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30 September 2020 - **Issue 208**

Falling for new risk

The challenges created by the ongoing COVID-19 pandemic on workers' compensation claims

Connecticut Update

The Connecticut Insurance Department names Fenhua Liu as new director of captive division

Emerging Talent

Kim Guerriero

Consulting actuary

Milliman

FERMA Outlook

FERMA's Typhaine Beaupérin discusses the association's plans for the next 12 months


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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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SunTrust

Captive use on the rise amid challenging and uncertain market conditions

More organisations are considering a captive for insurance protection and financial flexibility in response to an increasingly difficult risk and insurance landscape, according to the Marsh 2020 Captive Landscape Report.

The report highlighted the trend of increased captive use continuing in the first half of 2020 amid an increase in challenging insurance market conditions and the impact of the global COVID-19 pandemic.

Marsh-managed captives saw steep growth in gross premiums in various lines of coverage in the past year due to the tightening global insurance market conditions.

Supply chain, business interruption and contingent business interruption premiums written saw an increase of 283 percent on average in 2019.

The results also showed a 64 percent rise in all-risk property premiums, led by the energy and financial institutions sector, which saw all-risk property premiums increase 151 percent and 104 percent, respectively.

Over the past five years, mid-size captives have seen the most growth, from 11 percent in 2013 to 23 percent in 2019. Meanwhile, jumbo captives have remained relatively stable with growth percentages between 61 and 54 from 2013 to 2019.

Meanwhile, financial services and healthcare remain the top industries by the number of captives and premium volume, however, it was noted that many other industries are expanding their use of captives.

As a result of the transitioning insurance market, industry-specific trends are starting to

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emerge around the increased use of captive in certain lines of business, the report noted. While there was a 64 percent year-over-year increase in all-risk property premium across all industries, the energy; financial institutions; communications, media and technology; and construction all reported higher than average all risk premium growth when compared to Marsh-managed captives as a whole.

The energy sector saw a 151 percent increase, financial institutions recorded a 104 percent rise, communications, media and technology noted a 98 percent increase and finally construction had a 97 percent increase.

Transitioning insurance market

In Q2 2020, commercial insurance rates globally rose by an average of 19 percent, according to the Marsh Global Insurance Market Index, which represents the largest increase since the index's inception in 2012.

The report found that a majority of captive owners plan to increase their use of captives in response to changing insurance market conditions.

More than half, 59 percent, expect to expand their captive use by adding more lines of coverage, increasing retentions in the captive, or forming an additional captive, while 38 percent said they had no plans to make changes.

It was highlighted that the evolving risk environment and the COVID-19 pandemic continue to challenge organisations and their directors and officers.

Since 2019, pricing for directors and officers liability (D&O) insurance for public companies has increased by double digits — and grown each quarter, the report noted. In Q2, the US saw D&O pricing increase 59 percent on average.

It also reported that more than 90 percent of Marsh clients experienced an increase, a figure that reached 99 percent among publicly traded companies.

Employee benefits

The report revealed that in the last five years, the number of Marsh-managed captives writing medical-stop loss coverage has increased by 50 percent.

Marsh explained that COVID-19 exposed inconsistencies in multinationals' benefit programmes, showing that benefits available to workers in a few countries could vary greatly from those offered elsewhere.

During the pandemic, companies placed a high value on employee assistance programmes and telemedicine, which are likely to become more widely available, the report noted.

Another emerging trend found employers providing additional indemnities, and, in some cases, concierge services for employees hospitalised with the virus.

In the past, a key factor in adding benefits to a captive was an owner's desire to achieve cost savings, according to the report, and while that remains an advantage, it suggested that an employers' main reason to write benefits through captives has shifted.

It revealed that multinational companies especially are looking to create customised and consistent benefit programmes that enhance the value proposition for current and prospective employees.

Captive innovations

The report also focused on captives embracing technology and third-party risks.

It suggested that US domiciles have seen significant growth in the number of captives over the last five years, 20 percent, compared to the 1 percent growth from other global domiciles.

A Marsh survey found that domiciles around the world are seeing several trends in risks and lines of business as captives adopt increasingly sophisticated technologies.

It showed that almost all regulators surveyed were open to the use of cryptocurrencies in captives, however, 21 percent expressed uncertainty around its regulation.

The survey also revealed more captives are writing cyber insurance, even though regulators thought the trend represented both an opportunity and a threat. The threat is believed to come from the additional risk it presents to captives, as well as the governance and compliance it requires.

