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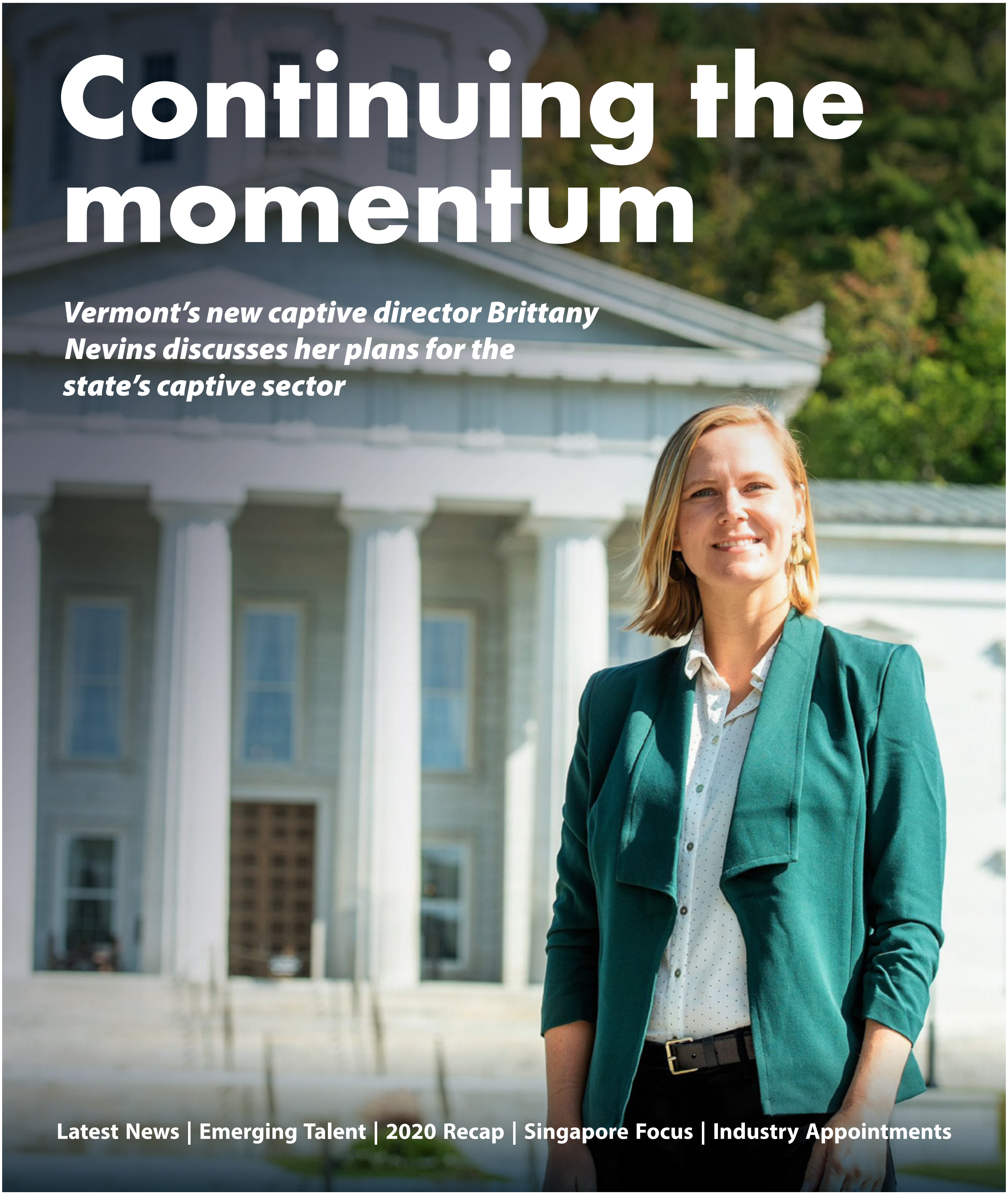

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16 Bromley Road, New Beckenham
Beckenham, BR3 5JE

Editorial

Editor: Becky Bellamy
beckybutcher@blackknightmedialtd.com
Tel: +44 (0)208 075 0927

Reporter: Maria Ward-Brennan
mariawardbrennan@blackknightmedialtd.com
Tel: +44 (0)208 075 0923

Contributor: Maddie Saghir
maddiesaghir@blackknightmedialtd.com

Designer: James Hickman
jameshickman@blackknightmedialtd.com

Marketing and sales

Publisher: Justin Lawson
justinlawson@captiveinsurancetimes.com

Associate Publisher: John Savage
johnsavage@captiveinsurancetimes.com
Tel: +44 (0)208 075 0932

Office Manager: Chelsea Bowles
Tel: +44 (0)208 075 0930

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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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To find out more about how SunTrust can support and enhance your reinsurance business, please contact:

Donny Tong
SVP, Business Development
212.590.0976
donny.tong@suntrust.com

Joseph Monaco
VP, Client Management
212.303.1746
joseph.monaco@suntrust.com

Barbara Aubry
SVP, Business Development
212.303.4164
barbara.aubry@suntrust.com

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Innovation 'critical' to success of all insurers, captives are no exception

Innovation is becoming increasingly critical to the long-term success of all insurers, and "captives are no exception", an A.M. Best report revealed. The market segment report on European captives explained that well-structured innovation allows companies to develop sustainable competitive advantages and better respond to external challenges such as low investment yields, stagnant growth, and deteriorating expense ratios. It was noted that captives are an example of innovation in the insurance space.

A.M. Best said: "[Captives] were created to provide insurance solutions not readily available in the open market, to develop flexible risk coverage and to improve the risk management and loss prevention capabilities of their parent groups."

Innovation success is demonstrated by the endurance of the model and by the continuing importance of captives to their parents, the report noted. Captives make use of their privileged access to data and proximity to risks to develop customised products that cover the changing needs of their parents.

