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Saint Joseph's students win CICA essay contest

Ashley Martin and Max Bernstein of Saint Joseph's University were named winners of the 2020-2021 CICA College Student Essay Contest

Utah Focus

Travis Wegkamp discusses what's in store for Utah's captive insurance market

Emerging Talent

Przemek Parkitny, captive manager at Arsenal Insurance Management

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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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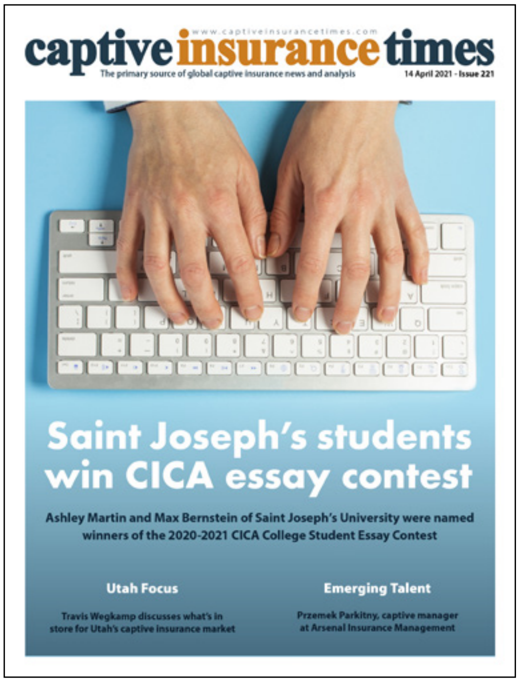

In this issue

North Carolina proposes changes to premium tax paid by captives

North Carolina has introduced a captive bill, which includes two proposed changes affecting the premium tax paid by captive insurers. Senate Bill 37, introduced on 24 March, has three primary sponsors, Senators, Todd Johnson, Tom McInnis and Chuck Edwards. It has been referred to the Senate Committee on Commerce and Insurance, where the three Senators are also the co-chairs of the Commerce and Insurance Committee.

The proposed changes to premium tax paid by captive insurers include a provision to require special purpose captive insurers with a cell or series structure to pay the same tax as that imposed on protected cell captive insurers as well as a premium tax holiday.

Lea Riddle, North Carolina Captive Insurance Association (NCCIA) chair, explains that the association has worked in concert with the North Carolina Department of Insurance (NCDOI) to develop technical corrections and the centrepiece of the bill, a provision to attract domestications to North Carolina through a 'premium tax holiday'.

Riddle says: "The remaining provisions enhance administrative discretion to streamline operations. We are appreciative of the legislative leadership's support of the legislation."

The bill will include exemption from the annual audit requirement for captive insurers amended to be substantially similar to the wording contained in a similar exemption for traditional insurers.

It will also have a clarification that information contained in material business plan amendments and other notifications submitted by captive insurers to the commissioner pursuant to GS. 58-10-395, dividend and distribution information pursuant to GS. 58-10-375, and affiliated loan and investment information pursuant to GS.

58-10-440 is confidential just as the statutes provide confidentiality for the information contained in the original business plan submitted to the commissioner through the license application.

Commissioner Mike Causey comments: "This legislation is designed to provide additional incentives to businesses so they will bring their captive insurers to North Carolina. Our captive insurance industry has created jobs and generated revenue for this state, and it is imperative to keep our already attractive laws on the leading-edge to continue to invigorate our captive insurance industry."

Debbie Walker, senior deputy commissioner of the captive division at NCDOI, states: "This bill should entice captive insurers domiciled elsewhere to move to North Carolina by waiving premium tax for the year they move and the following year. (Long term impact will be to increase premium tax and NC business revenues)."

"In many instances large North Carolina businesses (and businesses located out of state) formed their insurers in other jurisdictions before North Carolina enacted captive enabling laws and it benefits North Carolina to incentivise those insurers to come to North Carolina. Although the premium tax would be waived initially, on a long-term basis North Carolina will generate more premium tax from captives moving to the state," Walker adds.