In addition to cyber, regulators are seeing captives write more employee benefits, professional indemnity, and environmental liability.

Elsewhere, third-party risks that domiciles see increasing include employee benefits, extended warranties, customer coverages, and supply chain.

The 2020 Captive Landscape Report is based on approximately 1,240 Marsh-managed captives around the world. ■

Growth in LatAm captive market attributed to improved knowledge

Progress in the Latin America captive market is attributable to improved knowledge and acceptability, according to Adriana Scherzinger, head of international programme business and commercial insurance for Latin America at Zurich Insurance.

Speaking at the virtual Bermuda Captive Conference, Scherzinger said there was an "initial lack of understanding of the concept of captives in Latin America with the perception that they were only suitable for large corporations".

The panel, chaired by Eduardo Fox, consultant on corporate, private client and trusts for Latin America at Appleby, discussed how the COVID-19 pandemic and pre-existing hardening market have contributed to the expansion of captives, particularly in Latin America.

Scherzinger stated that the value of a captive has been emphasised by the hardening traditional insurance market, climate change, emerging risks and reinsurance technologies.

Even before the pandemic, there was a significant increase in the number of single-parent captives without cell captives in Latin America, from just under 5,000 in 2005 to a peak of 6,851 in 2015 and most recently recorded 6,650 in 2018.

Following this, increased activity by regional captive sector promoters and the efforts of regulatory and service infrastructure allowed Latin American businesses to utilise captive to their full advantage, in order to access the reinsurance market, reduce costs, gain flexible coverage and secure long term strategic financing.

Also speaking at the panel, Gabriel Rueda Barrera, general manager at Inversiones Y Consultorias Rueda Y Barrera, affirmed that 2020 has presented "brighter opportunities" for captives in Latin America as the pandemic has hit the traditional insurance industry with increased losses and expenses, as well as reduced premium income expectations, causing more firms to turn to captive structures.

Barrera noted that from this, the insurance industry as a whole has learned the importance of defining "loss" in an "all risks" policy. He explained: "Therefore, underwriters must sufficiently understand the needs of their insureds, while the insureds must understand their policy wordings."

It was predicted that from 2021, companies will be forced to consider their risk management programmes more seriously, either through an upgrade or adjustment, which will lead to increased activity in the captive field of middle market accounts.

The evolving key role of risk management, according to Barrera, requires buyers "to take a more professional approach by assessing their actual exposure to loss through estimated maximum loss scenarios, as well as set appropriate limits of retention, align business interruption insurance with business continuity programmes, and establish aligned protocols for recovery and contingency planning".

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While companies must now pay closer attention to their risk management programmes, Barrera emphasised that this is "a time of opportunity" to learn from corporate business continuity practices. He recommended that companies should be more creative when insuring their assets, and ensure that business interruption is fixed and adjusted accordingly to underlying risks to better prepare themselves for other pandemic-style risk events.

As companies look to risk management to ease their challenges, Latin American legislators and regulators are becoming more sophisticated in setting out a level playing field, according to Javier Ordoñez Namihira, partner of the tax and wealth management group at Baker McKenzie.

He noted that Latin American governments are taking a substance-over-form approach with general anti-avoidance rules (GAARs) to establish clear rules to taxpayers to define substance in the view of tax authorities. This is currently being codified for the first time in Colombia, Peru and Brazil, with Mexico recently introducing GAARs to ensure captives are formed based on business reasons rather than tax reasons.

In this instance, business reasons are defined as objectives such as risk retention, actual risk transfer and asset protection. With any loan structure established through a captive, Mexican captive owners must memorialise the business reasons that led to such lending.

Ordoñez Namihira also highlighted that many Latin American governments are moving towards the promotion of transparency and exchange of information, particularly Colombia, Peru and Mexico.

Again, Mexico also recently introduced transparency measures and reporting obligations to disclose information about "reportable schemes", similar to the Organisation for Economic Co-operation and Development (OECD) guidelines regarding mandatory disclosures. Effective 1 January 2021, the measures define tax benefit as reduction, avoidance or deferral, with tax advisors as the primary responsible party.

Finally, Ordoñez Namihira noted: "The focus of Latin American governments on anti-deferral rules to prevent the accumulation of wealth without sufficient coverage.

Unlike Chile and Peru, Brazil does not yet have these rules in place. Overall, the efforts of Latin American governments have the common objective to increase tax collections." ■

A.M. Best affirms credit ratings of Fortegra Financial Corporation's insurance subsidiaries

A.M. Best has affirmed the financial strength rating of A- (Excellent) and the long-term issuer credit ratings of "a-" of the US-based operating subsidiaries of Fortegra Financial Corporation.

