandemic has "created the opportunity for innovation in technology", for example, sole practice clients now use virtual conferencing and board meetings.

Bauman highlighted there is also an inevitably a large amount of property and business interruption playing out in the 'new normal'.

He said: "There may also be delayed impacts to the supply chain as the true scope of the pandemic expands into other coverage, such as cyber or directors and officers (D&O) liability."

Feng noted that Cummins has begun to assess which lines of coverage are most impacted in order to provide sufficient coverage for cyber, D&O and workers' compensation. She noted: "This raises the follow-up question of whether companies should file claims locally or under global policies."

Also weighing in, Bello said: "There are constantly changing laws in every state to keep up with the technology around how to manage new workers compensation claims, as no-one has managed pandemic workers' compensation claims before."

She suggested that the future impact of medical malpractice is likely to involve coverage of professional liability of doctors for telemedicine.

With different state mandates, Bauman said the same issue was seen with cyber insurance. He noted: "Creating a new regulatory infrastructure carries a big risk for captives and insurance companies to not be compliant, which means they must carefully choose their partners."

Expanding on this, Bello explained that different state mandates on what constitutes a COVID-19 claim and how to file for it creates constantly changing criteria and eliminates the ability to work backwards to ensure the claimant was in an employed function when they contracted the virus.

From a third party administrator perspective, Bello described keeping up with daily changes to be a "phenomenal whirlwind".

She added: "Some states have extended the statute of limitations on medical malpractice cases, altering how cases are brought before a court over a longer period of time, which could potentially lose evidence quality from witnesses."

In addition, courts are currently closed; therefore, captives will be significantly impacted financially as claims will be brought to trial together and settlements will be administered in bunches.

"Creating a new regulatory infrastructure carries a big risk for captives and insurance companies to not be compliant, which means they must carefully choose their partners"

Steven Bauman
Director of global programmes and captive, North America
AXA XL

A mentor relationship must occur organically with some level of connection rather than being assigned

Peter Kranz, executive managing director and captive practice leader at Beecher Carlson

Looking to the future, the panel discussed whether the captive industry will continue to see the formation of group captives and risk pools to address exposures during the pandemic. Bauman cited: "It will be difficult, as there is currently so much volatility and captive solutions should be personalised to each individual company to ensure the best possible coverage."

He added: "There will be a definite lasting impact, so companies should now seize the opportunity to start taking on emerging risks, with captives being an ideal place to start."

Shaping the digital future of the captive industry

Discussions at the virtual event also focused on how a blockchain-based ecosystem made up of captive managers, reinsurers and captive domicile regulators will shape the digital future of the captive industry.

Courtney Claflin, executive director of captive programmes at the University of California, identified the three key challenges currently facing the industry which a digital future will help to mitigate.

Claflin stated that current challenges include capacity, in terms of achieving the appropriate amount of limit from reinsurance markets to adequately support exposures; terms and conditions to support exposures; and reducing back-end costs in order to support new captive initiatives and provide rate stabilisation to the parent company.

Blockchain technology can help with these challenges, for example, by generating capacity from traditional insurance markets to reduce the burden of administrative costs.

James Donald, cyber advisor at AXIS Capital, affirmed the three main challenges of capacity, terms and cost can be translated in a parametric insurance environment to knowledge, trust and price.

He explained: "The reason why capacity is limited revolves around a lack of knowledge. People are reluctant to insure things where they do not have a decent historical data set."

However, there has since been what Donald described as a "phenomenal growth" in the amount of data that is created each day and made available on the internet through alternative data sources.

In 2016, there was on average 44 billion gigabytes of data produced per day, which has since increased exponentially and is projected to reach 463 billion gigabytes per day in 2025.

In the digital future, a combination of big data and artificial intelligence (AI) will provide new datasets that allow captive owners and managers to create indices that can be used on a blockchain platform to solve capacity issues in captive structures.

In addition, Donald noted that blockchain could help create a mechanism to balance real-world damage with model indices to eliminate basis risk in captives, therefore increasing trust and forming a profit centre for the parent company.

Marcus Schmalbach, CEO of RYSKEX, added that AI can be used to link supply and demand to replace traditional underwriting in risk trading platforms. In the example of Vermont as a captive domicile, it can regulate the business model as part of the blockchain-based network in a chain of compensation and premium between a captive insurance company, risk trading platform, and investors.

