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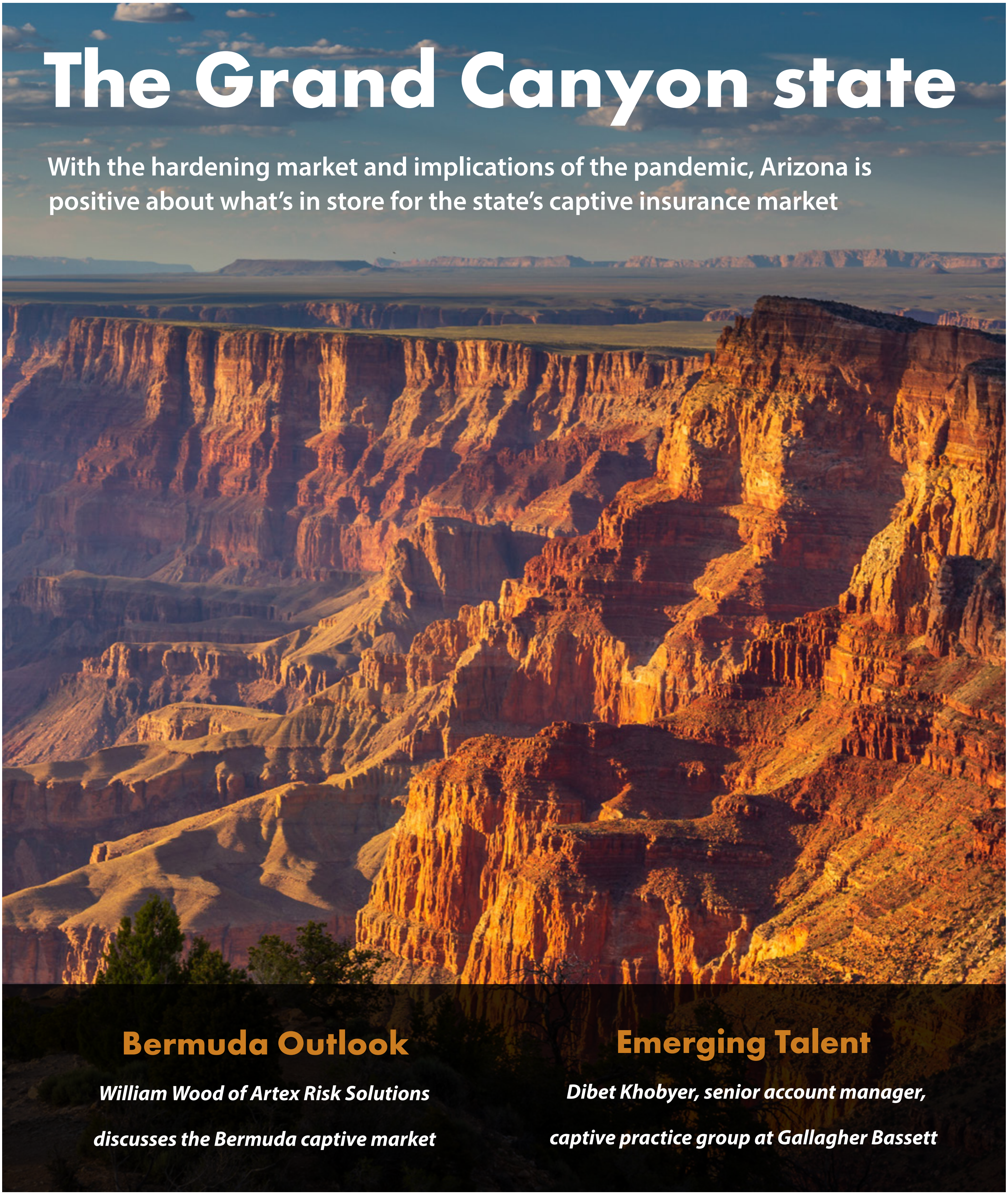

The Grand Canyon state

With the hardening market and implications of the pandemic, Arizona is positive about what's in store for the state's captive insurance market

Bermuda Outlook

William Wood of Artex Risk Solutions discusses the Bermuda captive market

Emerging Talent

Dibet Khobyer, senior account manager, captive practice group at Gallagher Bassett


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Insurance Ireland replies to the EC's consultation on Solvency II

Insurance Ireland, a representative body for insurance companies in Ireland, has published a reply to the European Commission consultation on the review of the Solvency II. In July, the European Commission, an executive branch of the EU launched a public consultation on the review of the EU's prudential rules for insurance and reinsurance companies, known as the Solvency II Directive. In its reply, Insurance Ireland called on the European Commission to present legislative proposals which strengthen the integration of the EU single market for insurance as well as regulatory and supervisory convergence.

Consistent application of the Solvency II framework will allow insurers to provide their services across the union, increasing consumer choice while ensuring the consistent protection of all EU citizens, according to Insurance Ireland. It also explained that the provision of specialised and targeted solutions will enhance the functionality of the single market and allow insurers, particularly new market participants like insurtechs, to scale their businesses across the EU market of 440 million people rather than in Ireland, only.

Insurance Ireland argued that for the commission to enhance the EU single market, which is a single market for all 27 EU member states, for insurance, "it will be important that a common European approach is ensured for crucial elements of the framework, e.g. the proportionate application of Solvency II". It was also highlighted that processes on cross-border supervision need to be improved without risking the creation of additional burdens for the single market.

Insurance Ireland said that it made concrete proposals on both issues and hope that the commission will consider its input in its legislative proposal. Although it noted that Solvency II is the most advanced supervisory regime worldwide, it also pointed out that it is "overly conservative and might lead to artificial volatility in its results".

It said: "As a consequence, insurers hold an excessive amount of own funds which could be used to be invested or to provide additional cover to the market."

The current COVID-19 pandemic is threatening global economies and the fight against climate change is increasingly important, according to Insurance Ireland.

Allowing insurers to provide their full investment capacity to contribute to the economic recovery, necessary (digital) infrastructures and sustainable projects is crucial, Insurance Ireland said. It added: "Equally important is that insurers are able to provide the necessary cover to society and economy to support the recovery and provide consumers with the necessary peace of mind. The review of key calibrations of Solvency II is indispensable in this respect." Insurance Ireland also called on Irish regulators and supervisors to not diverge pro-actively such as the potential divergence with the current Central Bank of Ireland (CBI) consultation on recovery planning. It stated that Ireland should not put an "extra burden on itself on its way to economic recovery and success by undermining its own competitiveness in an integrated single market for insurance in Europe".