The rating firm highlighted that this proximity to risks also enables captives to explore innovative ways to improve loss prevention, gathering loss information and data on risks that provide captives with significant expertise in prevention measures.

Previously, captives have achieved less success with systems and technology-led innovations, but A.M. Best explained that some captives are now taking advantage of the developments in digitalisation that that make it easier and more cost-effective to write third-party business to strengthen their relationships with key partners. ■

Gibraltar to allow EEA insurers to continue after Brexit

The HM Government of Gibraltar has introduced new legislation to permit European Economic Area (EEA) insurers to continue to provide specified insurance policies, including captive insurance, to the Gibraltar market after the end of the EU transition period.

The transition period between the UK and EU is set to end on 31 December 2020, with uncertainty still surrounding the type of deal that will be signed between the two unions.

The Government of Gibraltar stated that specified insurance means regulated insurance activity which the Gibraltar Financial Services Commission (GFSC) considers will enhance competition and increase choice for consumers in Gibraltar.

In addition, it was noted for the avoidance of doubt, UK insurance companies and insurance intermediaries have the right to transact insurance business in Gibraltar now and in the future.

Nigel Feetham, partner at Hassans International Law Firm, noted: "Gibraltar has a very substantial insurance industry (primarily focused on the UK motor market), there are not many Gibraltar insurers that underwrite local risks."

He explained: "This means that underwriting capacity for some classes of local risks is provided mainly by (foreign) EEA insurers. Of course, EEA firms will post-Brexit, in the absence of an agreement between the UK and the EU (which looks increasingly likely), become third-country firms as a result of loss of EU passporting rights."

Feetham argued that this is "an excellent example of the government, GFSC and industry working together constructively to deliver a post-Brexit outcome which is good for Gibraltar, good for the insurance market and good for local consumers".

"I am not sure there are many jurisdictions that can demonstrate this ability to act as quickly as Gibraltar in providing market certainty and doing so in such an efficient and business-friendly manner," he added.

Albert Isola MP, Gibraltar's minister for digital and financial services, stated: "The new regulations will enable EEA insurers to continue to provide insurance services to Gibraltar businesses and individuals in 2021."

"We have agreed that whilst EEA insurers can continue to provide insurance cover they must work with a Gibraltar insurance intermediary. The regulations have been introduced to ensure we maintain competition and consumer choice in Gibraltar. During 2021 a long-term legal framework for EEA insurers will replace these temporary arrangements," Isola added. ■

R&Q Re acquires Bermuda-based captive

R&Q Re (Bermuda) has entered into a stock purchase agreement to acquire a Bermuda-domiciled captive insurance company. The transaction is subject to customary closing conditions and regulatory approval.

R&Q Re, a class 3A reinsurer which is registered as a segregated account company, is R&Q's primary legacy vehicle in Bermuda.

The transaction provides full finality for the seller after the captive was placed into run-off.

Commenting on the deal, Paul Corver, group head of M&A at R&Q, said: "We are delighted to have agreed terms on the acquisition of another captive insurer."

Corver added: "This continues a trend we've seen over the past six months or so where captive owners are seeking full and economic finality solutions. While this transaction remains subject to regulatory approval, we have confidence in our ability to complete the transaction in a timely manner."

Recently, R&Q had approval for insurance business transfer of a portfolio of Sentry Insurance reinsurance policies to National Legacy Insurance Company, a R&Q wholly-owned subsidiary by the Oklahoma Insurance Commissioner. ■

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Chaz Lavelle and OMIC to receive CICA awards

The Captive Insurance Companies Association (CICA) will be honouring Chaz Lavelle, partner at Dentons Bingham Greenebaum, with its 2020 Distinguished Service Award and Ophthalmic Mutual Insurance Company (OMIC) with its 2020 Outstanding Captive Award.

Both Lavelle and OMIC were presented with their awards at CICA's virtual ceremony on 2 December.

The Distinguished Service Award is presented annually, to a single individual or entity that has made a significant contribution to the captive insurance industry.

The Outstanding Captive Award is presented to a captive insurance company or risk retention group that has shown creative uses for a captive, been successful in managing the captive in terms of net results and usefulness to its owners, has prevailed over difficult times or situations and has gained acceptance, recognition, and a positive reputation among rating agencies, regulators and colleagues in the captive industry.

Dan Towle, CICA president, said: "The captive insurance industry is a great profession. In part, because of the outstanding work and contributions of individuals and captive organisations that have fought for best practices and creative uses of captive insurance to better manage risks and address business needs."

"This year's recipients have truly influenced the industry. They serve as role models for future captive professionals and for organisations considering forming captives," Towle added.

Commenting on the 2020 Outstanding Captive Award, Tim Padovese, president and CEO of OMIC, noted: "OMIC has always had the utmost respect for CICA's progressive forward focus, so to be recognised by such a respected organisation is quite an honour."

"OMIC prides itself in exceeding our customers' expectations, having a strict financial responsibility to our members, and is very committed to our patient safety initiatives. We thank CICA for recognising our 33 years of excellence," he concluded.

European captives remained resilient during COVID-19 pandemic

Captives are set to benefit from the response of the wider insurance industry to the COVID-19 pandemic, according to an A.M. Best market segment report.

The report explained that commercial insurance rate increases are expected to drive an uptick in new captive formations and greater utilisation of existing.

The price increases in the (re)insurance market started to appear as early as 2018 in some segments. The market continued to harden in 2019, and increases have gained significant momentum in 2020, as the industry has reacted to losses resulting from the COVID-19 pandemic.

A.M. Best added: "Since the beginning of the year, commercial insurers and reinsurers have commonly reported double-digit percentage increases in rates, and a tightening of terms and conditions."

The report highlighted that casualty lines have experienced significant price increases, as insurers have responded to the impact on the loss experience of social inflation stemming from increased litigation and so-called 'nuclear' verdicts.

As a result of this, A.M. Best observed an uptick in the use of existing captives, as owners seek optimal risk transfer solutions.