Schmalbach highlighted that the Vermont catastrophe index has been developed with machine learning, which is updated daily by an independent institution and cannot be manipulated by market participants.

The index is able to inform captive owners and managers on the dangers of a global disaster based on selected risks, such as terrorism, natural disasters and cyber attacks.

It was also discussed that the digital future will have a positive impact on the claims solution process, which is currently cost-intensive and somewhat inefficient, as the insured must assess the damage then submit and review the claim for the adjuster to validate. By implementing blockchain and similar technology, a third party can verify the intensity of a catastrophic event, then administer a fully digital claim settlement payout within a maximum time of 48 hours.

Claflin noted that the University of California has already introduced parametric coverage in a few of its programmes. He commented: "We will continue to explore parametrics as that portion of our industry matures. It is a great advantage to us when certain setup circumstances present themselves, as it ensures that payment is immediate."

The university is currently waiting for more opportunities in other areas, particularly concerning property holdings and potential earthquakes.

Karen Hsi, manager of captive programmes at Fiat Lux Risk and Insurance Company, added: "There are a lot of faculty staff and student alumni programmes that we are looking at to grow the third party through our captive cells. During the COVID-19 pandemic, we have been working on multiple campuses on the differences in conditions policies, since many study-abroad programmes have been cancelled."

The panel concluded by affirming that the next steps towards a digital future will be setting up a working group of captive managers and owners, service providers, reinsurers, capital market participants, and regulators of the captive domicile to work towards the goal of "delivering a blueprint for the parametric risk trading of tomorrow".

Importance of mentorship

Although the insurance industry is hiring at record levels, the biggest challenge that companies are facing is to secure new talent, according to and Insurance Industry Employment and Hiring Outlook survey.

While captive insurance takes a smaller portion of that pie, it is still concerning for the industry that such a shortage exists, with a solution as yet to apparate.

With the talent gap still a concern to those in the captive industry, panellists at VCIA discussed why mentorship is now more important than ever.

Daniel Kusaila, tax partner at Crowe, emphasised the role of a mentor is to help consider the options rather than forcing you to stay at a company, stating that "helping someone get to where they need to be in their careers is far more valuable and fulfilling than anything I can think of".

Meanwhile, Peter Kranz, executive managing director and captive practice leader at Beecher Carlson, suggested that a mentor should not be a person to look to for definite answers, but rather guidance and advice.

He recommended young professionals in the captive insurance industry identify colleagues they trust and respect in a professional sense to approach for guidance.

"A mentor relationship must occur organically with some level of connection rather than being assigned," he added.

Since mentorship is unique and personal, the dynamic of the mentor and mentee should reflect this, according to Samantha Jones, senior captive analyst at Dynamo Insurance Company, as diversity among colleagues then translates into personalised mentorships.

Expanding on this point, Kusaila noted that young captive professionals should not have one key mentor for all issues, "but rather look to different colleagues and alma mater alumni for purely professional mentorships as well as advice on how to balance work and personal life".

Thomas Myers, principal of The SyncWave Group, reflected during the forum that as a student he was under the incorrect impression that faculty would be "bothered" by a student wanting advice. However, he indicated that now as a faculty member himself he encourages students to discuss their academic careers.

Myers explained: "The bottom line is that people want to be asked."

"Humans naturally love to help other people, so if you think enough of someone to ask for their advice, they will give it to you."