Fortegra is a wholly owned subsidiary of publicly traded parent company, Tiptree.

The US property/casualty operating subsidiaries of Fortegra include Lyndon Southern Insurance Company, Insurance Company of the South, Response Indemnity Company of California and Blue Ridge Indemnity Company, which operate under an intercompany pooling agreement and are collectively referred to as Fortegra P&C Group.

The life/health operating subsidiaries include Life of the South Insurance Company, Bankers Life of Louisiana and Southern Financial Life Insurance Company, which are collectively referred to as the Life of the South Group.

Concurrently, AM Best has affirmed the financial strength rating of A- (Excellent) and the long-term issuer credit rating of "a-" of Fortegra Indemnity Insurance Company.

The outlook of these credit ratings is stable.

The ratings reflect Fortegra P&C Group's balance sheet strength, which A.M. Best categorises as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

The group's balance sheet is supported by the strongest level of risk-adjusted capitalisation, a conservative investment portfolio and strong reinsurance programme, according to A.M. Best.

The rating firm said that reinsurance leverage is elevated due to the utilisation of producer owned reinsurance companies, which provide risk and profit sharing between the company and its distributors, and its captive insurer Fortegra Indemnity.

However, A.M. Best noted that credit and loss risk are largely mitigated by the high collateralisation requirements held in trust accounts.

A.M. Best suggested that operating performance has been led by very strong premium growth in its core credit products and consistent underwriting profitability, while the business profile maintains good diversification by individual product, although the overall book is moderately concentrated in credit property risks.

The ratings Fortegra Indemnity reflect its balance sheet strength, which A.M. Best categorises as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management. These ratings also reflect the financial support of its parent organisation, according to A.M. Best.

Fortegra Indemnity is a captive reinsurer that assumes almost all of the credit property exposure held by the Fortegra P&C Group, net of external reinsurance.

A.M. Best said the entity maintains the strongest level of risk-adjusted capitalisation and has reported consistent underwriting profitability in recent years. ■

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Cosco Shipping captive has 'excellent' ratings affirmed

A.M. Best has affirmed the financial strength rating of A (Excellent) and the long-term issuer credit rating of "a" of Cosco Shipping Captive Insurance Company, located in China.

The outlook of these credit ratings is stable.

The ratings reflect Cosco Shipping Captive's balance sheet strength, which A.M. Best categorises as very strong, as well as its adequate operating performance, neutral business profile, appropriate enterprise risk management.

The ratings also reflect the wide range of support the company receives from its parent, China Cosco Shipping Corporation, which A.M. Best perceives to benefit from strong government support.

According to A.M. Best, Cosco Shipping Captive's risk-adjusted capitalisation remained at the strongest level in 2019.

The company's very strong balance sheet strength is supported by its very low underwriting leverage, low investment risk and a prudent reinsurance programme.

A.M. Best said: "Although liquidity remains strong, the captive tapped into bonds, stocks and trust scheme investments in 2019 to diversify its investment portfolio and enhance yield."

With an initial start-up capital of $286 million (RMB 2 billion), a level much higher than its captive peers in Asia Pacific, A.M. Best said it expects the company to maintain an abundant buffer in its risk-adjusted capitalisation to support its risk profile.

Cosco Shipping Captive's underwriting book primarily consists of marine hull business for the parent group and its affiliates, which is expected to be the company's key source of premiums over the medium term.

Other business lines include liability, commercial property, cargo, motor, accident and health.

A.M. Best explained: "As a strategically important member of Cosco Shipping, the captive insurer receives various implicit and explicit support from its parent in areas of business development, risk management, managerial and capital support."

As a start-up company, Cosco Shipping Captive faces pricing and reserving risks, as well as execution risk in achieving its business plans.

A.M. Best noted that the company manages these risks through prudent underwriting practices, conservative actuarial assumptions and regular experience reviews.

Negative rating actions could occur if there is a reduced level of support from Cosco Shipping or a significant deterioration in Cosco Shipping's financial strength or credit profile.

In addition, negative rating actions could occur if there is a material decline in the captive's risk-adjusted capitalisation or if there is a significant adverse deviation in the captive's operating performance from its business plan. ■

Trucept to form captive as part of growth plans

Trucept has revealed its plans to accelerate growth through the set-up of a captive insurance company.