A number of captives have increased retention or limits on existing cover, while in some instances they have expanded into new lines of business as their parents have looked at increasing captive utilisation.

The rating company also suggested that the current market environment could give rise to an increase in the formation of captives, as challenging economic conditions, added to the rising cost of insurance, provide the ideal environment for corporates to look at how they might optimise their risk transfer programmes.

COVID-19

The European captives that A.M. Best rates have strong capital buffers that provide resilience against severe market shocks appear to have been successfully tested following the outbreak of the COVID-19 pandemic, the rating firm explained.

The pandemic has resulted in "significant financial market volatility and a global economic slowdown", which has generated increased claims activity and reduced earnings for a large number of insurers and reinsurers.

However, A.M. Best said it has proved to be less of an issue for most of its rated European captives.

The report outlined that rated European captives have not reported significant underwriting losses related to the COVID-19 pandemic, as they tend to operate in industries that have been able to continue to function through the crisis, and/or have no exposure to lines of business impacted by the pandemic.

However, the report noted that in some instances, captives have reported reduced premium volumes driven by the slow-down of their parents' activity.

A.M. Best noted that some of its rated European captives write credit insurance and surety business, which are likely to encounter increased loss experience as the recessionary impact of the COVID-19 pandemic has the potential to lead to higher levels of corporate defaults.

The loss experience in credit and surety lines has been limited as unprecedented state support initiatives across Europe have so far curbed the number of corporate delinquencies, the rating firm explained.

European domiciles

Europe's top three captive domiciles Guernsey, Luxembourg and the Isle of Man have all seen a reduction in their number of registered captives during 2019, with the number of licences surrendered exceeding the number issued.

But, A.M. Best said that it expects this trend to reverse in 2020 and 2021 as hard market conditions make captives more attractive as a risk retention tool.

The regulatory frameworks in the main European captive domiciles are relatively stable, though some domiciles are undertaking reviews of their regulations while others have agreed changes, according to the report.

One example is the Isle of Man Financial Services Authority, which has updated the Corporate Governance Code of Practice will apply to all non-life insurers with effect from 30 June 2021.

Regulation

With the 2020 review of Solvency II still ongoing, A.M. Best noted that one item under review, which will be of particular interest to captives and their owners, is the application of proportionality.

Under Solvency II, the principle of proportionality is applied to ensure that the practices and powers taken by supervisory authorities are proportionate to the nature, scale and complexity of the risk inherent in the business of the insurer or reinsurer.

A.M. Best noted that as captives are often small and lightly staffed operations, this principle of proportionality is of particular importance to them in ensuring that the regulatory requirements do not become overly burdensome.

It said: "Some argue that captives should be subject to lighter regulation when their only policyholder is their parent organisation, and there was lobbying in favour of the introduction of a two-tier supervisory regime to be considered as part of the 2020 review."

However, the European Insurance and Occupational Pensions Authority (EIOPA) rejected this option stating that it would lead to different levels of protection under Solvency II and create legal uncertainty.

The supervisory body also stated that the original decision would be burdensome and monitoring difficult due to the reduced reporting envisioned. Instead, EIOPA vowed to reinforce proportionality across the three pillars of Solvency II.

While EIOPA's rejection of more substantial reform of the application of proportionality under Solvency II will be a disappointment to some captives, A.M. Best explained it is more beneficial to maintain a unified regulatory framework. ■

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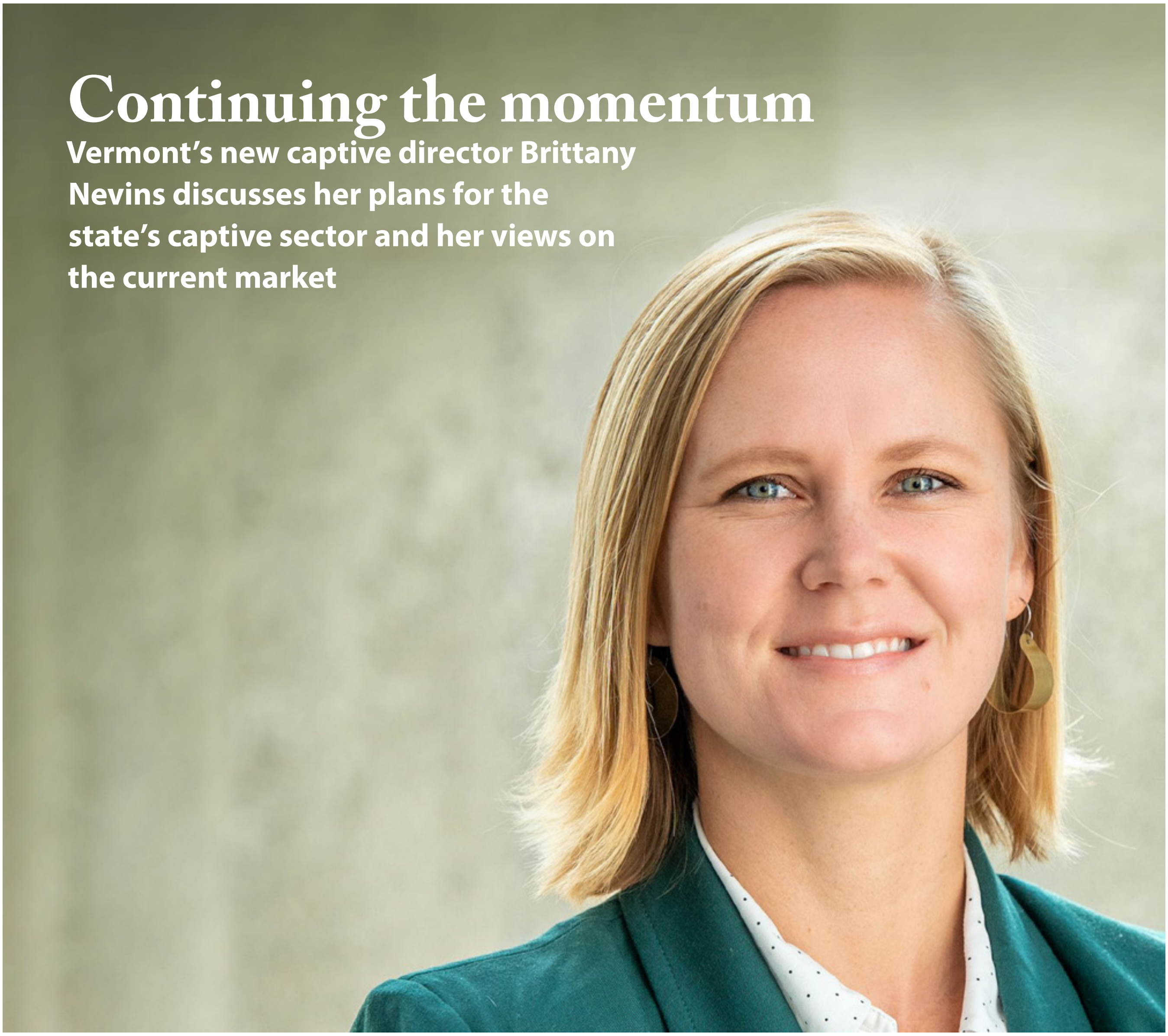