According to NCCIA president and CEO Thomas Adams, the legislation will now proceed through the committee process with stops in both commerce and insurance and then on to the finance committee to deal with the tax issues contained in the bill, before proceeding to the floor for a vote. ■

Guy Carpenter launches Capital Advisory Group in Asia Pacific

Guy Carpenter & Company has launched its Capital Advisory Group in Asia Pacific and has appointed Michael Owen and Hussain Ahmad to lead the new operation.

The new Asia Pacific Capital Advisory Group provides capabilities to help clients make informed business decisions and offers bespoke structures designed to help manage financial volatility and address capital challenges.

Owen, chief actuary for Asia Pacific, has spent more than 20 years at Guy Carpenter and has extensive experience in enterprise risk management.

Ahmad, who joined Guy Carpenter in 2019 as head of structured reinsurance solutions for Asia Pacific, has over 15 years of experience in providing technical (re)insurance solutions across the region, including mergers and acquisition valuations, capital management, and structured reinsurance.

Both Owen and Ahmad will maintain their current positions in addition to their new roles at Capital Advisory Group.

Commenting on the launch, Tony Gallagher, CEO of Asia Pacific, Guy Carpenter, says: "The new Asia Pacific Capital Advisory Group has been established in response to growing demand for more efficient capital structures and strategic insights that help companies achieve their financial objectives."

He adds: "We have brought together a strong team comprised of experts in the areas of analytics, actuarial, structured solutions and catastrophe modelling, as well as the International Financial Reporting Standard 17, to meet the capital needs of our clients and deliver the best-in-class solutions." ■

Triton Benefits launches captive insurance programme

Triton Benefits & HR Solutions, a national employee benefits broker and HR consultant, has launched a captive insurance programme. The programme allows employers to combine employees' claims experience with other businesses to control medical insurance costs.

Triton's captive programme, which targets organisations with up to 5,000 employees, provides insurance options from leading re-insurers and includes the networks of United Healthcare, Aetna and Cigna.

The captive programme enables employers to better manage their total cost of risk and provide control over healthcare costs with greater flexibility of benefit plan design.

In addition, it utilises analytics to help employers align their organisation's needs with the best healthcare plan options and budget.

Steve Rosenthal, president and CEO of Triton Benefits & HR Solutions, says: "Our captive health insurance programme has played an integral role in helping business owners offer affordable benefits programmes."

He adds: "Organisations from different industries have leveraged captive health insurance programs to reduce costs, lower their risk, and provide financial flexibility and control, especially as they navigate through the COVID-19 pandemic." ■

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GFSC pre-authorises Robus Insurance PCC captive cell

Guernsey-based protected cell company (PCC) Robus Insurance PCC has had a captive cell pre-authorised for a client for their professional indemnity programme. Robus used the Guernsey Financial Services Commission (GFSC) pre-authorisation pilot scheme for cell captives, which was introduced in December.

Robus Guernsey's PCC, Robus Insurance PCC, was approved in December for participation in the GFSC pilot scheme.

Once the application information was received and the usual due diligence process was completed, the cell was incorporated rapidly, according to Robus, without having to wait for consideration of the license application which ordinarily would take a number of weeks.

The pilot scheme is for insurance entities seeking a GFSC category 5 license (captive insurance/reinsurance business) only.

The scheme applies to insurance-licensed PCCs owned by an insurance manager and is available for captive cells writing a single line of general insurance business to meet an urgent business need.

It must meet the standard formula minimum capital requirement and prescribed capital requirement, with no regulatory adjustments available.

Recently appointed Justin Upson, director of Robus Guernsey and leading the Robus PCC vehicle, says: "The GFSC pilot scheme has allowed us to offer our client excellent speed to market. The hardening PI market is causing a dramatic increase in external premiums which means a protected cell solution is preferable. I would encourage others in the PI market to explore the option, especially as the cell pre-authorisation option makes the process even simpler." ■

BRIM: Barbados to see increase in captive formations

For the next few years, there will be more captive formations in Barbados, as well as companies expanding their existing captives because they're impacted by the global increase in prices just like every other industry is just like every other country, according to Michael Serricchio, managing director of Marsh Captive Solutions.