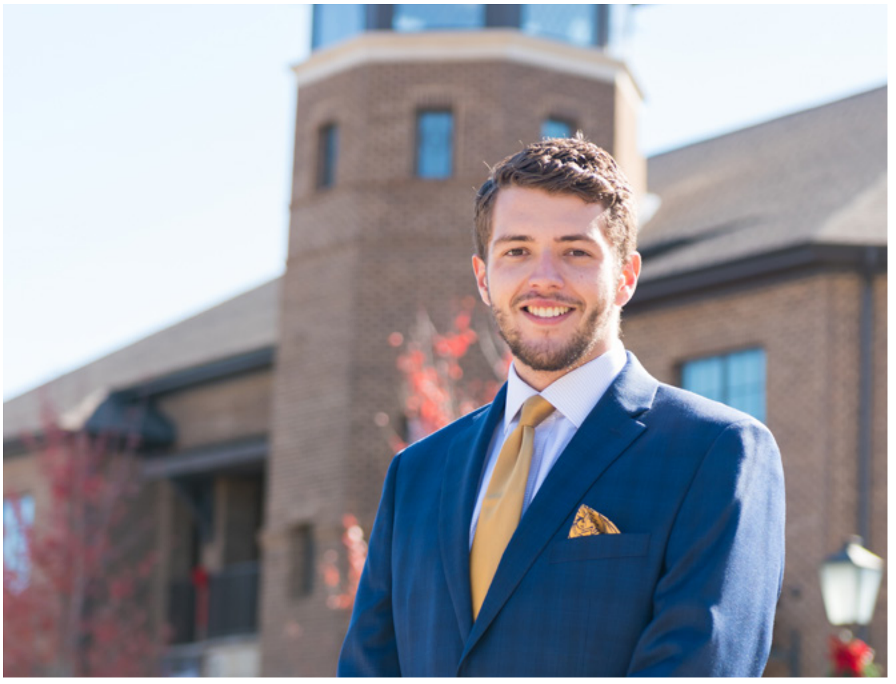
Agreeing with this, Kranz highlighted that mentoring is a two-way street rather than someone further in their career teaching someone younger, as there is value to be gained from both parties.

Myers concluded the forum by describing mentors as a "sustainable relationship" in which information flows both ways. ■

Justin Law

Chief operations officer

Arsenal



Personal bio: I am a proud native of Union Springs, Alabama. Raised on a farm in rural Alabama, I started my first professional job working for a local law firm, Jinks, Crow & Dickson, PC, at the age of 16 and later graduated from Huntingdon College with an Accounting and Political Science Degree.

I have always been passionate about the law and have a great appreciation for accounting, making a career in captive insurance the perfect fit for my ambition and skills. My personal passions are spending time with family and friends, cooking, travelling to new destinations, and as an outdoorsman, I enjoy fly fishing and backpacking to explore national parks.

Professional profile: I'm a graduate of Huntingdon College in Montgomery, Alabama where I studied Accounting and Political Science. I served four terms as an SGA Senator and three terms as chair of the SGA Finance Committee. I am a proud member of Sigma Phi Epsilon Fraternity, was also elected as vice president of finance, vice president of membership development and chapter president.

I started my professional career in public accounting with an emphasis on the insurance industry. While working in public accounting, I worked for many insurance companies, including preparing statutory financial statements, US Form 1120 PC and working on a number of audit engagements.

In 2019, I joined the Arsenal team as managing director of strategic initiatives where I directed a number of strategic growth projects. I looked after a network and third-party administrator transition for Iron ReHealth, an Arsenal-managed employee benefit plan, and played a key role in Arsenal establishing a presence in Grand Cayman in partnership with Lainston International Management. I was promoted to Arsenal's COO in 2020 by Arsenal's president and founder, Norman Chandler. In my current role, I direct business development, talent acquisition, the structuring of new programmes, and captive services, working alongside Dexavia Turner, managing director of captive services, to ensure that client needs are met effectively and on time.

I am also an active member of the Alabama Captive Insurance Association (ACIA). Under my guidance, the ACIA established the Risky Business Internship Program, a collaborative internship programme that gives risk management and insurance students exposure to multiple facets of the industry over the course of a 10- or 15-week programme. Since the programme began in January of 2020, Risky Business is proud to have had six interns complete the program, of which all three graduating seniors were hired out of the programme! I was appointed as chairman of the ACIA Political Action Committee in 2020 by the association's board of directors. As chairman, I direct the fundraising efforts and work alongside industry members and public officials to continually improve Alabama's alternative risk management environment.

In helping promote Alabama as a captive domicile, I also co-authored the legislation proposed to the Alabama Legislature in 2020.

How did you end up in the captive industry?