Continuing the momentum

Vermont's new captive director Brittany Nevins discusses her plans for the state's captive sector and her views on the current market

What are your main objectives as the new director of captive insurance at the Vermont Department of Economic Development?

As the new captive insurance economic development director, I am responsible for the marketing and business development of Vermont's captive insurance industry, working closely with the Department of Financial Regulation and the Vermont Captive Insurance Association (VCIA) to strengthen the state's reputation as the premier onshore captive insurance domicile.

When needed, I also advise Vermont's governor and secretary of commerce on new captive insurance legislation and policy recommendations to assure a beneficial business environment for expansion within and relocation to the state. When needed, I work closely with Vermont's congressional delegation, monitoring policy pertaining to the regulation of captive insurance and related financial services industries.

As the new director, I plan to continue to build off of the incredible work that has been done in

Vermont over the last 40 years to promote the industry. In my first couple of months in the role I have been mainly focusing on learning about the industry, meeting industry leaders in all areas of the captive industry, and asking critical questions about how we can continue our momentum into the future.

I am specifically looking at how we can expand our reach to all business sizes, in all industries, around the globe. I am also hoping to improve upon the industry's generational and diversity gaps I keep hearing about anecdotally from many leaders of the industry. To start this work, I have joined the Captive Insurance Companies Association's (CICA) NextGen committee and have begun conversations to strategise possible ways we can move the needle in Vermont and impact the broader industry.

One thing has become clear is that Vermont has not become complacent in its success and I plan to continue to support Vermont as the state evolves to meet the needs of the industry, while maintaining the gold standard of a quality regulatory environment at the same time.

What trends are you seeing in the Vermont captive market? What do you think are the biggest talking points?

Vermont has seen firsthand that the hard market is driving captive formation. We are seeing an increase especially in property coverage with the formation of real estate and construction industry captives.

We are seeing an increase in more small and medium-sized captives licensing in Vermont, particularly in the formation of cell captives due to their cost-efficiency. Our regulatory team has been busy with the increase in interest in captive formation and we expect this interest to continue well into 2021 in Vermont and the broader industry.

Are you expecting a positive year, in terms of captive figures for the state?

Vermont now has 33 new captives licensed in 2020, a number that is growing every day, with over a month to go still in the year, well ahead of the total 22 licensed in 2019 and this doesn't include the roughly 40 cell captives that have been licensed this year as well. This is in line with historical patterns the industry has seen when it has entered a hard market. Captives have become proven solutions during volatile times.

As a historical example, Vermont licensed 70 new captives in 2002 in response to the 11 September 2001 terrorist attacks and the increased demand in terrorism-related coverage. Again, we expect the growth of the industry to continue well into 2021.

Aside from any challenges posed by the COVID-19 pandemic, what do you think has caused the biggest upset for the captive market this year?

COVID-19 has certainly been a challenge for all insurers, but we are not seeing any particular challenge rising to a significant level of concern. Overall, we are seeing good growth in the industry and are finding that the captive industry has found innovative solutions to many challenges that have arisen during the pandemic.

Can we expect to see any new regulatory changes in the new year?

Nearly every year since Vermont began licensing and regulating captives in 1981 a bill has been proposed by the Vermont Captive Insurance Association (VCIA), with input from the regulatory team at the Department of Financial Regulation and passed by the legislature. Carrying on this tradition, a captive bill is currently being developed again this year to modernise captive statutes and regulations to keep pace with the changing needs of the industry.

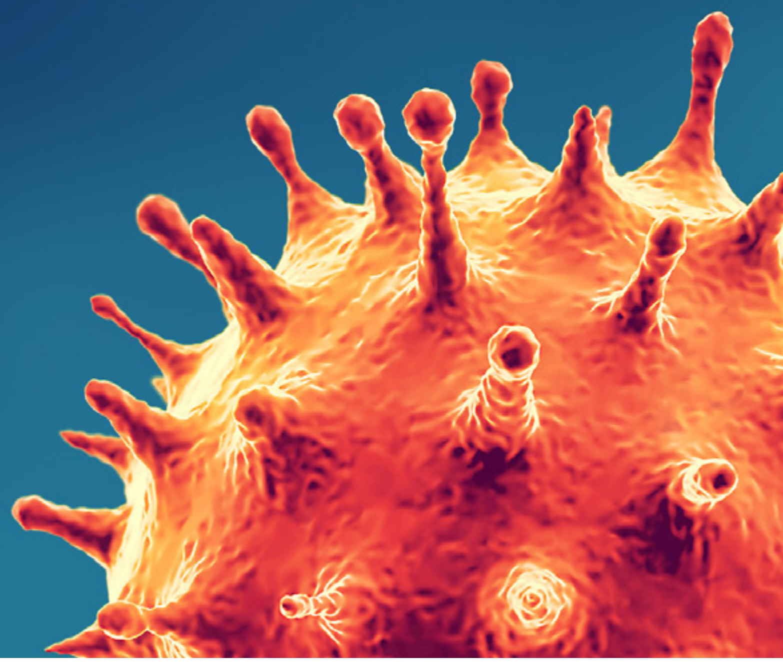
What work will the Vermont Department of Economic Development be doing in the captive space over the next year?