In the same reply, Insurance Ireland stated that it was disappointed with the commission limiting the potential input from stakeholders by only allowing for the elaboration and justification of answers if the "right box" was ticked in the multiple-choice questionnaire.

"Insurance Ireland chose to adjust itself to the limitation for some questions. Nonetheless, we consider this unnecessary restriction as a backdrop for the Commission to assess the full picture of the issues under consultation and a threat to better regulation standards," it concluded. ■

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VCIA reveals 2021 conference will be in virtual format

The Vermont Captive Insurance Association (VCIA) will hold its 2021 annual conference virtually "to make it accessible to all who wish to participate", according to Rich Smith, president of the association.

Although the event is 10 months away, VCIA said there were key factors that required a decision to be made in advance, such as hotel and meeting space contractual obligations, programming and technology decisions, ideal platform availability, and projected budget constraints for many companies for 2021.

VCIA also took into consideration feedback from member organisations and expected travel restrictions to be in place for 2021, as well as reduced budgets for in-person events.

In April, VCIA announced that it would host its this year's annual event virtually due to the ongoing COVID-19 pandemic.

Commenting on the 2021 conference decision, Smith said: "We will build on the success of the 2020 event, keep the quality of the education as high as ever, and increase opportunities for people to connect in small group-video settings during the event. We are listening to the needs of the entire membership, and are acting in ways that meet their needs."

Smith noted that as much as VCIA would like to meet in-person, "the prospects for having large scale in-person conferences in 2021 is not a sure thing. Multiple economic and public health impacts of the pandemic are being felt among our members".

"VCIA looks forward to seeing everyone in person as soon as it makes sense. In the meantime, for 2021 we will evolve our offerings further, to boost up face-to-face engagement throughout the year, and create opportunities for service providers and captive owners to connect with each other," he concluded. ■

R&Q Re registered as segregated account company

Randall & Quilter Investment Holdings (R&Q) has registered its wholly-owned subsidiary, R&Q Re (Bermuda) under the Segregated Accounts Companies Act 2000.

R&Q Re, a Class 3A reinsurer, is R&Q's primary legacy vehicle in Bermuda, and as of 30 September, it had statutory capital of $100 million.

The Class 3A reinsurer has been increasingly active in recent years, both as a reinsurer of intergroup legacy transactions and an acquirer of Bermuda and Caribbean-based captive insurers.

Earlier in 2020, the R&Q Re's insurance license was amended to allow it to undertake third-party reinsurance.

The ability to reinsure third party business directly into R&Q Re and the registration as a segregated account company (SAC) allows R&Q Re to offer a range of legacy solutions to the insurance and reinsurance market.

Ken Randall, executive chairman of R&Q, said: "Since 2015, R&Q Re has been at the forefront of our legacy market offering and R&Q Re's statutory capital has tripled in that time. We continue to see a significant number of opportunities to provide full and economic finality solutions to the captive and commercial insurance markets and these changes will allow us to further capitalise on them."

Stewart Ritchie, CEO of R&Q Re, added: "R&Q Re's registration as a SAC will allow us to provide counterparties with legacy solutions where the assets and liabilities are legally ring-fenced, whilst benefiting from the capital strength of R&Q Re's growing balance sheet." ■

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Guernsey regulator gives deVere Group green light for captive licence

deVere Group has received approval from the Guernsey Financial Services Commission (GFSC) for the licence of its captive insurance company, White Knight.

The captive will be led by a team of directors including Peter Hobbs, deVere chairman.

The board also includes Peter Moffat, formerly with the GFSC and Bank of England and David Moore, a UK corporate lawyer.

Alternative Risk Management (ARM), an independent manager based in Guernsey, has been appointed to handle the insurance management of White Knight.

The approval marks deVere's first insurance company licence in northern Europe.

Nigel Green, deVere Group CEO and founder, explained that one of the drivers behind the move is that deVere Group and its subsidiaries have seen "premiums climbing rapidly" particularly within the area of professional indemnity (PI) cover.

He said: "This has made expense predictions for this cover somewhat difficult with some premiums doubling and trebling over the last few years. We, therefore, decided to take firmer control of the matter and will start to underwrite PI and selective other internal risks for its subsidiaries around the world."

"The deVere Group was well-minded that White Knight should more than meet its minimum capital requirements as well as its prescribed capital requirement to ensure stability."

Green noted that the captive approval represents "a further positive development for deVere, which continually seeks to grow and adapt in order to meet evolving market conditions".

Risk Strategies acquires LaRocca & Associates

Risk Strategies has acquired LaRocca & Associates, a specialty brokerage with expertise in health and welfare benefits across several industries.

The terms of the deal were undisclosed.

LaRocca & Associates, which has offices in Florida and Georgia, will help bolster Risk Strategies' presence in the southeast of the US.

The transaction will also add to Risk Strategies' existing expertise within its national employee benefits practice.

LaRocca & Associates' clients include businesses in various industries, including manufacturing, hospitality, educational facilities, municipalities and non-profit organisations.

John Greenbaum, national employee benefits practice Leader at Risk Strategies, said: "The acquisition of LaRocca & Associates represents a great addition to our national employee benefits practice and to our company as a whole."

He explained: "They bring deep expertise and talent in helping clients successfully navigate the ever-changing benefits market and broad experience in key shared industries."

Joe LaRocca, vice president of LaRocca & Associates, added: "Joining Risk Strategies will immediately benefit our clients – as we will have access to a national platform of products, services and business expertise across specialty practices and industries. It also is a win-win for our valued employees."

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Scott Benefit Services expands senior living practice

Scott Benefit Services, a division of Scott Insurance, has expanded its senior living practice into additional markets in the Southeast region, including North Carolina, South Carolina and Tennessee.

Pim Jager, vice president and branch leader of the Virginia office, will lead the senior living practice.

Nick Kammeyer, vice president and benefits consultant, and Jack Wooten, benefits consultant will lead the speciality practice's efforts in North Carolina.