The announcement, which was made in the firm's to Q2 2020 figures, said the captive is set to increase annual payroll processing and extended capabilities.

It stated: "With the addition of segregated captive cells through the parent, an end-to-end business solution could be expected within 18 months."

"The company will then be in a position to provide a host of reliable services by under the business outsourcing market segment including a paycheck processing company, insurance agency, insurance company via a captive, and a third-party administrator (TPA) that manages all claims", it added.

Also in its Q2 results, Trucept said it has experienced five consecutive quarters of profitability and projects $400 million in annual payroll processing in 2020 with 40 percent gross profit equating to $8.4 million.

It also reported revenues of $4.9 million in June, an increase from $2.3 million in Q1, and a gross profit of $2.9 million, an increase from $1.3 million in Q1.

The firm said it is projecting a business valued at $412 million in 2020 that will increase to $516 million with a 12 percent compound annual growth rate. ■

DARAG completes transfer of reinsurance business with Maltese reinsurer

DARAG has concluded the transfer of reinsurance business with Axeria Re, a Maltese reinsurer. The transaction will be conducted through DARAG Malta Insurance and Reinsurance PCC.

Based in Malta, Axeria Re designs reinsurance and risk programmes and has been a subsidiary of April Group since 2008.

The original cedant is a French insurer specialised in property/casualty, motor fleets and directors and officers liability insurance.

Tom Booth, CEO of DARAG Group, said: "Axeria Re was looking to achieve finality for their exposures while maintaining the solemn promise to their reinsureds. We were able to offer a clean, efficient and advantageous exit for Axeria Re while guaranteeing the highest level of service to their cedants. It was a pleasure to work with the resolutely professional team of Axeria Re and the original cedant."

"DARAG continues to strengthen our European operations and this transfer of reinsurance business has further demonstrated how our diversified capital relief instruments can support insurers' and reinsurers' strategic priorities. We are very pleased to be able to assist Axeria Re, and we look forward to announcing further deals in the near future."

The French operation of Guy Carpenter & Company served as sell-side advisors.

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

SRS acquires Dyna Management

Strategic Risk Solutions (SRS) is set to acquire the operations of Bermuda insurance manager Dyna Management Services.

The deal, which is expected to close at the end of September, will see all staff of Dyna will remain with the firm.

In addition, Terence Power, the current CEO and founder of Dyna will join the board of SRS International.

Commenting on the acquisition, Power said: "Finding the right home for our clients and staff is important to me and I believe I have found it with SRS."

"Not only does it allow us to continue to serve our clients without public shareholder pressure or conflicts of interest, but it reinforces the standing of the combined company as the leading independent manager in Bermuda, Cayman and globally. This is an ideal platform to build on what we have developed at Dyna", added Power.

Dyna was established in 2011 by Power and provides insurance management and fund administration services to firms in Bermuda and the Cayman Islands.

Brady Young, CEO and president of SRS, stated: "As we went through the due diligence process, we realised the depth of the synergies between the two firms and the strong strategic and cultural fit. We look forward to welcoming our new colleagues to SRS and continuing the high levels of proactive service provided to Dyna clients."

SRS recently announced the appointment of Rebecca Hale as regional manager for Mid-Atlantic. ■

Falling for new risk

Industry experts discuss the challenges created by the ongoing COVID-19 pandemic on workers' compensation claims

In today's world captives have evolved to insure coverages such as workers' compensation.

In the US, workers' compensation is compulsory for almost all employers in every state, apart from Texas where non-subscription coverage is used to cover employer liability.

Medical costs are the most significant expense for companies in terms of workers' compensation.

Dustin Partlow, senior vice president at Caitlin Morgan Insurance Services, says: "With medical costs continuing to rise, the most significant dynamic in terms of any company controlling their workers' compensation costs and claims is ensuring there are adequate tools in place to help mitigate medical costs for claimants under their workers' compensation."

The US has the most expensive healthcare system in the world. According to the Centers for Disease Control and Prevention (CDC), during 2015, health expenditures per-person were nearly $10,000 on average, with total expenditures of $3.2 trillion, which makes up 17.8 percent of the country's gross domestic product (GDP). Spencer Poole, chief compliance officer at Venture Captive, says that for any company, in terms of workers' compensation, the biggest losses come from productivity as well as increased claim costs arising any time an employee must take time off from work stemming from a workers' compensation incident.