The Vermont Department of Economic Development will continue to promote the industry locally, nationally, and around the world. The way we do so looks different in a pandemic-era. We are raising awareness about the industry and the benefits of Vermont as a domicile more virtually by developing thought leadership content, utilising social media, and speaking virtually in webinars or podcasts about the benefits of Vermont and raising awareness about the captive industry in general.

Additionally, we want to celebrate our success in the captive industry. Next year marks 40 years since the captive bill signing in 1981. While we are unable to celebrate with the industry like we typically do in person, we plan to conduct a public media campaign to highlight the captive milestones in Vermont over the years, while looking ahead at the exciting work that's to come. ■

2020 Recap - By Maria Ward-Brennan

Captive immunity



Although this year has been difficult for many, it seems 2020 has been favourable for the captive insurance market. Industry participants reflect on this year's trends and challenges

It's 00:01 on 1 January 2020, you can hear the sound of champagne glasses clinking as people hug and kiss each other while the dark midnight sky is lit up in artificial colours from the hundreds of fireworks being launched into the cold air.

As laughs and intoxicated singing echoes through the streets and music rings out from nightclubs, nobody could have imagined what was in store for the world throughout 2020.

COVID-19, a deadly virus that shut the world down in March as government officials across the globe were forced to implement national lockdowns in order to contain the spread of the virus and to not overrun its healthcare services.

Due to the actions taken in order to protect people, the unemployment rate continues to surge as millions of people around the world continue to lose their jobs and businesses, with hospitality and travel being the most affected.

Even though 2020 has been a difficult year overall for most everyone, for the captive insurance industry it seems 2020 has been favourable.

Belinda Fortman, director of captive programmes for the Tennessee Department of Commerce and Insurance (TDCI), says that 2020 has been "a banner year for the captive industry".

The hardening of the insurance market has driven companies to seek alternative methods for financing their risk.

Fortman explains that the COVID-19 pandemic has also made companies more aware of additional risk exposures that their traditional insurance programme has not provided coverage.

A captive insurance company offers a solution for both of these problems, resulting in an increase in interest in forming a captive.

In agreement with Fortman, Ben Whitehouse, senior counsel at Butler Snow, suggests that "we may very well look back on 2020 in a decade or two and mark this as the watershed year for our industry".

He comments: "The insurance world is being turned upside down. It may take a few years for some business owners to truly appreciate that, but I suspect we will all be looking on 2020 as the year everything changed."

This year has been one in which more business owners have determined that the use of a captive insurer is a useful tool for their risk management needs.

Debbie Walker senior deputy commissioner of North Carolina Department of Insurance, explains: "In a year when many businesses experienced losses due to COVID-19, some business owners received benefits to address those losses from coverages provided by their captive insurer."

She highlights that those coverages included, but were not limited, to business interruption, loss of key suppliers, loss of key customers, and others that helped businesses during these difficult times.

"The impact of COVID-19 and the hardening commercial market this year has caused business owners to further consider the use of captive insurance, either in their current captive

images by feydzhet_shabanov/adobe.stock.com or through the formation of a new one, to help them address risks faced by their businesses," she adds.

In September, Marsh published its 2020 Captive Landscape Report, which highlighted the trend of increased captive use continuing in H1 2020 amid a rise in challenging insurance market conditions and the impact of the global COVID-19 pandemic.

The report showed that 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.

Going virtual

There were only two in-person events to take place this year, which included the World Captive Forum (WCF) in January and the Alabama Captive Insurance Association in September.

With the world on lockdown, venue restrictions and travel bans in place, multiple captive conferences were reorganised in a virtual format such as the Vermont Captive Insurance Association (VCIA) and the Bermuda Captive Conference.

As uncertainty surrounds 2021, the WCF has already announced its 2021 conference will be virtual as well as VCIA.

Commenting on the 2021 conference decision, Richard Smith, president of the VCIA, 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."

The next big captive gathering after WCF will be the Captive Insurance Companies Association (CICA) conference, which as it stands plans are moving forward for an in-person event.

Challenges

Although the year has predominantly focused on the impacts of the pandemic, the industry has been faced with ongoing challenges, such as the increased scrutiny from the Internal Revenue Service (IRS).

Walker explains that the IRS' activity including letters and announcements on the expansion of its enforcement efforts on 831(b) captives has created "concerns in the minds of some business owners that may have utilised a small captive insurer to manage their risks, but out of fear or concern about the IRS, have decided not to pursue that".

"These efforts of the IRS have led to the closure of some small captive insurers where the business owners' concerns about the possibility of an IRS audit are high," Walker adds.

Fortman also noted that the IRS scrutiny of captives utilising the 831(b) election has been a challenge for captives for several years now.

The IRS has targeted micro captives for years, but in more recent times they have ramped up their efforts to do so, including them on its 'Dirty Dozen' list of tax scams since 2014, along with other actions.

The most recent communication from the IRS was a second time-limited settlement offer for certain taxpayers under audit who participated in 'abusive' micro captive insurance transactions.

During 2020, it also deployed 12 newly formed micro captive examination teams to "substantially increase" the examinations of 'abusive' micro captive transactions.

Commenting on the IRS' activity, Fortman states: "We are seeing fewer captive insurance applications being submitted with programmes solely composed of low frequency/high severity lines of business, which the IRS has had a particular interest in."