Meanwhile, Matt Wilson, benefits consultant, will serve new senior living clients in South Carolina and Brandon Webb, a benefits consultant, will represent the team in Tennessee.

In addition to a specialised focus on the senior living industry, the team's expertise includes healthcare industry knowledge, pharmacy innovations, and alternative risk financing, including self-funding and health insurance captives.

Scott Benefit Services senior living practice has implemented industry partnerships, targeting clinical interventions and employee engagement practices aiming to improve plan performance and reduce the risk of the industry's employee population.

Jager commented: "We are excited to begin serving a broader community of senior living organisations. We have the experience and insight needed to guide these specialised employers to develop strategic approaches to their employee benefits programmes and achieve superior financial results."

The company, which has captive insurance operations in Grand Cayman and the US, offers property and casualty, employee benefits, surety bonds, captives and personal insurance. ■

AHT Insurance launches specialty captive programme offering

Brokerage and consulting firm AHT Insurance has enhanced its offering with the addition of specialty captive programmes. As part of the launch, Mark Tabler has been appointed global captive practice leader to help guide clients through their decisions.

Tabler has 22 years of experience directing insurance operational activities, captive formations, captive operations, developing sound risk management strategies, overseeing third-party claims administration and directing board governance initiatives.

AHT has also partnered with Oxford Risk Management Group, to assist with clients looking into a group captive structure.

David Schaefer, AHT president and CEO, said: "AHT's engagement with Mark Tabler provides a substantial addition to our capabilities to deliver valuable alternatives to many of our clients' more traditional risk transfer solutions."

He continued: "I am excited we can now provide a deeper level of consultation and design expertise in house for these vehicles. The considerable growth of our clients' needs and numbers, along with current market conditions, are driving the need to consider superior alternatives for a variety of purposes."

Tabler added: "I look forward to assisting AHT with their new captive initiatives and providing those solutions that best suit the needs of their clients. As we move into 2021 and 2022, the uncertainty of the commercial market lends many opportunities for us to provide clients with an alternative solution for their insurance needs." ■

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Captives remain a priority on Washington OIC legislative agenda

The Washington Office of the Insurance Commissioner (OIC) has revealed that captive insurance companies remain a priority after they were listed on its 2021 legislative agenda.

In August, Mike Kreidler, the Washington insurance commissioner, said that it had 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.

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

The OIC stated that it will report results of the study to the legislature in Autumn 2020 to assist with "establishing a fair and equitable framework for lawful captive insurance activity in our state".

Currently, the state law of Washington does not have a regulatory framework for captive insurance companies that insure Washington-state risks. This means that captive insurance is considered unauthorised insurance in Washington State.

The OIC said it estimated the state is missing millions of dollars in revenue by not taxing captive insurers.

Commenting on this, Steven Beeghly, a Seattle-based insurance attorney at Kreger Beeghly, PLLC, said he expects the joint study to be the basis for the Washington State Insurance Commissioner to request legislation in early 2021 to further tax and regulate captives that include insurable interests sourced from in the state.

However, Beeghly added that he "does not anticipate legislation for Washington to become a domicile for captive insurers itself yet".

He explained: "What I mean by this is I expect expanded regulatory enforcement of captives covering risks and liabilities and a request to the legislature for a bill to tax captive insurance premiums and clarify direct procurement. These would likely be proposed to secure both substantial tax revenue generation and expanded regulatory oversight."

As of now, proposed captive bills have not yet been introduced for the session beginning in January 2021 pending the study.

"We expect the study to identify in the Insurance Commissioner's eyes an arguably substantial amount of unpaid insurance premium tax and unlicensed activity to use as basis for this legislation request for the session beginning in January."

The regulator's survey of captive insurance use and participation expanded to some 5,000 entities in Washington.

Beeghly further explained that the captive insurance study broadened Kreidler's enforcement search from the prior self-reporting programme and those entities with captives that he could discover on his own, to potentially show to the legislature a much bigger alleged unpaid premium tax base and alleged unlawful policy issuance activity to revisit last year's stalled captive insurance legislation.

As to proposed legislation, Beeghly remarked that "we again expect competing bills."

He noted: "The regulator will likely hold fast to his prior proposed bill framework based on the Nonadmitted and Reinsurance Reform Act to claim 100 percent of 'home state' premium taxes for Washington entities, regardless if they pay taxes in their captive's domicile under this act since Washington did not join a premium tax sharing compact for non-admitted (surplus line) insurers. And we expect he will also again revisit the exempt commercial purchaser and surplus line broker placement rubric for entities that may employ a captive, and how to report and pay tax."

Beeghly continued: "Likewise we predict a competing response from the Responsible Employer Coalition, of whose members are large entities in Washington such as Alaska Air, Amazon, Microsoft, Starbucks and others, to continue to seek a proposed bill, or at least a clarification or amendment to the Commissioner's proposed bill for lawful direct procurement and reduced tax mechanism solely for their Washington exposures."

He also suggested that there could be a push-back against the insurance commissioner's demand for Washington employers to pay 100 percent premium tax for all of their captive's activity for their locations outside of the state.

"And we predict the introduction of legislation to permit independent procurement reporting, and some other cap on premium taxes where they may argue Washington lacks a direct nexus with, for example, their worker's compensation coverage in another state," he added.

"We predict again the industry competing bill to likely include some annual local Washington-only reporting and annual fee payment, and not oppose the exempt commercial purchaser

requirements as to what sorts of entities in Washington may participate in a captive insurance mechanism if they are big enough to qualify."