Speaking at the Barbados Risk and Insurance Management (BRIM) conference 2021, Serricchio says: "The fact that Barbados has such a strong captive presence is just a wonderful thing."

As of 2020, Barbados has a total of 279 active captives operating in the Caribbean country. Last year, Barbados licensed 16 new captives and had 13 closures.

Ricardo Knight, senior vice-president of Marsh Captive Solutions and chair, marketing and communications committee at Barbados International Business Association (BIBA) explains that for many years, Barbados has been domicile of choice for the majority of Canadian captives, with most of the Canadian banks having their operations in the country.

Knight says: "I do believe it can be argued that it is the largest independent sovereign jurisdiction because it is capable of negotiating treaties of other sovereign nations on its own accord."

He notes that Barbados has a treaty with Canada which still works well for Canadian clients, the regulatory environment and enabling business environment.

Pat Ferguson, senior vice president at Marsh Captive Solution, also says that when you think about Barbados you think about Canadian companies setting up in Barbados. He comments: "We're seeing them across healthcare, manufacturing, retail, transportation, all over these industries there's an appetite to get a captive going and getting one going in and areas and domicile such as Barbados."

Meanwhile, Ferguson says that cyber has become a big issue. He suggests because of attacks happening around the world, they are seeing more clients looking at captive to find a way to ensure their cyber risks He explains: "With cyber, there are always going to be challenges and some of those challenges around how do we validate a premium for a cyber risk if this isn't a policy that's been purchased in the past, how do we quantify a loss, and when is an actual attack is deemed to have occurred."

"What we're finding is that using an account as part of an overall placement for cyber is becoming more and more prevalent in the marketplace," Ferguson adds.

In addition to cyber, Ferguson also notes employee benefits (EB). He says: "In the past, maybe this was very US-focused but now we're seeing Canadian companies and companies from around the world looking at global employee benefits and putting a front end place and using their captive to backstop that front."

For Marsh, Serricchio notes at Marsh have different companies doing so many different lines of coverage, and one of those lines is pandemic.

He explains: "Even before anybody knew what COVID-19 was, we had captives in Bermuda, Dublin, the US, Singapore and other places around the world thought-provoking about what a pandemic may do their business and for many years before the pandemic, they were writing pandemic insurance."

Serricchio explains that he thinks what is going to happen in Barbados and all the other large captive domiciles are going to be well positioned to write pandemic insurance for their companies.

"To maintain or keep some of that risk but then also reinsurer some of that risk because there are not so many insurance carriers willing to do pandemic we're going to need the capacity of the reinsurance markets and a captive is just that perfect vehicle to do that," he adds. ■

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A.M. Best: ILS and traditional reinsurance market showed resilience at Jan renewals

Despite extraordinary losses in 2020, the insurance-linked securities (ILS) and traditional reinsurance markets demonstrated their resilience at the January 2021 renewals, raising capital back to pre-pandemic levels, according to an A.M. Best report.

The report, Insurance-Linked Securities Market Weathers Elevated Catastrophe Activity and Global Pandemic in 2020, finds that the global reinsurance capital returned to its pre-pandemic level of $485 billion at year-end 2020.

The total comprises $88 billion of ILS capital and $397 billion of traditional reinsurance capital, according to estimates from A.M. Best and Guy Carpenter.

It also reveals that the ILS market saw a record year in 2020 for catastrophe bond issuance, which A.M. Best says was driven predominantly by a glut of maturities and a host of new issuers.

Given the level of scheduled maturities this year, A.M. Best suggests that cat bond issuance in 2021 could reach or eclipse 2020 levels.

The rating firm explains that an ongoing issue in the ILS market is the amount of trapped capital due to actual and potential losses from natural catastrophe events before 2020 and the COVID-19 pandemic, along with pre-emptive trapping.

The report finds that some cedents accommodated ILS funds by rolling over their collateral into new contracts, rather than trapping it in anticipation of further COVID-19-related loss developments, although A.M. Best notes that there is a risk that ceding companies could ask for the rolled-over collateral if losses emerge unfavourably.