"Instead, we are seeing captive applications with more traditional captive coverages, such as high deductible reimbursement programmes, or a mix of the two," Fortman adds.

Positivity in negative times

The captive industry has seen a large increase in interest around the formation of new captives and the expansion of existing ones during a year of difficult times. But the pandemic has reminded the world that business owners must be prepared for such adverse situations, even those risks where losses are likely to be infrequent and unusual.

Walker says: "More than ever, captive insurance is an important tool that allows the insured to obtain the exact coverage needed with the terms and conditions that are relevant to each insured's situation." ■

Staying on top

Singapore maintains its place and reputation as the top Asian domicile but industry experts warn it also needs to keep pace with international regulatory frameworks

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Singapore is a sovereign island city-state in maritime Southeast Asia. The island licensed its first captive in 1983 and is now the largest Asia Pacific (APAC) captive domicile as well as one of the largest reinsurance centres in Asia.

Currently, Singapore has 79 captive insurers in Singapore, according to a spokesperson for the Monetary Authority of Singapore (MAS).

Earlier this year, the Singapore government revealed the extension of the Insurance Business Development (IBD) umbrella scheme and the IBD captive insurance scheme until 31 December 2025.

Under the current IBD-captive insurance umbrella scheme, approved insurers are granted a concessionary tax rate of 10 percent for five years on qualifying income derived from the carrying on of onshore and offshore life reinsurance, onshore. The extension will continue to allow a 10 percent tax rate for a further five year period until 2025.

Alastair Nicoll, regional director at Aon captive and insurance management, explains that there are a number of captives who are still enjoying the tax incentives under the old scheme, which will only expire in 2026.

For this group of captives, the extension of the IBD captive insurance scheme will not have an impact and they will have to wait to see if the IBD captive insurance scheme will be further extended after December 2025 and if there will be changes to the scheme.

Nicoll outlines that for those captives that have their current tax exemption or concession status expiring before December 2025, they can apply for the IBD captive insurance scheme.

However, there are now headcount requirements under the IBD captive insurance scheme, whereby applicants are required to have a minimum of two qualifying professionals to undertake the substantive activity of the captive.

Nicoll adds: "Captives that intend to apply for the IBD scheme will have to assess the costs/benefits and consider the operating model of hiring the two qualifying professionals instead of fully outsourcing the management services to a third-party manager."

Captives will be taxed at the normal corporate tax rate of 17 percent if they decide not to apply for the IBD captive insurance scheme.

Reflecting on the opportunities provided to captives under the scheme, Chris Lim, financial analyst at A.M. Best, suggests that captives who qualify under the scheme can stand to benefit from these tax incentives.

Lim says: "The extension of the scheme will likely encourage companies to further consider the benefits that an investment in a captive can bring to the table, in particular given the evolving market conditions and capacity."

Growth potential

A 2019 A.M. Best report highlighted Singapore as one of the countries in APAC, where they saw an "abundant growth potential" for the captive sector. There is a lot of focus by the Singapore government on the development of the infrastructure to support the growth of the captive industry.

Lim explains that Singapore is committed to ensuring compliance with the Organisation for Economic Co-operation and Development (OECD) minimum base erosion and profit shifting

"Captives that intend to apply for the IBD scheme will have to assess the costs/ benefits and consider the operating model of hiring the two qualifying professionals instead of fully outsourcing the management services to a third-party manager"

(BEPS) standards and is constantly reviewing the relevance of its incentive schemes to the evolving economic and regulatory landscape.

"The refinement of the scheme, with additional qualitative and quantitative requirements, was necessary to meet the evolving OECD BEPS minimum standards," Lim adds.

Nicoll suggests that captives are part of the Singapore government's plan to grow the country to be a global capital for Asian risk transfer.

He states: "There have been strong efforts made in the development and upgrading of skills and expertise required by the sector, development and support of educational and research institutions as well as the development of the infrastructure to support the insurance sector in Singapore."

This also includes the establishment of the Financial Sector Development Fund to facilitate the development and enhancement of talent and other infrastructure for Singapore's financial centre.

Market conditions

The market conditions continue to evolve in the APAC region.

Lim suggests that where shifts in pricing and policy coverages are seen, use of a captive solution is often evaluated as some risks can be difficult to insure in the commercial market, either because of a lack of suitable products for the risk or a lack of appetite from insurers in terms of price or coverage.

Singapore has also seen a lot of interest from clients and prospects around the whole APAC region in setting up captives due to the hardening insurance market.

Nicoll says: "Our current clients too are re-evaluating their captive programmes more frequently and often use their captive to fill any gaps in the programme or where the captive can help mitigate the effects of increasing pricing."

Although Singapore maintains its place and reputation as the top Asian domicile, Nicoll suggests that it is under pressure from regional as well as international domiciles that offer more classes of insurance license and structures to cater to different needs of clients.

He notes: "The MAS should consider the application of the variable capital company structure to the insurance industry as this brings more enquiries and especially provides a faster route to market as companies ready themselves in preparation for renewals."

The market maintains a robust regulatory framework, but Lim says it also needs to keep pace with international regulatory frameworks, such as BEPS, to avoid being classified as promoting tax competition unfairly.

Along with fulfilling compliance requirements, Lim notes that Singapore will also have to compete with other captive domiciles.

He says: "This necessitates the constant need to upgrade and maintain the relevance of the workforce, facilities, infrastructure, and the ancillary services that support it being a finance and insurance hub."

ILS

Singapore aims to be a global capital for Asian risk transfer, offering a wide spectrum of risk financing solutions to bridge Asia's climate and disaster protection gaps. According to a spokesperson of the MAS, this includes insurance-linked securities (ILS) bond issuances that offer issuers an alternative risk transfer avenue and access to a diversified investor pool.

To catalyse the development of the ILS market in Singapore, in February 2018, the MAS introduced the ILS grant scheme, which seeks to fund up to 100 percent of upfront ILS bond issuance costs in Singapore.