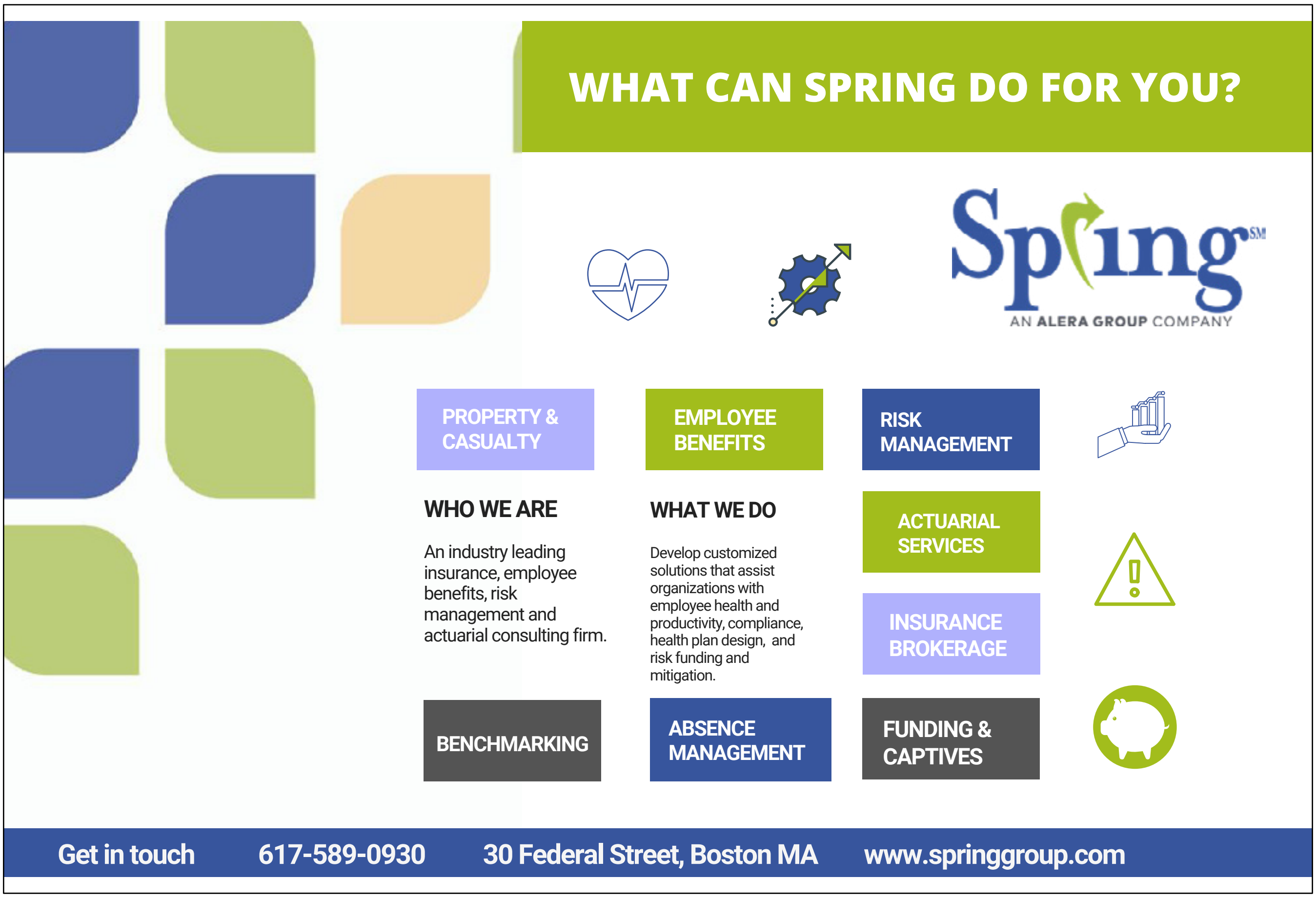
"I can tell you that if either of these bills is re-introduced in substantially similar formats as before in the next legislative session, we are hearing from many middle-market employers, groups, and associations, that neither of these proposals will likely help middle-market insurance purchasers to enjoy the use of a captive insurer to prudently finance and manage their risk and enjoy direct reinsurance protection," Beeghly explained.

"Rather, the exempt commercial purchaser structure will likely be beneficial mostly to large Washington entities."

Beeghly noted: "We have heard from many that the exempt commercial purchaser requirements generally would really limit the ability to utilise this legislation to only the very largest employers and be of limited wide applicability, based on employee headcount minimum requirements, financial size, and annual high minimum insurance purchasing and internal risk management, and so on, so much so that if a legislator comes to the conclusion that there is the possibility of capturing lots more premium tax based on Washington captive use, the legislation will likely be beneficial and limited to just a few employers to qualify as exempt commercial purchasers."

"Despite what the survey indicates about a possible substantial new source of tax revenue, based on these restrictions."

Beeghly concluded: "If the commissioner's main interest in proposing a captive insurance bill to generate a new source of premium tax revenue in a down economy from Washington employers and their risks, then the relatively restrictive exempt commercial purchaser requirements and lack of broad applicability will likely diminish the benefit to many captive participants with Washington state insurable interests as we enter a hard insurance market, and will not likely result in the premium tax hoped for by those commissioning this study." ■



IRS reveals new stricter second settlement offer for micro captives

The Internal Revenue Service (IRS) has offered a new second time-limited settlement initiative for certain taxpayers under audit who participated in 'abusive' micro captive insurance transactions.

The settlement offers will be sent out in the coming days with terms that are "stricter" than the first time-limited initiative that started in September last year.

The announcement comes as the IRS recently deployed its 12 newly formed micro captive examination teams to "substantially increase" the examinations of 'abusive' micro captive transactions.

The IRS also expanded its enforcement focus on 'abusive' micro captives insurance schemes at the start of October, urging taxpayers to consult an independent tax advisor before the 15 October filing deadline.

In the statement, the service said taxpayers should not assume it will able to settle any transactions with the IRS or chief counsel on terms more favourable than the previously announced settlement offers.

The IRS' new offer to resolve certain cases requires substantial concession of the income tax benefits claimed by the taxpayer together with penalties that can be partly mitigated if the taxpayer can demonstrate good faith, reasonable reliance on an independent, competent tax advisor and if the taxpayer can demonstrate it did not participate in any other reportable transactions.

IRS large business and international commissioner Douglas O'Donnell commented: "The IRS maintains a relentless agency-wide commitment to combat abusive transactions. Our offer terms are only getting stricter; and taxpayers would be well advised to consult with an objective, competent advisor with the aim of getting out now and putting this behind them."

The new settlement initiative is currently limited to taxpayers with at least one open year under exam.

Taxpayers who also have unresolved years under the jurisdiction of the IRS Independent Office of Appeals may also be eligible, but those with tax years involving micro-captive transactions docketed in tax court under counsel's jurisdiction, in general, are not eligible.

The IRS emphasised that taxpayers who do not receive an offer letter are not eligible for this settlement.