According to the report, the rollover accommodation by the cedents amounts to kicking the can down the road for COVID-19-related losses.

A.M. Best says: “The coming months may continue to lead to either court cases or arbitration to settle how much, if any, capital can be trapped, based largely on COVID-19-related incurred but not reported reserves, especially for business interruption or event cancellation business.”

The report also states that anticipated rate increases in the retrocession, reinsurance and ILS markets for the January 2021 renewal season did not materialise to expected levels due partially to the additional capacity brought to the markets.

“This influx of fresh capital mitigated the potential hardening market and helped the reinsurance market operate in a relatively orderly manner during the renewals.”

“Although the rate increases fell short of expectations in certain segments, they reversed the downward pricing trend of the past few years,” A.M. Best comments. ■

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Alabama captive bill amendments passes house

The Alabama captive bill amendments passed the Alabama House chamber at the House of Representatives on 1 April with a 94-0 affirmative vote.

The amendments will now be sent to Governor Kay Ivey's to be signed into law.

In February, the Alabama Captive Insurance Association (ACIA) pushed forward an ambitious agenda this year with what they describe as "one of the most comprehensive and aggressive captive laws in the country".

The bill was part of the 2021 proposals and was in addition to those scheduled for 2020, which was put on hold by the state legislature due to the ongoing COVID-19 pandemic.

Last year's changes include an expansion to branch captives and dormancy statute.

As part of the 2021 amendments, the three new alternative risk vessels will include agency captives, reinsurance captives and special purpose financial captives.

Another proposal will also allow surplus notes to be utilised in the capitalisation process, which previously was not allowed in the state. The state also put forward a new formal redomestication process.

According to the ACIA, the ability for Alabama to create captive solutions for the unique interests of captive owners, opens the door for exceptional growth in the forthcoming years.

Norman Chandler, president of ACIA, and co-author of the legislation, says: "We are excited for industry-first innovation in reinsurance and branch captives. We've taken a wholesale review of these types of captives and tried to bring them into the modern age with this legislation."

Justin Law, president of ACIA and legislation co-author, notes: "The 'legal there, insure it here' doctrine included in this update plus the new SPFC language allows maximum creativity and flexibility in designing an Alabama captive."

He adds: "ACIA has expanded the capabilities of the alternative risk industry here so that we can bring more business and companies to the state of Alabama." ■

Simply Business team up with NASW RRG

Simply Business, a Boston-based digital insurance agency offering small business owners access to top insurance providers, has partnered with the National Association of Social Workers (NASW) risk retention group (RRG) to offer general and professional liability insurance solutions for social workers and allied health professionals.

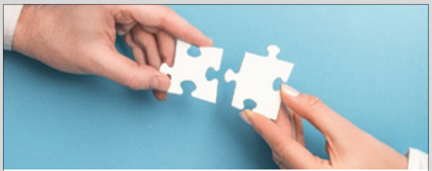
NASW RRG is a captive insurance company established to provide liability insurance for a specific group of policyholders who share a common interest.

According to the US Bureau of Labor and Statistics, social work is expected to grow significantly and at a much faster rate than other industries in the coming years.

The new partnership will allow NASW members to use Simply Business to find the insurance coverage they need.

Commenting on the partnership, David Summers, group CEO of Simply Business, says: "Demand for social workers has increased, and so have the different risks they need to manage. By nature of their profession, concern about their own well-being often comes secondary to keeping their patients and their families safe. We're pleased to partner with NASW to give its members greater peace of mind, especially amid the challenges of the COVID-19 pandemic."

Tony Benedetto, CEO of the NASW RRG, notes: "At the NASW RRG, we understand the value that social workers and health professionals provide to our communities particularly when so many are in need of the services that social workers provide." ■



Risk Strategies acquires Specialty Insurance Solutions

Risk Strategies, a national specialty insurance brokerage and risk management firm, has acquired Specialty Insurance Solutions (SIS), expanding capabilities in its national student health practice.

SIS offers specialty products and services primarily focused on comprehensive student health insurance programmes, sport accident insurance, and student travel insurance.