To be honest, I tripped and fell face-first into the captive industry. My favourite question to ask industry professionals is, "how did you end up in the industry?" and I am yet to get the answer, "I have wanted to work in insurance since I was a kid." I never had any intentions of working in the insurance sector, but that all changed when I began my career with Arsenal. The innovation and excitement of Arsenal captivated my interest on my very first assignment. Since I was a child, I have always had an interest in the legal profession and learned to love the logic of accounting while I was in school at Huntingdon College. Arsenal operates in that niche sector of the market where legal compliance meets accounting and finance, and I enjoy working in the fast-paced environment that keeps me on my toes.

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

The highlight of my time spent in the captive industry has been working with the ACIA's Risky Business Internship Program. I would not be where I am as a professional without my great mentors and the relationships I have built along the way. I find great fulfilment in helping the next generation of industry professionals establish their own network and help them charter their path into the industry.

What/who has been your influence in the captive industry?

My greatest mentor within the industry has been Norman Chandler and his extraordinary perspective on the insurance industry. The opportunity to work alongside Norman has enabled me to quickly learn how to navigate complex issues utilising innovative means. Norman's ability to create new programs and his dedication to compliance and client service has had a profound impact on me as a captive insurance professional.

What is your impression of the industry?

My impression of the industry that it is built upon innovation and creativity. I have worked on several captive projects that were born out of necessity; when the traditional market cannot provide adequate or appropriate coverage, clients often turn to captives for a solution tailored to their unique situation.

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

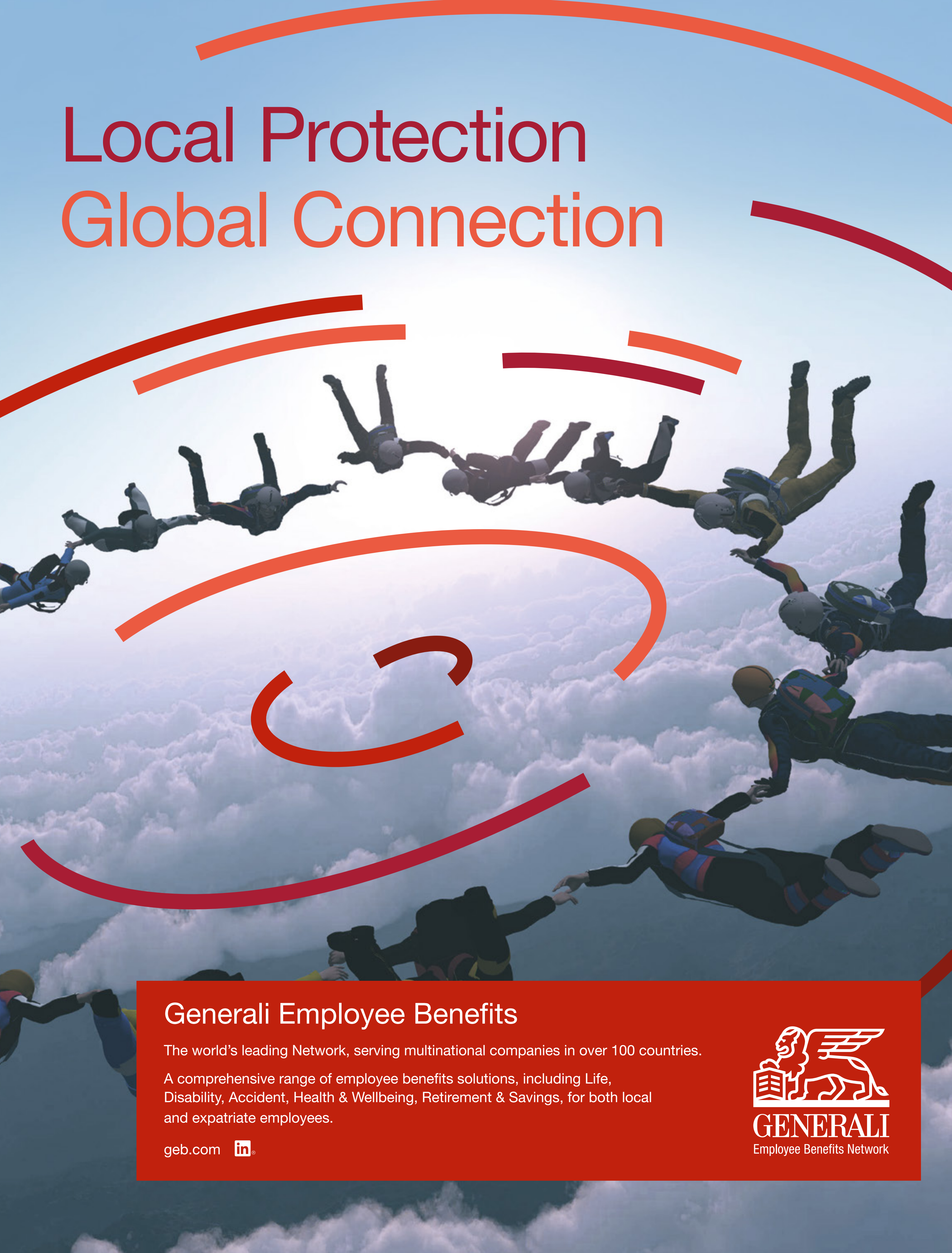
My career aspiration in the industry is to continue growing Arsenal as a captive manager and to provide additional services to better serve our amazing clients. Arsenal is a truly unique operation with an incredible future ahead of it and I look forward to working with our team to continue taking our client services to the next level. I have always loved to teach and to help people, I most look forward to ushering in the next generation of captive professionals and helping them establish themselves in the industry.