It explained that those who received but rejected an offer under the IRS' first time-limited initiative may receive an offer under this second

 images by seanpavonephoto/adobe.stock.com time-limited settlement initiative but under the new, stricter terms.

Taxpayers who receive offer letters under this settlement initiative, but who opt not to participate, will continue to be audited by the IRS under its normal procedures.

According to the IRS, potential outcomes include, but are not limited to, full disallowance of captive insurance deductions, the inclusion of income by the captive, withholding tax related to any foreign captives, and the imposition of all applicable penalties.

Although taxpayers who decline to participate in the settlement will have full appeals rights, the IRS Independent Office of Appeals is aware of this settlement initiative.

The IRS said: "Given the current state of the law, taxpayers should not anticipate receiving better terms in appeals than those offered under this initiative."

For the first time since 2014, micro captives were not listed on the 2020 IRS' 'Dirty Dozen' list of tax scams.

The annual list is a compilation of a variety of common scams that the IRS said represents "the worst of the worst tax scams" and should be avoided by taxpayers.

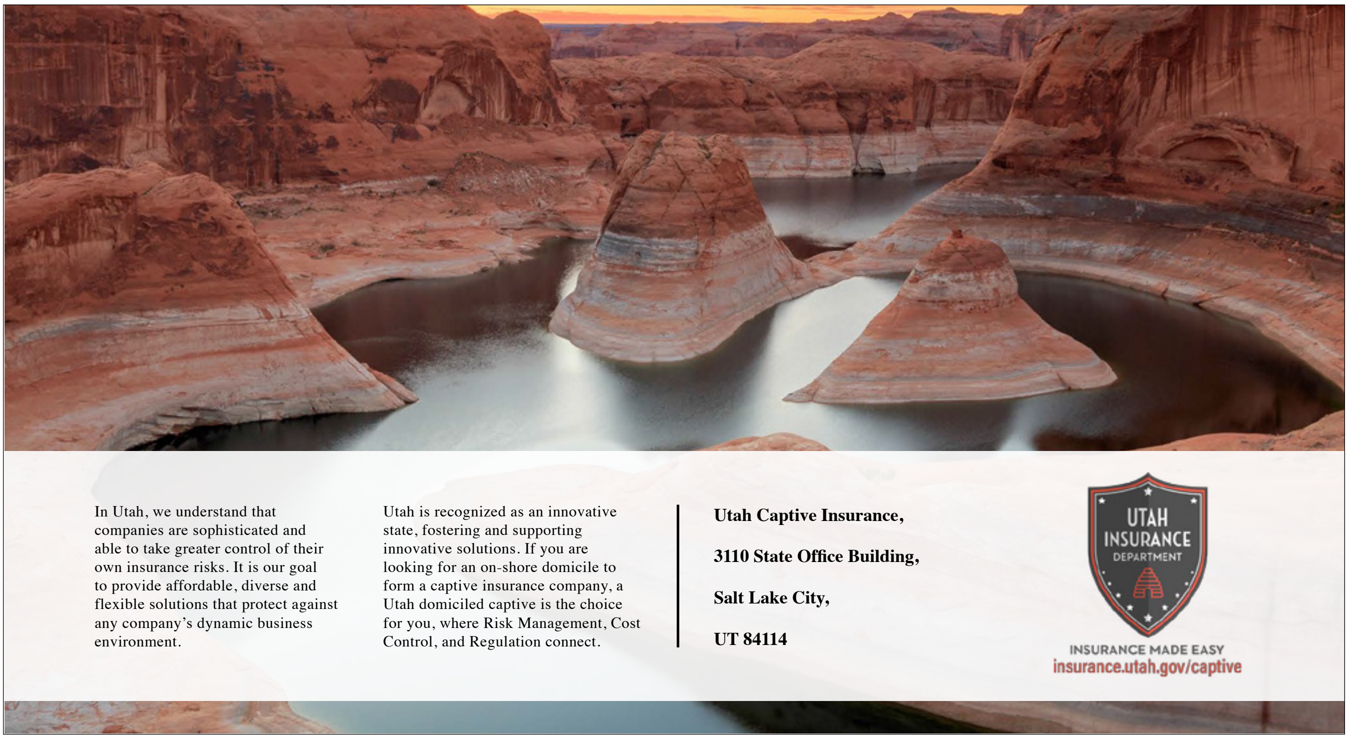
Although micro captives were not featured on the IRS' official list, it did state that an upcoming series of releases will be published on topics such as abusive micro captives and fraudulent conservation easements.

The IRS ramped up its scrutiny in November 2016 with the release of Notice 2016-66, which identified certain micro captive transactions as having the potential for tax avoidance and evasion.

Tax law allows businesses to create captive insurance companies to protect against certain risks.

Under section 831(b) of the Internal Revenue Code, certain small insurance companies can choose to pay tax only on their investment income.

In 'abusive' 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 genuine insurance. ■



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A quantum shift

After recently joining Artex Risk Solutions, William Wood discusses how the Bermuda captive market has changed since he first started working on the island

You have more than 25 years of experience in Bermuda, how has the market changed since you first starting working within the domicile?

There has been a significant change since I began my career. I spent my first six years in captives then left the industry and worked a variety of roles in the commercial reinsurance space for 10 years, before returning to captives again nine years ago. So that absence made it easy for me to see that quantum shift. When I started, the majority of captives were writing traditional lines with a relatively light regulation, primarily involving simple balance sheet solvency and liquidity hurdles. Group captives were the closest thing to 'exotic'.

For many years, the captive business was very much in the doldrums, in the face of both competitive and reducing commercial rates. Captives continued to solve problems but there was no cohesive groundswell in terms of development, and many existing captives went into run-off. After recovering from the recession of 2008, the financial world was awash with capital looking everywhere for return on investment and diversification. The hedge fund model was born out of that, accepting 100 percent combined ratios or worse, relying on enhanced investment returns on essentially free cash flow.

During this time, the captive industry – always resourceful – started to innovate and now captives are being used for more creative solutions, writing new cutting-edge lines such as cyber, and spawning a completely new offshoot industry in insurance-linked securities (ILS). Managers too adapted, for example, some providing permanent or semi-permanent 'back office' support for new commercial reinsurance companies in the Bermuda theatre. Both these examples are something that Artex is well versed in.