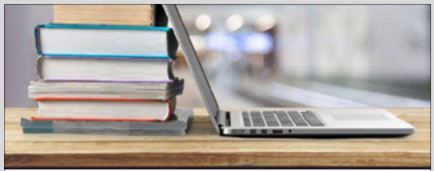
Read the full article online

Roundstone distributes $4.2 million to customers

Roundstone, an Ohio-based health insurance provider specialising in a self-funded group captive solutions, has reported a $4.2 million pro-rata cash distribution to business owners across the nation currently enrolled in Clarity, the company's group medical captive.

The distribution represents 17 per cent of premiums in the pool in a year profoundly impacted by a global pandemic.

Read the full article online

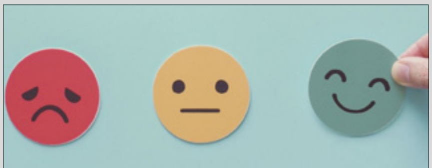


RIMS and George Mason University partner

The Risk Management Society (RIMS) and George Mason University's Continuing and Professional Education (CPE) have teamed up to offer a series of workshops designed for federal employees and executives who are committed to building stronger risk management practices and more rewarding careers.

The first in the series of workshops will be held between 24 and 26 May 2021.

Read the full article online



Ratings affirmed for ADM Insurance Group

A.M. Best has affirmed the financial strength rating of A- (Excellent) and the long-term issuer credit ratings (ICR) of "a-" of Agrinational Insurance Company and its wholly-owned subsidiary, ADM Insurance Company. Both companies are headquartered in Burlington, Vermont.

The ratings reflect ADM Insurance Group's balance sheet strength, which A.M. Best assesses as strong.

Read the full article online

HDVI teams up with Munich Re and Spinnaker Insurance

The High Definition Vehicle Insurance (HDVI) Group, the next-generation commercial auto insurance business, has formed new relationships with Munich Re Specialty Insurance and Spinnaker Insurance Company.

Munich Re Specialty Insurance will support and collaborate with HDVI around its innovative risk solutions, while Spinnaker will serve as the insurance company for the HDVI programme.

Read the full article online

Washington State captive bill is 'poorly drafted'

"Washington could have instituted a self-procurement tax like several other states — instead, the Office of the Insurance Commissioner chose pride over prudence," according to Rich Smith, president of the Vermont Captive Insurance Association.

Writing on the VCIA blog, Smith stated his frustrations with the Washington State captive bill that passed the Washington State Senate in early March.

Read the full article online

Saint Joseph's University students crowned as CICA Essay Contest winners

Ashley Martin and Max Bernstein of Saint Joseph's University were named winners of the 2020-2021 CICA College Student Essay Contest

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"Each year I get more excited about the quality and the professionalism of the cases the students present. These students showed amazing dedication, tackling the contest while navigating many school-related changes and collaborating remotely. That's the kind of drive and creativity the captive industry needs"

Dan Towle, president of CICA

"We are pleased to support CICA in this overall effort to raise the awareness level about captives to college students and use the contest as a 'carrot' to engage them in learning more about the strategic and operational aspects of captives to solve real word insurance and risk management challenges. Whether they work directly in the captive industry or not, the knowledge and awareness they gain will help them in whatever role they take on as these graduates start their careers"

Brady Young, CEO of Strategic Risk Solutions

Ashley Martin and Max Bernstein, students of Saint Joseph's University, have received first place honours in the Captive Insurance Companies Association (CICA) college student essay contest, winning a cash prize of $2,500. Martin and Bernstein, both juniors of Saint Joseph's, proposed a group captive as a solution to provide insurance coverage for 30,000 college student housing rentals across the US.

The winners were announced today during a webinar hosted by CICA Essay Contest sponsor Strategic Risk Solutions (SRS). During the webinar, the three finalist teams presented their essays and fielded questions, followed by the announcement of the winning team.

Jake Smedley and Joseph Simmons of Temple University were awarded second place with their captive proposal for classic auto sales and collision centres, while third place was awarded to Natalie Kojababian, one of last year's winners, and Terra-Lynn Tokiwa from the University of Southern California, who focused their captive solution on college student housing. Second place and third place will receive a cash prize of $1,500 and $1,000, respectively.