According to the US Department of Labor, Bureau of Labor Statistics in 2018, the top 10 private industry occupations with the largest number of injuries and illnesses included labourers; truck drivers, heavy and tractor-trailer; janitors and cleaners; nursing assistants; and general maintenance and repair workers; retail salespersons; stock clerks and order fillers; registered nurses; light truck and delivery service drivers; construction labourers.

While workers' compensation is legally required, the costs of traditional insurance continue to rise, which is why there has been an increased interest from companies looking at a captive insurance solution.

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Poole suggests that a captive offers the opportunity to fund the deductible and take the working layer of risk, which cuts down on traditional insurance costs while giving the beneficial owners of the captive an opportunity to utilise risk management practices to achieve a greater underwriting profit.

"In contrast, workers' compensation for certain professions and classes of business, such as professional employer organisations or staffing agencies, are very expensive in the traditional market and require letters of credit or other collateral; a captive provides the beneficial owners with stability in the insurance placement and control over the claims process", he says.

COVID-19 and working conditions

Prior to the start of 2020 workers' compensation loss costs were starting to decrease in most classes due to the state of the economy. However, since the onset of the pandemic, there have been catastrophic job losses.

Poole explains that currently, the workforce is under extreme pressure as employees in critical industries that have been designated 'essential' are working through the pandemic.

He says: "The economic downturn coupled with the effects of COVID-19 will drive an upward trend in loss costs and higher rates for certain business sectors."

Workers' compensation has seen tremendous claims volume compared to general and professional liability during the pandemic, he explains.

In addition, the uncertainty over immunity protections "has created angst in the market as carriers and insureds don't know what to expect or how to plan for the future of workers' compensation", Poole adds.

COVID-19 has caused significant challenges around workers' compensation.

Specifically for healthcare and other essential industries that have been forced to work throughout the virus which has led a number of workers to get the virus. Partlow says this has resulted in a significant number of workers' comp claims for lost time due to being infected with the virus.

To further complicate complicating things, Partlow notes that it is trying to determine whether any worker who contracts COVID-19 whether it is a workers comp claim as that largely centres on whether the worker contracted the virus while at work, which is very challenging to prove.

He adds: "Some states are forcing carriers to accept compensability for these claims which for very large employers, could result in a significant amount of workers comp claims and liabilities as essentially they will be on the hook for at a minimum two weeks of a lost time claim under their workers' comp for every employee who contracts the virus, really regardless of where that worker may have contracted the virus."

An issue that has received less attention, according to Poole, is the effect of the new remote workplace on workers' compensation; for example, if an individual is injured on the job, but at home, how would or should workers' compensation respond?

Poole explains that from a captive perspective, the beneficial owners can make this distinction.

He says: "It will be interesting to see how the traditional market approaches this paradigm shift."

Looking ahead

If 2020 has taught us anything is that predicting the future can be difficult but it's no shock that the ongoing pandemic is likely to continue into 2021 and the implications of it will still be rolling out.

Forecasting the next 12 months in terms of this coverage, Poole suggests there will be an increase in rates for workers' compensation as claims arising out of the pandemic will continue to be reported.

Poole explains: "The rise or decline in total workers' compensation premium written will largely depend on how quickly the economy recovers and what the recovery looks like; if firms continue to allow employees to work remotely, we would expect the net premium to be less than in years past, but it's all conjecture at this point."

"Until the pandemic is contained, there is no certainty around the future of workers' compensation insurance," he adds.

Partlow affirms that as the market firms up he thinks there would be an increase in captives writing workers' compensation, especially in the nursing home industry and other industries being hard hit by COVID-19 claims.

"Certain carriers are no longer writing healthcare business, and those that are, have significantly increased pricing and minimum premiums," Partlow concludes. ■

Strength and resilience

FERMA CEO Typhaine Beaupérin outlines what the association has been working on so far this year, the Catastrophe Risk Resilience Framework, and what the next 12 months will look like

The Federation of European Risk Management Associations (FERMA) has three strategic areas of activity in 2020:

- Advocacy and visibility at EU level to promote risk management solutions in EU policies and achieve recognition of the profession at European level
- Risk management education primarily through its European certification Rimap and the seminar in October
- Support for its network of European risk management associations

Prior to the pandemic, FERMA's advocacy work with the European institutions focused primarily on digital transformation, sustainability including non-financial reporting requirements, and proportional regulation for small insurance entities. The pandemic demonstrated that some risks have become systemic and their potential impacts on business are beyond the capacity of the insurance market. FERMA, therefore, created a Resilience Task Force. Its first action was a proposal calling on the European institutions for the creation of a public-private Catastrophe Risk Resilience Framework.