What is the current market climate? And how has the captive market played out during COVID-19?

Even before COVID-19 began, there was a hardening of commercial rates taking place. Speculation of this had been mooted for three or four years but with no fruition. However, this time, rates were turning and coverages were being withdrawn, in some cases within the traditional risk transfer markets. Consequently, there was a tangible uptick in captive activity.

Now with COVID-19 acting as a further market disruptor, the expectation is that it will give rise to further opportunities for captive solutions. No doubt there may be some negative implications too, but net, the industry sentiment seems to be positive for captives.

What are the biggest opportunities within the Bermuda captive market?

Besides those previously identified, there are positive trends in the commercial license space. The Bermuda model works well for long-term insurers as evidenced by the substantial growth in this sector. That growth currently shows few signs of abating. Legacy operations are another trend.

As mentioned earlier, captive managers are increasingly involved in the formation of purely third-party commercial writers.

However, the model for these new companies is to continue outsourcing certain back-office functions to captive managers on a medium, if not long-term basis. Artex is involved in a number of these with some going back several years.

What challenges are facing the Bermuda market right now?

The biggest challenges are regulation and compliance.

There has been a large increase in the amount of legislation and policy over the last three years or more and this work-body continues to grow.

Whether right or wrong, it is inevitably a requirement to be a viable and leading jurisdiction on the global playing field. #However, it is critical that those driving these initiatives do so judiciously.

As managers, it adds significant pressure, requiring materially more work to support the same client base whilst, to most clients, there is seemingly no value-add.

In effect, it is increasingly difficult to remain cost-competitive as a jurisdiction and cost-efficient for existing clients.

Economic substance and minimum cyber standards are the latest of this ilk. However, COVID-19 has perversely put certain aspects of the former on hiatus.

How do you expect the rest of the year to be, and going into next year?

My feeling is that this is an optimistic time for captives and captive managers though not without challenges of course.

However, there does seem to be a change in the air, and an expectation of shifting times, all for the positive. ■

“The Bermuda model works well for long-term insurance as evidenced by the substantial growth in this sector”

William Wood
Director, captive and commercial for their Bermudian operations
Artex Risk Solutions

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The Grand Canyon state

With the hardening market and implications of the pandemic, Arizona is positive about what's in store for the state's captive insurance market

Arizona first established its captive market in 2002 and since then, its captive insurance market has seen considerable growth. As of 2019, captives in Arizona had written more than $9.4 billion in gross premiums, representing a 40 percent increase from 2015's figure of $6.4 billion.

The Grand Canyon State, which is ranked as the tenth-largest captive jurisdiction in the US, has local captive managers, attorneys and is supported by the Arizona Captive Insurance Association (AzCIA).

At the start of the year, the Arizona Department of Insurance (DOI) revealed it licensed nine new captives for 2019, taking the total number of captives in the state of Arizona to 128.

New captives included Global Mountain Risk Solutions (pure), Hearing Protection Insurance Company (pure reinsurance), Martin Street Insurance Company (pure), MG Insurance Captive (pure), Peak Assurance (protected cell), Pleiades Insurance (pure), SAC Insurance Company (pure) and UB Insurance (pure).

Breaking down the figures, Arizona has 83 pure captives, 23 pure reinsurance captives, 11 risk retention groups, five industry group captives, two association captives, three protected cells, and one agency captive.

Of the 128 captives, the finance and insurance industry dominates with 29, followed by health and social assistance with 28. Other industries include construction with 15, manufacturing with 12, transportation and warehousing with nine, retail trade with six and for all other industries not listed there are a total of 29.

Arizona has already licensed 10 new captives in 2020 and has one currently pending application under review, reveals Vincent Gosz, chief captive analyst at the Arizona DOI.

Also commenting on this year's figures, AzCIA president Rae Brown suggests that the market will experience approximately a five percent growth.

Brown explains: "Historically over the last 10 years, Arizona has experienced an average three percent growth, so 2020 is set to outpace the average."

With the commercial insurance market firming in recent years and with the upheaval caused by the pandemic, captive owners and their advisers are clearly looking for ways to make adjustments in their captive programmes in response.

Gosz explains that most new Arizona licenses have been for pure captives, as has historically

images by elena_suvorova/stock.adobe.com been the case, but we've also seen activity in the protected cell captive area.

A hard insurance market is a high demand for insurance coverage and a reduced supply. Insurers impose strict underwriting standards and issue a limited number of policies. The premiums are high and insurers are disinclined to negotiate terms. After years of a flat or falling insurance market, 2020 saw an increase in premium rates in nearly all commercial markets except workers compensation.

Brown explains: "Hardening markets are being attributed to sustained low investment rates of return and higher than expected losses not to mention pandemic losses for high severity/ low-frequency coverages."

She suggests that captive service providers in Arizona are not only seeing an increase in captive formations but also inquiries into the use of captives as a strategic tool in risk management programmes.

Along with new formations, Brown notes that those existing Arizona captive owners have sought to expand the capacity of their existing lines of coverage and add new lines to their captive.

"Arizona has historically seen a steady year-over-year increase in the numbers of captive insurance company formations and I expect the trend to continue," Brown adds.

Red Rocks

One of the biggest challenges for the captive industry as a whole continues to be the COVID-19 fall-out.

Brown suggests that there will be much to learn from the pandemic for captives and it will take time to sift through the details to learn the lessons and plan for our future.

She says: "Just a few of the questions that we are asking include: what captive coverages are applicable to the pandemic; what commercial coverage restrictions will the already hardening marketplace place on future captive coverages; will a Pandemic Risk Insurance Act (PRIA) become available as a federal backstop?"

The answers to these questions and countless others will be the drivers in the near future of the captive industry, according to Brown.

In May, the US introduced PRIA, which aims to cover losses and protect the US economy in anticipation of a resurgence of COVID-19 and future pandemics.

The new legislation would create the Pandemic Risk Reinsurance Programme, which will be a federal programme that provides for a transparent system of shared public and private compensation for business interruption losses resulting from future pandemics or public health emergencies.

The bill was introduced by Carolyn Maloney, US representative for New York's 12th congressional district and a senior member of the House Financial Services Committee, alongside several stakeholders.

Currently, the bill hasn't moved since it was introduced into the House of Representatives in late May.