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

Be open minded. Even if you think you know what you want to do the first year or two into the industry, that will likely change. Many of my most inspiring experiences have come from instances that I had not planned for or intended to get myself into. This is an interesting industry with many niche areas of practice; branch out, keep an open mind, and be bold. ■

"Arsenal has worked closely with the Alabama Department of Insurance since the 2006 passage of the Alabama Captive Insurers Act to ensure high quality service to captive clients in the State of Alabama. Instead of using a cookie-cutter approach, Arsenal examines each client situation individually, collaborating with the department to stay up to date on regulatory changes as well as economic and industry challenges. This allows Arsenal to help their clients find the best solution for their captive or other alternative risk transfer needs. In the past year since Justin Law began work for Arsenal, and the firm's efficiency, dedication to clients, and high-quality service has increased even more. Justin has been key in developing Arsenal into a full process service provider with experienced staff who are knowledgeable in various areas of insurance and risk management. They handle everything from the design of new structures to the amendment of existing structures to make them more suitable to their clients current business needs including implementation and transition to management."

Sean Duke, insurance examinations supervisor for the Alabama Department of Insurance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Rebecca Hale has joined Strategic Risk Solutions (SRS) as regional manager for Mid-Atlantic.

In her new role, Hale will be responsible for captive management operations in Washington DC, Delaware and New Jersey.

She joins from Willis Towers Watson where she was a senior account executive. Prior to that, she worked at Marsh Management Services in Vermont for 17 years.

Commenting on her new role, Hale said: "I have always had a lot of respect for SRS as a strong independent manager and excited to be joining the team. I am looking forward to managing the SRS's Mid-Atlantic clients and further developing the firm's presence in the region."

Elsewhere, Melissa Hancock, director of operations and compliance for SRS East, who has overseen the firm's operations in the Mid-Atlantic, will be assuming the role of managing director of SRS Europe, effective 1 October with a view to relocating to the company's Malta office.

In the new role, she will oversee the firm's captive management operations in Europe, including pan-European branch offices, working alongside Derek Bridgeman, who has responsibility for risk consulting practice in Europe.

Hancock, who has recently joined the board of SRS Europe, will remain as an active team member for certain SRS East clients.

"I am excited to take on this challenge and bring my experience with SRS in the US to our European business. I have been getting to know our team in Europe and spent time to understand the captive management environment. We believe there are tremendous opportunities for SRS to expand within the European domiciles", Hancock said.