Both Martin and Bernstein, risk management majors with second majors in accounting and finance, say their understanding of captives went from limited at the outset of the contest to appreciating the benefits of captives and the interesting work resulting from solving risk management concerns with captive insurance.

1st Place:
Ashley Martin and Maxwell Bernstein

What interested you about the CICA Essay contest Using Captive Insurance to Better Manage Risk, Improve Your Bottom Line?

Ashley Martin: I was interested in competing in the CICA essay contest about captives for student housing because the topic of captives is very difficult to conceptualise and it is not overly discussed in our course work at Saint Joseph's University. I thought it would be interesting and very beneficial to learn more about captives through an essay research paper. This would expand my knowledge of the insurance industry outside of my college education to better prepare for my career.

Maxwell Bernstein: I became interested in the CICA Essay Contest because of the great opportunity to learn about a different part of the insurance industry. While the presence of captives in our curriculum is not highly focused on, I have always found the concept interesting and this was an excellent opportunity to learn and grow as a student of insurance.

How did you decide to pair up as a team?

Martin: Max and I have been friends since freshman year of college where we studied together for the introductory course for risk management and insurance. We are both extremely passionate about the industry and want to learn and grow within this field both quickly and with an in-depth understanding of challenging concepts like captives. We have always worked well together and this paper was the perfect opportunity to showcase both of our unique strengths and help one another overcome our individual weaknesses. It was also great to have Max to work with because we both have second majors more concentrated in math; Max is also a finance major, and I am also an accounting major, which I think really showed in our paper and financial workup.

Bernstein: Ashley has been a close friend ever since freshman year as we both started out as RMI student-athletes. We have taken many classes together and both really enjoy learning about the industry. Our school curriculum focuses on group projects quite a bit, so becoming a team for the CICA Essay Contest was a great way to show how well we work together. The passion for insurance is shared between us both, which we both wanted to display through this essay.

How did you work together on your essay given in our current virtual world? Were you both on campus, or did you work together remotely?

Martin: Max was on campus still and I was home in Connecticut so we worked remotely every night after I finished work and we had a couple of very late nights leading up to the due date because we wanted our paper to be perfect. We would use Zoom and share a google document in order to complete the paper.

Bernstein: The pandemic has thrown a wrench in how people can collaborate, but luckily Ashley and I are both very accustomed to virtual communication from being full-time college students. We were able to use Zoom and Google Docs to simultaneously communicate and research.

Why did you pick college student housing?

Martin: As a current college student, it was quite easy for me to pick the college student housing option, and especially with my background in property insurance, it seemed like the best option.

Bernstein: I felt that the college student housing option was most applicable to my situation, being a current off-campus college student.

I also believe this had a very practical application and could be something to affect the current state of student housing.

Did you have much knowledge on this subject before undertaking your research? Has your impression changed since developing your essay?

Martin: I had almost no knowledge of captives or student housing in general before starting this contest. I remember signing up for the competition with Max and quite honestly searching "what is a captive" on my phone. I have learned a great deal about captives and housing for college students in terms of insurance, as a result of this project.

Bernstein: My knowledge of captives was limited to what we learned about in the classroom and what I could find on the first page of Google. After doing our thorough research and completing this paper I definitely feel my impression and understanding of captives has changed in a very positive way.

How was captive insurance helpful for your chosen industry?

Martin: Captives were very helpful for student housing because they fall under an interesting category where the university owns the housing and regulates the price through 'room and board' however a captive with only one university is not a diversifiable enough risk and poses huge financial threats in the case of a catastrophe. Captives worked well because there are countless colleges and universities across the country that need insurance for student housing and it provides both a large and diversified group of insureds.

Bernstein: The main advantage of captive use in college student housing is that there is an abundance of risks by way of the thousands of colleges and universities scattered across the country. The shared risk exposure allows the idea of a group captive to be very useful in this regard. In our essay, we delve into the intricacies of how exactly a type of captive involving these insureds would operate.