2021

Looking at what's in store for Arizona over the next 12 months, Gosz highlights that Arizona is always looking for ways to enhance the captive programme, including revisions to the captive law.

However, at the moment, Gosz notes there are no "specific changes in mind, but the legislative session begins in January 2021".

Meanwhile, Brown predicts a shift in the types of companies that want to participate in alternative risk transfer programmes such as a captive insurance company.

She suggests that the COVID-19 pandemic "will undoubtedly expose risks that companies are unwilling to continue to self-insure but are also unavailable in the commercial market".

"It is only logical to forecast an increase in captive formations, for both mid-size and large corporations," she adds.

Brown would also expect to see established captives with more traditional lines of business adding enterprise risk coverages.

She explains: "Arizona has a reputation as a solid domicile, and with no premium tax or statutory exam for pure captives. Prior to the dramatic change, COVID-19 brought with it the state was already experiencing an uptick related to the hardening market from both new formations and expanded lines in existing captives."

Cosz concludes: "We expect to get our fair share of captive prospects while we continue to stand ready to respond to the needs of Arizona captives and their owners as new or continued challenges develop." ■

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Dibet (Dee) Khobyer

Senior account manager, captive practice group
Gallagher Bassett

"I think it takes an innovative mindset to participate in a captive, and the shareholders who decide to join captives are able to envision how this decision will impact their businesses in the future"

Personal bio: *I was in born 1980 in Iran and my family migrated to the US when I was 11 years old. I have lived in Southern California for most of my life. I am fluent in Farsi and Assyrian, and I am always looking to brush up on my language skills. I married my true love three years ago. I love to meet new people, hear all about their life stories and learn what makes them tick. I apply my high energy and passion for my work and my day-to-day life. In my spare time, I enjoy spending time with family and friends, going to the beach, travelling, attending sporting events and shopping.*

Professional profile: *I have a business administration degree with a concentration in business marketing from Cal State Stanislaus. After graduation, I joined Liberty Mutual Insurance, where I worked as a liability adjuster for about 12 years prior to transitioning into my new role with Gallagher Bassett's captive practice.*

How did you end up in the captive industry?

After working as an adjuster for more than a decade, I was ready for a change and to pursue new opportunities for growth. I enjoyed the company I worked for, but I wanted to venture out to take on new responsibilities and expand my capabilities. A supervisor at Liberty Mutual recommended that I look into captive account management and suggested that I would be a good fit for a position within Gallagher Bassett. This position required strong networking and relationship-management skills, which are my strengths. I have been in this position for almost four years now, and I can attest that this was the best decision for my career path.

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

I enjoy working with people and truly appreciate being able to work alongside captive members, brokers, carriers and various vendors, all while growing and expanding my knowledge of the captive industry. I focus on developing and sustaining a trusted advisor relationship with key accounts, client shareholders and executive sponsors. Working with the captives, I am able to hone my communication and interpersonal skills; demonstrate my technical expertise and networking strengths, and practice my problem-solving abilities to ensure all parties achieve a favourable outcome.

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

The shareholders have been the most inspiring and fascinating part of working with captives. The ability to understand the benefits of joining a captive is challenging for most business owners. I think it takes an innovative mindset to participate in a captive, and the shareholders who decide to join captives are able to envision how this decision will impact their businesses in the future. They recognise the advantages of a captive in achieving long-term cost-savings benefits, gaining greater control over their claims, and insulating against the pricing and availability swings that are characteristics of the standard market.

What is your impression of the industry?

Avant-garde, sophisticated and revolutionary. I believe that captives are the future. As technology evolves, I am interested to see how much this industry will grow, and how many stockholders will seek the benefits of joining a captive versus remaining in the traditional market.

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

To bring value to Gallagher Bassett and continue to grow and enhance my relationships with our clients and shareholders. I will continue to educate myself to be recognised as a true expert in the captive field and to understand the consumer behaviours and industry trends of the captive segment.

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

Learn and understand the captive model and its numerous shareholder benefits. Insurance is a customer-focused industry. It is important to focus on building and managing client relationships and on ensuring that our company offerings meet the individual needs of our clients. Being a strong communicator and excellent problem solver are the two most important skills you can have in this industry. ■

"Dibet (Dee) Khobyer is one of kind. She has developed a unique skill set in the management of her assigned group captive which encompasses a superior business acumen in the servicing of her captive clients and brokers. Her working knowledge within the captive space is exceptional."

William Chapman, senior vice president of the Gallagher Bassett captive practice

"Your talent determines what you can do. Your motivation determines how much you are willing to do. Your attitude determines how well you do it' Dee has always and continues to manage each day with positivity and a can do attitude."

Lou Holtz, former Notre Dame coach

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BAHAMAS FINANCIAL SERVICES BOARD

Hodgen Mainda has stepped down as commissioner for the Tennessee Department of Commerce and Insurance (TDCI), after being appointed September last year.

In his resignation letter, Mainda outlined to Bill Lee, the governor of Tennessee, that his last day will be 13 November 2020.

Mainda explained that he has the opportunity to transition to the private sector and spend more time with his family.

Last year in an interview with Captive Insurance Times, Mainda said his ambitions as TDCI commissioner include "continuing the Volunteer State's growth into an international economic leader".

Mainda took on the role from Julie Mix McPeak, who stepped down on 14 June last year to pursue career opportunities in the private sector.

Commenting on his departure, Mainda said: "I have thoroughly enjoyed my time here and appreciated the opportunity to support you in leading the state serving 6.8 million Tennesseans."

"The work has been very fulfilling, and though the last eight months have been challenging, I am proud of what we have accomplished with the response to the tornado events, COVID-19, reopening the economy with ERG and the work with the Law Enforcement Reform Partnership," he added.

Mainda apologised to the governor for any inconvenience caused by his departure and added that he will do whatever he can to make this transition as smooth as possible.

Prior to taking on the role as TDCI commissioner, Mainda served as vice president for community development at the Electric Power Board (EPB) in Chattanooga.

In addition to his work with EPB, Mainda served on several non-profit boards including the Chattanooga Area Chamber of Commerce, the Downtown Chattanooga Rotary Club, the United Way of Greater Chattanooga, the University of Tennessee at Chattanooga Chancellor's Roundtable and the College of Business Advisory Board.