Brady Young, president and CEO of Strategic Risk Solutions, added: "Melissa Hancock's experience and knowledge of SRS will be invaluable to our European business as we expand our base of captive management clients. Rebecca Hale brings new energy and opportunities to grow our Mid-Atlantic business." ■

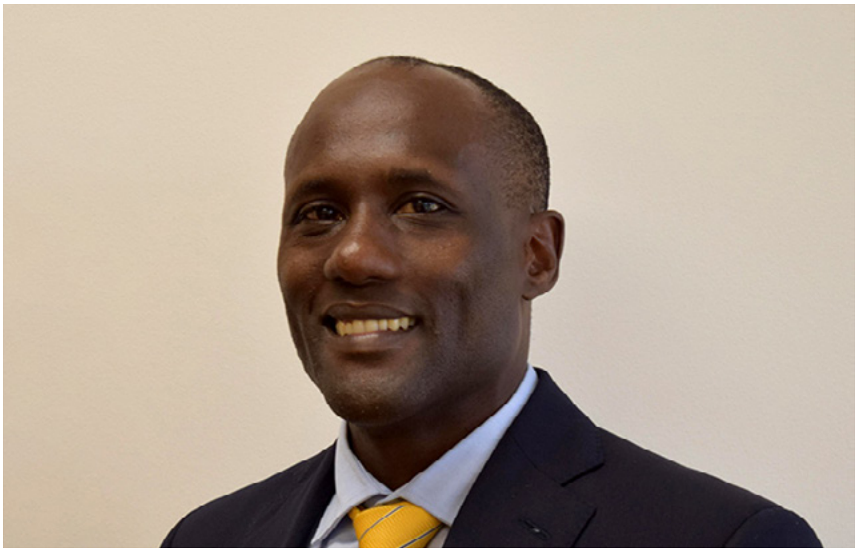
AXA XL has promoted Matthew Latham to chief underwriting officer for global programmes and captives.

Since joining AXA XL in 2014, Latham has served as head of global programmes and captives.

At AXA XL, he was responsible for driving new global programmes and captive business as well as ensuring existing clients received high quality and consistent levels of service.

He joined AXA XL from AIG, where he served multiple roles over his eight years with the firm.

These roles include vice president of risk finance, Solvency II business leader and head of client management, UK. ■



Gerald Gakundi has been promoted to director, supervision of insurance at the Bermuda Monetary Authority (BMA).

Gakundi, who has more than 15 years of experience in the insurance industry, joined BMA in 2010 as assistant director, supervision of insurance, and was promoted to deputy director in 2016.

Reporting to Craig Swan, deputy CEO, Gakundi will participate as a member of the BMA's senior leadership team, contributing to the development and implementation of the BMA's strategies and policies, with a specific focus on leading the teams supervising all (re)insurance licensed entities.

He is an active contributor in the BMA's international engagement, including leading dialogue with the National Association of Insurance Commissioners (NAIC) executive, European Insurance and Occupational Pensions Authority (EIOPA) and numerous other insurance regulatory authorities.

In addition, he has assisted in the development and implementation of the BMA's long- and medium-term insurance supervision strategy and policy.

Swan said: "We are delighted to welcome Gerald Gakundi into this new role. He has built a long-lasting and impactful career at the BMA, and we know that his sharp perspective and depth of experience will continue to prove invaluable to both the credibility and evolution of insurance supervision in Bermuda."

Commenting on his promotion, Gakundi noted: "It is an honour to be appointed head of the department that I have been a member of for the last 10 years."

"My tenure at the BMA will be a resource for me to draw upon, and I am looking forward to working with my colleagues at the BMA as we continue to pursue our strategic and operational objectives," he added.

In January, BMA reported it had registered 22 new captives in 2019, taking its total to 715. ■

Anthony Lyons has been appointed as executive vice president and leader of a new portfolio solutions underwriting division of Ascot US.

Lyons will focus on identifying, cultivating and maintaining a range of partnerships with third-party firms seeking a relationship with Ascot.

He will work with external providers to execute technological partnerships that explore new digital distribution models and a variety of operational solutions.

Within his portfolio solutions remit, Lyons will also oversee group and single-parent captive insurance solutions.

Previously, he spent 18 years at AIG where he worked in a number of underwriting and analytics roles, most recently serving as executive vice president and global head of analytics and technical services.

Jonathan Zaffino, group president at Ascot, said: "This new portfolio solutions division has a broad remit to explore how we can create these unique partnerships with a growing range of third-party firms."

Commenting on Lyons appointment, he added: "I've had the pleasure of knowing Anthony Lyons for many years and he's proven himself to be a collaborative and engaged leader who combines a significant depth of underwriting and managerial experience with a deep understanding of technological solutions and implementation."

"I look forward to working closely together as we assess and analyse a wide range of exciting opportunities for Ascot." ■