Ashley Martin,
Saint Joseph's University

I am a double major in accounting and risk management and insurance at Saint Joseph's University in Philadelphia. I am also vice president of operations for Gamma Iota Sigma and a member of the women's cross country and track team. I am currently employed at an insurtech startup called Woop Insurance Agency, where I quote home, auto, and renter's policies, complete administrative tasks, and write the company website's blog posts.

Maxwell Bernstein,
Saint Joseph's University

I am a junior risk management and insurance and finance double major at Saint Joseph's University in Philadelphia. I also row for the Saint Joseph's University Division I men's rowing team. I have been a member of my university's Gamma Iota Sigma chapter since my freshman year and this year I am serving as freshman/sophomore engagement chair. I will be interning at Conner Strong & Buckelew this summer as a major accounts intern.

What did you learn about captive insurance while researching and writing your essay?

Martin: Through my research and writing this essay, I have learned that not only one type of captive exists, but they are also much more complicated than that. There are various types of captives that all carry unique characteristics that could be beneficial or harmful to a company depending on the risk being insured. Researching all the different captives took up a great deal of time researching, however, it was essential to our plan for a proper student housing captive to work efficiently.

Bernstein: Captive insurance is much larger and more complex than I first thought when I began researching for this essay. I learned a lot about the advantages of captives including cost efficiency, dealing with difficult risks, and tax benefits. Another major concept that I came across was the various types of captives and how to figure out which fit our situation the best.

Would you consider a career in captive insurance?

Martin: I would definitely consider a career in captive insurance after completing this project. I think captives are very complicated but that would make a job working with them, very interesting and would require a lot of out of the box thinking.

Bernstein: I would absolutely consider a career in captive insurance. From the moment we learned the basics in the classroom to the extensive research I have come across from this essay, I very much want to work in this space and gain real world experience in this area of the industry — the idea of working in Bermuda or the Cayman Islands is also a plus!

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CAPTIVE INSURANCE COMPANIES ASSOCIATION ®

2020-2021 CICA Student Essay Contest

Using Captive Insurance to Better Manage Risk, Improve Your Bottom Line

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SAINT JOSEPH'S UNIVERSITY:

Ashley Martin and Maxwell Bernstein

COLLEGE STUDENT HOUSING

Table of Contents:

Introduction:

A captive is a method of self-insurance where a parent or group creates an insurance company in order to fulfill their own specific insurance needs. There are many reasons to form a captive, such as, tailoring specific insurance needs, accumulating investment income, creating an incentive for loss control, greater control over claims and direct access to the reinsurance markets.

College Student Housing is looking to insure over 30,000 student rentals all across the country for their insurance needs to be met. A captive program is a great alternative to traditional insurance. CSH can offer optional policies to students within their housing facilities for tenant's legal liability insurance and a basic homeowner's four form. A landlord would want its tenants to have liability insurance because if the student was involved in any kind of accident with another student or person in the building they would want to avoid being financially responsible for it. A student injuring someone else on his property is an example of a claim that would be covered by liability insurance for a renter as it would cover medical expenses. Another example is if the property of another individual is damaged, the insurance would pay to replace or fix the item.

CSH's best alternative to insure its student housing is a group captive program. A group captive is a self created insurance company owned by its members who all share similar risk exposures. In a group captive, the company owners are also the insureds, therefore they are able to "exert much greater control, especially in regard to the types of risks insured and the decision-making process surrounding underwriting, as well as loss control, operations and best-in-class risk management" (Eveleigh, 2020). A group captive's purpose is to provide greater cost stability on a long term basis than the traditional market would allow for their specific risk. For this reason, each group member of the captive pays a premium based on their own loss experience, this encourages loss control efforts and is usually lower in cost and expenses than the traditional "open" market.