Recently, the TDCI promoted Jonathan Habart as assistant director at the captive insurance section. ■

Theresa Carpenter and Amit Hapani have joined Hylant Global Captive Solutions.

Carpenter, who brings 16 years of experience to Hylant, will take on the role of senior captive consultant and manager.

She will work closely with captive owners to model and evaluate captive structures, ensuring alignment with business goals.

Hapani joins as a chartered accountant and brings with him a background of financial accounting, auditing and strategic planning.

Hylant global captive solutions outlined that with the addition of Carpenter and Hapani, the practice has tripled in size in the 12 months since Anne Marie Towle joined as leader of the team last September.

The practice has undergone a rebranding and has experienced extensive growth, due in part to the global COVID-19 pandemic.

Commenting on the new appointments, Towle said: "We are excited to bring Theresa Carpenter and Amit Hapani to the Hylant global captive solutions team."

She explained: "Hylant intends to be a leader in the captive solutions space, and the additions of Carpenter and Hapani will aid our success on that front."

"Captives are seen as an innovative alternative opportunity right now with the hard market. Though a captive has always been a valuable strategy, COVID-19 has shown many businesses the opportunities a captive presents, so demand is increasing. We are meeting that increased demand by bringing on the best talent," Towle added. ■

The Vermont Captive Insurance Association (VCIA) has appointed Stephanie Mapes, director of Paul Frank + Collins, a Vermont-based law firm, as the new board chair.

Mapes, who is due to start this month, will serve as VCIA board chair until October of 2021.

With more than 30 years of experience in the captive insurance industry, Mapes has served on the board of directors since 2018 and has been a long-standing member of VCIA, including chair of its conference and legislative committees.

She is the immediate past president of Paul Frank + Collins and the head of the captive insurance team at the firm, which operates both domestically and in the London and Bermuda markets.

The board members she will be serving with include board vice-chair, Andrew Baillie of AES; board treasurer, Dennis Silvia of Cedar Consulting; board secretary, Tracy Hassett of EDHealth; and immediate past chair, Janice Klodowski of Agri-Services Agency LLC & Agrisurance.

The remaining members are Donna Blair, independent consultant; Lawrence Cook of Sedgwick; Jason Palmer of Willis Towers Watson; Wilda Seymour of University of Pennsylvania Health System & Franklin Casualty Insurance Company RRG; Anne Marie Towle of Hylant; and Derick White of Strategic Risk Solutions.

Mapes will take over from Klodowski, who served two terms as board chair. She will stay on the board as immediate past chair.

Rich Smith, president of the VCIA, thanked Klodowski for her contributions as board chair.

Smith commented: "Stephanie Mapes brings a stellar combination of experience, professionalism, common sense and energy to our organisation. I have known and worked with her from the beginning of my tenure at VCIA, and her expertise is invaluable. All of us at VCIA are excited to have her lead our organisation."

Commenting on her new role, Mapes said: "Vermont's success is rooted in the collaborative process among our incredible regulatory team, our administration and legislative leadership, our captive owners and all of our incredibly talented and experienced service providers."

"VCIA plays an invaluable role in leading this process, not to mention its stellar education programmes delivered at the annual conference and throughout the year. I am honoured to lead the board, and confident that we will continue to set the gold standard in the industry, even in these turbulent times," she concluded.

NFP, an insurance broker and consultant, has appointed Tracy Stopford and Kara Tencellent to its property and casualty (P&C) specialty team as managing directors.

Stopford and Tencellent will co-lead the risk and insurance strategy collective (RISC) under NFP's captive and alternative risk practice.

Both reporting to Henry Lombardi, executive vice president and head of NFP's P&C division, Stopford and Tencellent will work together to lead all operational and business development aspects of the RISC, while creating innovative client-facing technology and analytics resources that enhance clarity and value for clients.

Stopford, who has more than 20 years of global captive and risk management experience, joins from Willis Towers Watson (WTW), where she served as senior vice president and COO for North America and India operations for the company's global captive practice.

In providing captive management expertise and operational support to the global practice, Stopford also led the opening of a captive management office in Hong Kong.

In her role as managing director, Stopford will develop and deliver a range of alternative risk, captive consulting and management solutions grounded in innovative technology and analytics.

Tencellent brings 20 years of insurance and risk management experience that includes expanding international business capabilities and product lines in the commercial, captive and alternative risk space.

Most recently, she served as director of alternative risk solutions at Coverys. Prior to that, she was a vice president with the Willis global captive practice.

At NFP, Tencellent will contribute to the growth of the specialty group and lead the expansion of domestic and international tech-forward capabilities and solutions.

Lombardi said: "Specialised expertise across industry, product and program remains a major focus for NFP, and this includes adding talented industry leaders like Tracy Stopford and Kara Tencellent."

"We're excited for them to join NFP, lead the RISC and be key contributors to our overall growth."

Doug Turk, regional managing director of NFP's West region, added: "[Stopford and Tencellent's] specialised experience, market knowledge and global relationships will be critical to delivering more value to our clients, growing our captive and alternative risk collective, and developing creative and innovative alternative risk solutions." ■

Finance Isle of Man, an executive agency within the department for enterprise, has appointed Sue Preskey as non-executive chair to its board.

Preskey, who is due to chair her first board meeting in December, will take up the role as Aidan Doherty steps down after holding the position for the last two years.

With more than 30 years of experience in the UK and international financial services as both a practitioner and a regulator, Preskey works as a managing director of local corporate service provider The Law Trust.

She has held senior roles across a range of financial services businesses including fiduciary, banking, investment, funds, and captive insurance.

In addition, she has previously chaired local branches of the London Institute of Banking and Finance and the Chartered Institute for Securities and Investment as well as a committee member of the Isle of Man Institute of Directors.

Peter Greenhill, a political member with responsibility for the Finance Isle of Man board, said: "I am very pleased with this appointment and look forward to working with Sue Preskey as our new agency chair. Preskey is a well-respected business leader and has a very good understanding of the key economic challenges and opportunities that we currently face as an Island."

Greenhill noted: "I would also like to take this opportunity to thank our previous chair, Aidan Doherty, for his invaluable strategic leadership and guidance over the last two years and for helping us to focus on areas where we can make a real difference, including the jurisdictional promotion of the Isle of Man." ■

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