The aim is a European scheme for non-damage business interruption insurance based on risk management and insurance with support from public bodies. FERMA has since contributed to work by the European insurance regulatory agency European Insurance and Occupational Pensions Authority (EIOPA) promoting a public-private framework for pandemic risks. We urged the European institutions to respond promptly.

The European Commission is now in the process of setting up a working group with a brief to investigate "pandemics insurance", and FERMA expects to provide input to the discussions.

We have also worked with our network of national associations to share information and experience from their members, by means of webinars, and web and newsletter articles. We will shortly launch a survey with them to produce a report on the lessons so far, which we plan to publish soon after the seminar.

Looking ahead

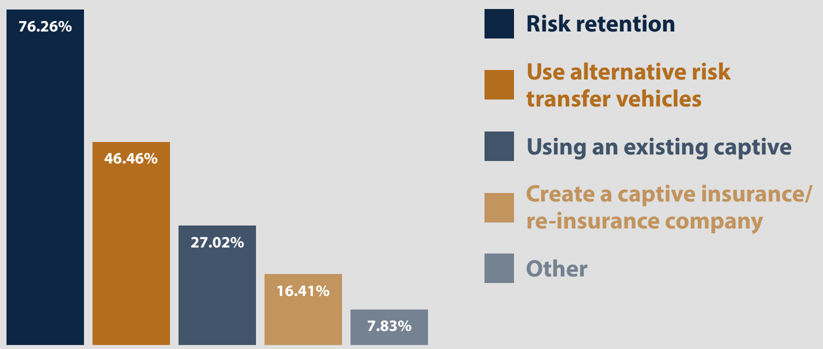
The economic damage resulting from the pandemic is almost certainly at the forefront of risk managers' concerns for their organisations in the immediate and medium term. Furthermore, cyber risk will remain a short-term priority, especially as the crisis has accelerated digital transformation. We also see that risk managers will be increasingly involved in the consequences of regulatory changes related to the European Green Deal and public demand for sustainability. FERMA is working on a guide for risk managers on the integration of sustainability risks into enterprise risk management.

Insurance and captives

The 2020 FERMA European Risk Manager Report, completed just before the global implications of COVID-19 emerged, shows an almost universal concern by risk and insurance managers about a hardening market: 90 percent saw limitations and exclusions of specific emerging risks, and 88 percent highlighted the change in market conditions. Post COVID-19, these trends have strengthened.

Given the enormous cost pressure in most companies due to the economic downturn, caused or accelerated by COVID-19, it would not be surprising if the level of insurance purchase goes down. Buying less coverage pushes risk managers back to basics: ensuring a clear understanding

Over the next two years, what will be your strategy with regards to risks which are difficult to place on the insurance market



of risk exposures and the possible consequences. On the positive side, risk managers should have an increased amount of risk data with which to improve the efficiency of risk analysis and insurance purchasing.

Captives

Captives are valuable to the resilience of European business. We expect them to be very important over the next decade in the wake of COVID-19 and the harder insurance market. Used as a strategic risk management tool, a captive can be a source of creative solutions for evolving risk profiles.

Captive use was already rising before the pandemic. FERMA 2020 Risk Manager Survey shows that 43 percent of those surveyed would use an existing or new captive for risks which are difficult to place on the insurance market.

While risk retention and alternative risk transfer vehicles were the main strategies for emerging/specific risks, the expected use of captives had increased the most between 2018 and early 2020.

During the revision of Solvency II, FERMA will continue to press for a more consistent application of the proportionality principle. FERMA has proposed a concrete method to harmonise the way national supervisors evaluate the need for proportionality measures for their supervised insurance entities. Our proposal was well received by EIOPA and is under discussion.

Seminar

FERMA had chosen corporate risk and finance – financing the ever-growing universe of risk as to the theme for the 2020 Risk Management Seminar from 12 to 13 October. It has proved very timely. The seminar will strengthen risk managers' professional and technical skills in ways that support their discussions with the CFO and other senior managers in managing the uncertain risk environment. If risk managers may need to adjust their insurance purchases to take account of the harder insurance market and the pressure on corporate budgets, they will need to clearly identify and communicate resulting increases in exposure and how they can be financed to senior management.