In March 2019, the first catastrophe bond was issued under the ILS regulatory regime. The bond is sponsored by Insurance Australia Group (IAG), while GC Securities, a division of Marsh and McLennan Companies, acted as the sole structuring and placement agent.

Nicoll suggests this bond issued, being the first in Singapore, has provided comfort to potential sponsors on the regulatory framework for the special purpose reinsurance vehicle (SPRV) which was previously untested.

Since the IAG bond, there have been seven more catastrophe bonds issued by SPRVs established in Singapore.

Nicoll explains: "The majority of the sponsors are from the US covering US perils and the choice of Singapore as the domicile has been driven mainly by the ILS grant scheme which funds the entirety of the upfront costs involved in issuing the catastrophe bonds, up to SG$2 million."

"We have also seen the first Asian sponsor, Mitsui Sumitomo Insurance setting up their SPRV in Singapore this year, issuing the first Asian sponsored catastrophic bond in Singapore covering Asian perils," he adds.

Looking towards the next five years for Singapore's ILS sector, Nicoll expects the extension of the ILS grant scheme to the end of 2022, will continue to attract potential sponsors and contribute to the growth of the market.

"We are hoping that Singapore will attract more Asian sponsors and continue to grow its ILS infrastructure to become an efficient domicile of choice for the Asian market that is within the same time zone," he adds.

In the longer term, Nicoll notes that they hope to see Singapore expand its offering to other range of ILS instruments other than the traditional catastrophe bonds, including collateralised reinsurance and sidecars.

But, he adds that this would require changes to the current regulatory framework and legal structure such as the protected cell company structure. ■

Jonathan Barnes

Manager, advisory

KPMG

Personal bio: *I grew up in London, but work led me to Bermuda. My biggest passion in life is to mentor people, whether that be to discuss a career in insurance or for tips on their golf swing. I also love animals and have fostered over 20 rescue dogs in recent years (not all at once or my wife might have divorced me).*

Professional profile: *I originally studied at the University of Kent in the UK and achieved a BSc with Honours in Business Administration, commencing my career in the insurance industry where I completed the ACII qualification which led to me completing an MSc with distinction in insurance and risk management from Cass Business School in London.*

I began my career in 2008 as an assistant underwriter specialising in credit insurance at Euler Hermes and in 2010 I was employed as an underwriter for surety bonds at Travel and General Insurance. By 2012 I was offered a role at AIG as a senior underwriter within specialty lines, where I stayed until 2017. While at AIG I was selected to participate in their emerging leaders programme, where I spent 12 months working across various functions, supporting key projects. During this time I worked with the multinational (fronting) and alternative risk teams where I was first exposed to captives and began learning about the industry.

I decided to leave AIG to move into consultancy, where I helped launch several new insurance products and worked with private equity companies, completing insurance due dilligence reviews for new acquisitions. I joined KPMG in London in 2018 and moved to Bermuda in 2019 to lead the firm's push to grow the insurance risk and captive services advisory offering, acting as a subject matter expert within the insurance industry, underwriting and alternative risk.

How did you end up in the captive industry?

I began learning about the captive industry in my MSc studies, and had the opportunity to expand this knowledge during my time at AIG where I was asked to lead a risk review into a global companies levels of insurance purchased and the potential for alternative options. I found the work fascinating and enjoyed this perspective, looking at insurance as a blank sheet of paper to be designed, in the form of a programme for a company. When an opportunity presented itself to lead the growth of captive advisory services at KPMG in Bermuda it was the perfect fit for me, leading to my move to Bermuda to work at the hub of the captive industry.

Jon recently lead the efforts in performing a captive study for our company. He provided a wealth of knowledge on the advantages and considerations of a captive and how it could benefit the company. From the start, Jon communicated clearly and helped us in treasury, risk, and finance understand the intricacies of insurance, reinsurance, and captives and worked behind the scenes with his actuaries to deliver specific value add advice and study results that will benefit our company for years to come in this hardening market.

Jon personally was great to work with and was always available for impromptu meetings and calls as well as a trusted and valued partner throughout our study. He was there at all hours, quick to respond and knowledgeable about the subject matter. The deliverables met our expectations and we're looking forward to implementing the captive based on the results of the study.

Recommendation from a KPMG captive client

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

I'll never forget the look on the faces of the chief financial officer and CEO when they realised the opportunity a captive could give them, not both immediately, but in the long term, during the first captive feasibility study that I managed. My presentation of the findings, taking the world of insurance and breaking it down to explain to the client where they were and what was available, offering cost savings of over 20 percent and increasing coverage to their key risks was an exciting moment. I continue to take this attitude into every captive advisory project that I manage to achieve the best deliverable in line with client requirements.

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

I have an excellent network of contacts across consultancy, underwriting and broking who I lean on dependent upon the project, and which I am extremely grateful for. The KPMG captive network that I created last year connects our captive experts across the globe together to add inputs to proposals and engagements, an invaluable addition to all captive projects that I have worked on.

What is your impression of the industry?

Personally, I see a large amount of innovation within captives when compared to commercial insurance. I have been lucky enough to be involved in many emerging risks, such as Cannabis, and have been able to help package these risks into captive structures. I think there is still a lot of work to be completed, especially in the developing hard commercial insurance market, to educate clients and prospects as to the benefits of captives, changing the common view that a captive is just created for tax benefits. There can be some tax benefits, but a captive is so much more than this, we focus on the long term risk management benefits.

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

Despite my age, I'm still near the beginning of my captive career, so it's very difficult to know where I will end. For the industry, my aspiration is simple, to broaden the knowledge of captives and their application so companies don't continue to simply renew insurance programmes without knowing there may be viable alternatives.