COVID-19 has shown that resilience goes hand-in-hand with investment in risk management. The conversation with the CFO needs to focus on the value of risk and insurance management to the business in terms of financial indicators, such as the impact on earnings, cost of capital and cash flows. ■

COVID-19 has shown that resilience goes hand-in-hand with investment in risk management

Typhaine Beaupérin
CEO
FERMA

Kim Guerriero

Consulting actuary

Milliman

Personal bio: I currently live outside of Boston with my husband and one-year-old child. When I'm not playing with trucks or throwing balls with my son, I spend my free time outdoors hiking, swimming, skiing, and snowshoeing.

Another passion of mine is volunteering. While in middle school, I participated in a community service learning class and have been hooked ever since. Currently, I serve as vice president of marketing and communication for the Casualty Actuarial Society (CAS). I am finding it an incredibly rewarding experience to be a part of the daily operations of the CAS and be implementing the new strategic vision.

Professional profile: I graduated from Hamilton College where I majored in economics and minored in mathematics. I also had wonderful experiences of studying abroad in Spain and volunteering in a kindergarten classroom.

During the summer between my sophomore and junior year, I began my actuarial career with an internship at Milliman's Boston casualty practice. I have now been at Milliman over 15 years, and have passed all of the actuarial exams and assumed the role of consulting actuary.

How did you end up in the captive industry?

In the spring of my sophomore year, at the suggestion of my mother who knew that I excelled at math, I applied for an internship with Milliman's Boston casualty practice. This practice specialises in alternative markets, and during my internship, I worked on a variety of captive clients. I loved how every day was different and every client presented an opportunity to learn something new. I ended up coming back the following summer and 15 years later, I'm still learning new things every day.

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

I have been fortunate to work with captive industry leaders, as colleagues, clients, and service providers. I enjoy the need for creative thinking and the opportunity to develop innovative solutions to insurance problems.

I'm amazed how two companies who at first glance appear to be very similar, can have such different solutions to controlling and managing their liability exposures. I look forward to attending conferences to learn from and collaborate with others in the industry and bring new cutting edge solutions to my clients.

One other highlight from the Vermont Captive Insurance Association conference I attended last August. When I grabbed my badge from the registration desk, I inquired about a mother's room. Having attended numerous non-captive conferences previously, I was pleasantly surprised to learn that they had a pre-arranged room. I'm so proud to be a part of an industry that supports working mothers.

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

Can I say my whole office? I am extremely fortunate to be able to work with a number of captive industry leaders, many of whom are well known and respected by your readers. Pretty early on in my career, a colleague told me, "you're not on an island".

Whenever I encounter a problem or a situation where I need advice, I am reminded of just that – I only need to ask. If I'm half as accomplished as many of my colleagues who have helped me through this stage of my career, I will consider my career a success.

> "Through a combination of her dedication for excellence, her continuous efforts to expand her own expertise, and her drive to provide quality consulting services to her clients, Kim has become a valuable member our Boston-based practice. Kim's positive attitude and her desire to help others succeed have helped her take on a leadership position in our practice where she consistently helps to inspire and develop new members of our consulting team. We suspect you will be seeing Kim's name more and more in the next few years as others get to know her and recognise the value she brings to her captive clients and the industry."
>
> **Amy Angell, consulting actuary at Milliman and Mike Meehan, consultant at Milliman**

What is your impression of the industry?

Innovative. The nature of the risks faced by insurance companies is constantly changing. The industry has to be constantly adapting to help a rapidly changing and evolving insurance market. It is filled with talented professionals seeking to create out-of-the-box solutions for unique challenges.

With the uncertainty surrounding COVID-19, will business interruption be the next big coverage to take over the captive industry? It's exciting to be a part of a field that is so nimble and adapts quickly to evolving changes.

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

I'd love to get more involved in volunteer opportunities – whether that be planning conferences/webinars or serving on committees. I'd also like to help the insurance industry as a whole become more diverse and inclusive. The captive industry is not immune to diversity challenges, particularly around ethnicity. The captive industry has the opportunity to lead the charge. We are an innovative group that seeks out unique and creative insurance solutions. We can expand those ideas to find solutions to the diversity challenges faced by the insurance industry.

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

Dive in! Don't be intimidated, you will be surrounded by people way smarter than you. Use that to your advantage to learn and grow. ■

Thomas Morante and Yani Contreras have joined law firm Carlton Fields from Kaufman Dolowich Voluck.

Both Morante and Contreras are members of Carlton Fields' financial services regulatory practice group and its life, annuity, and retirement solutions industry group.

Morante will lead the firm's international insurance regulatory team, which handles foreign insurance regulatory, compliance, and transactional matters.

For more than 30 years, Morante has counselled clients in US and foreign insurance matters.

Morante advises insurance and reinsurance companies; captive insurers; insurance agents, brokers, and wholesalers; and investment funds and fund managers.

He also assists insurance clients in the development of offshore life insurance, annuities, and investment products in Bermuda, the Cayman Islands, and other jurisdictions as well as counsel on the foreign laws implicated in the distribution and cross-border sale of insurance products, with an emphasis on Latin America and Asia.

Contreras is a consultant whose practise focuses on international regulatory and transactional matters, particularly for insurance and financial services clients.

She has extensive experience in life insurance and annuities, health insurance, travel insurance, surplus lines, and reinsurance, and works on matters involving Latin America, particularly Mexico, the Caribbean, Europe, and some Asian countries.

"Morante and Contreras bring a wealth of experience in regulatory matters, particularly cross-border and foreign country work, which augments our existing deep bench in financial services," added Ann Began Furman, who co-chairs the firm's financial services regulatory practice group. ■

The Connecticut Insurance Department commissioner Andrew Mais has appointed Fenhua Liu as the new director of the department's captive insurance division.

Liu has more than 25 years of experience in insurance and risk management, which commissioner Mais said "will serve [the department] well as we continue to see captive growth".

Previously, Liu served as an insurance regulator for the state of Connecticut. She worked in the role from March 2009 until last month. Connecticut's captive insurance division licenses, regulates and examines captive insurers and risk retention groups in the alternative risk market for the state.

Mais commented: "As one of the top domiciles in the US in premium dollars in 2019, Connecticut has a portfolio with a number of large captives. The department is working to make Connecticut the domicile of choice for captive insurance companies."

Earlier this year, the Connecticut Insurance Department announced it would be partnering with accounting firms in the state to expand its presence in the captive insurance market. The insurance department suggested that accounting firms, are the "trusted advisor" to most mid-sized businesses, and are "best positioned to assist in the education and communication of the benefits of captive insurance companies to these businesses". ■

Cassie Bachman has joined Arsenal Insurance Management as director of legal affairs.

In her new role, Bachman will serve as internal legal counsel for Arsenal and its subsidiaries and ensure the regulatory compliance of all alternative risk transfer vehicles under the f irm's management.

Prior to joining, Bachman worked for Elevate Risk Solutions, where she served as managing director of compliance after working in the legal sector for over eight years.

At Elevate Risk Solutions, Bachman assisted in several compliance matters and notable captive insurance cases, including the Internal Revenue Service (IRS) v. Delaware Department of Insurance (DOI) case and the IRS Amicus Brief.

In August, in an opinion piece that featured in Captive Insurance Times, Bachman discussed the IRS v Delaware DOI case in greater detail.

Bachman also has experience working with Fortune 500 companies dealing with complex compliance issues surrounding US integration of international executives and key employees.

Norman Chandler, president of Arsenal commented: "We are excited to have Cassie Bachman join the Arsenal team."

"With her extensive experience and knowledge in captive insurance, she is a valuable asset who will help Arsenal maintain a leading position in innovation in the captive space," he added.

Commenting on her new role, Bachman said: "I'm excited to join the Arsenal team during this high growth period and look forward to advancing our operational excellence." ■

James Portelli is set to join Cutts-Watson Consulting (CWC) as a consultant, based in Malta.

Portelli is a seasoned chartered insurance risk manager with 30 years of experience in traditional (re)insurance and captive sectors across Europe and the Gulf Region.

The appointment aims to support CWC's strategy of bringing together an "elite group of risk and insurance practitioners to create a deep pool of talent displaying profound subject matter expertise and innovative and pragmatic counsel, upon which our clients depend".

In his new role, Portelli brings Solvency II capabilities and knowledge of Europe and Gulf Region which aims to reinforce CWC's mission to develop talent within the captive industry.

Commenting on the appointment, Malcolm Cutts-Watson, founder and managing director of CWC, said: "We are delighted to welcome James Portelli to our stable of industry thoroughbreds."

He continued: "He has had an outstanding career to date, has an inquiring mind that is constantly devouring industry intelligence and offers best in class operational and governance advice. As such, we expect him to be an active partner in our thought leadership team and offer regular industry commentary."

"We look forward to clients being able to access his vast experience and knowledge. On a personal note, I am also pleased to have a presence in Malta, a domicile with which I have had an association for over 25 years," Cutts-Watson adds.

Dominic Wheatley also joined CWC in July after departing his CEO role at Guernsey Finance. ■

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