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

Insurance is an industry that is regularly painted as lacking innovation and being out of line with client requirements. When people say this to me I use captives as an example of why I see this view as incorrect. Captives are constantly evolving to align with client needs, whether this is insuring emerging risks, such as cyber, in a simple and effective manner, or replacing lost capacity. The industry is continually evolving, which makes it very exciting and can lead to many opportunities, whether you work on the underwriting, broking, regulatory, consultancy, or client side. ■

Gallagher Re, the specialist global reinsurance broker, has appointed Thiago Navega as director of its operation in Brazil.

Based in Gallagher Re's Rio de Janeiro office, Navega will report to Luiz Araripe, CEO of Gallagher Re in Brazil.

Gallagher Re said the appointment will bolster the expertise of the insurance broker's expanding team in the region, with a particular focus on the global energy sector.

Navega brings experience dedicated to developing strong client relationships and building teams to service the global energy (re)insurance market.

He joins Gallagher Re from Brazilian insurance and reinsurance brokerage Inter Risk Services, where he was head of energy, marine and renewables.

Prior to this, he spent over six years with Brazilian insurer Austral Seguradora, where he led the energy and marine division, and was previously assistant vice-president in the Rio de Janeiro office of Marsh's energy, oil and gas division.

Commenting on his appointment, Navega said: "Since establishing a presence in Latin America four years ago, Gallagher Re has gone from strength to strength, delivering innovative solutions that fulfil the growing demand for specialist reinsurance products in the region. I am pleased to be joining the team at this exciting juncture, and look forward to working with the wider team to continue to build our specialty capability and capitalise on the significant growth opportunities present in the region."

"On 1 October 2020, Gallagher Re became the new name for Capsicum Re, completing the integration of the reinsurance business into Gallagher, one of the world's largest risk management and insurance brokers, and fully aligning it with Gallagher's retail and wholesale broking operations around the world," he added. ■

Matthew Charleson is set to join Strategic Risk Solutions (SRS) as chief operating officer of fund services and insurance-linked securities (ILS).

Based in Bermuda, Charleson will be responsible for further developing and implementing SRS's services within the ILS sector of the insurance and reinsurance industry in key jurisdictions, including Bermuda, Cayman, Europe and the US.

Charleson will report to managing director Jonathan Reiss, who recently joined SRS.

Prior to his new role, Charleson worked at Apex as was managing director and head of insurance fund services. He also held senior fund administration and insurance management roles at Kane LPI Solutions and Prime Management.

Brady Young, SRS's president and CEO, said: "There is a strong need for a high-quality independent manager in the ILS sector. The market is concentrated with limited options, all at a time when there is a need for new ventures to support the insurance industry with rates hardening and innovation flourishing.

We are investing in our specialist ILS capabilities both with respect to fund administration as well as insurance management to support this growing sector of the insurance industry."

Commenting on his new role, Charleson added: "I am excited by the challenge of building out SRS's ILS services."

He continued: "SRS has deep capabilities in insurance management and has fund administration resources through its recent acquisition of Dyna Management that we will grow. By combining these capabilities and being independent of broker ownership, SRS is especially well positioned to be the service provider of choice for growing ILS businesses. I know Jonathan Reiss from our time at EY and am looking forward to working with him again." ■

Chris Sutton has joined McGill and Partners from Aon, as a partner in its structured solutions team.

With more than 22 years of experience in the global corporate insurance sector, Sutton will focus on working closely with colleagues and carriers to develop risk financing and risk transfer strategies for multinational clients and captives across multiple lines of insurance.

Sutton has particularly focused on creating solutions for complex client challenges and alternative approaches to bring capital closer to clients' needs.

He worked with Aon for 14 years before moving to McGill and Partners.

Most recently, Sutton served as a deputy chief broking officer, Europe, the Middle East and Africa, broking at Aon.

From 2009 until 2011, he served as head of strategic risk financing.

Prior to Aon, he was a partner in the property team for Jardine Lloyd Thompson.

Brian Kirwan, head of structured solutions at McGill and Partners, said: "We're pleased to confirm that Chris Sutton joined us as a partner in our structured solutions team in July."

"We continue to see captives as central to any large corporate's risk strategy going forward, enabling these businesses to navigate the hardening market and any difficult to insure risks."

"Sutton, with his strong experience and expertise, will play a key role in helping our clients find innovative solutions to their most complex and challenging risk requirements," he added.

Commenting on his appointment, Sutton noted: "I joined McGill and Partners to be part of driving something truly refreshing and different in the insurance broking industry to serve clients." ■

Pamela Cote joins KeyState Captive Management

KeyState Captive Management has hired Pamela Cote as senior relationship manager of captive client services.Cote joins with over 25 years of public accounting experience with a specific focus on the captive insurance companies. Previously, Cote served as audit partner with Crowe and Saslow Lufkin & Buggy, which was acquired by Crowe in 2015. In this role, she was the lead audit partner for over 100 captive insurance companies from a broad range of industries, including financial services, real estate and real estate investment trusts, healthcare, manufacturing, retail, and professional services.

From her public accounting experience, Cote gained experience with various alternative risk management structures, including pure captive insurance companies, group captives, risk retention groups, fronted captive programmes, rent-a-captives, and protected cell captives.

KeyState established its Burlington, Vermont office in 2020. Cote will be the latest addition to its captive insurance team based in the Northeast. Over the past three years, KeyState has also hired David Guerino as senior vice president and managing director, Jeff Vigne as director of insurance services, and Alicia Huskes as director of captive client services.

Commenting on the appointment, Guerino said: "I have worked with Pamela for over the last 15 years in the captive industry. She audited many of the captive insurance companies that I have managed over the years. She has a reputation in the captive industry for her deep knowledge of captive financial and regulatory reporting and her dedication to excellent client service. We are thrilled to have her join our team and further build upon KeyState's captive management business."

Josh Miller, CEO of The KeyState Companies, added: "Under David Guerino's leadership, the next phase of growth of KeyState's captive management business is underway. And now, with the addition of Cote, we are well poised to continue this success and enhance our client experience." ■