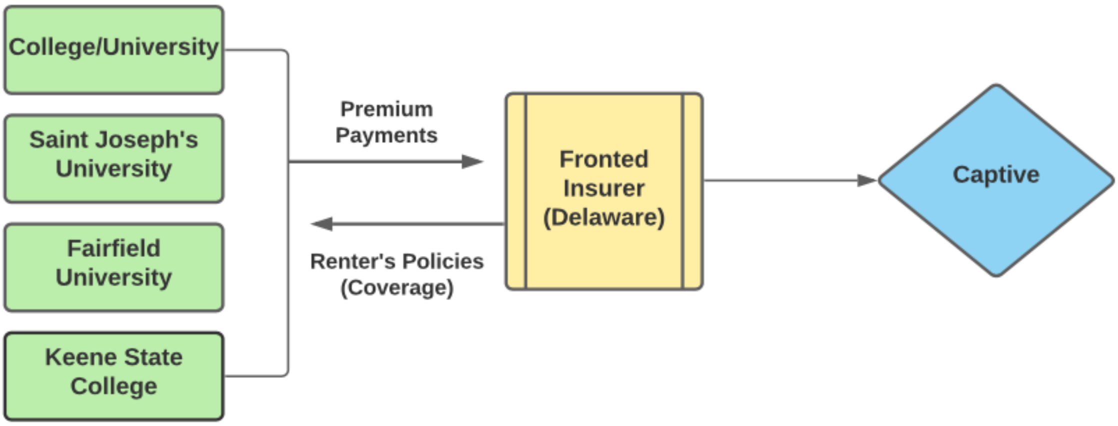
Advantages and Disadvantages:

A group captive has several advantages and disadvantages. Some primary advantages of captives include coverage breadth, claims handling, loss control, and increased tax efficiency. Captives also allow gift and estate tax savings for shareholders of the group and income tax savings in the form of breaks and deductions. Captives also allow for the opportunity to use tax-favored vehicles that offer competitive rates of return, not subject to the changing market, and might have baseline guarantees and high liquidity (Captive Resources). Other advantages include: being able to insure a risk that is not offered insurance in the traditional market, or has overly high pricing, or no loss history to price off, this leads directly into another advantage; which is lower costs. Traditional insurance usually includes insurance premium markups due to miscellaneous fees, acquisition costs, marketing expenses, high commissions and any other general administrative costs. In turn, the individual is not paying for extra insurance coverage that they might not need , giving long term control over their insurance premiums.

However, there are some disadvantages to using a group captive. Disadvantages include putting the company's capital at risk as most of the time the members are putting their own reinsurances into its creation and upkeep. Not to mention, the high capital requirements needed to start a captive. Group captives are run by its members which means the quality of work and people reflects directly into your insurance financials. A captive can have a third party administrator to manage and oversee the captive, but in the end the members are what forms the program and directly affects the success or failure (BizFluent). The group must also have enough members (big enough in size) to successfully spread the risk and keep costs down. If the pool is too small, the costs can have unflattering fluctuations to owners and investors and have high premium expenses. Another disadvantage of captives is that even though they are considered legal corporations, they must also follow countless tax rules in order to receive benefits. Lastly, the biggest concern with captives is the extreme difficulty in entering and exiting the arrangement. Moreover, the greater number of advantages and financial benefits exceed the number of disadvantages.

How to Establish a Group Captive:

Our first step in developing a captive for CHS is determining who the members are within our group program. Our idea is to include not only the 30,000 student tenants CHS already has, but to increase the pool with other organizations that share the same risk exposure, so in this case, other United States colleges and universities. This arrangement allows our group captive to be homogeneous in college housing risks, while also maintaining a geographically diversified book of business in case of systemic risks.

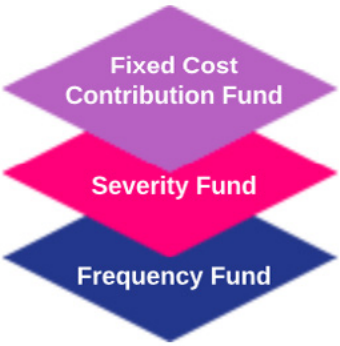


Our group captive is going to be domiciled in Delaware due to the benefits the state offers compared to other states with captive programs and offshore options in Bermuda and Cayman Islands. Delaware offers benefits like being the most flexible United States captive in terms of “the legal form of organization that a captive insurance company may take” (Delaware Captive). In Delaware, captives can take many forms like LLCs, partnerships, and limited partnerships. Another benefit to CHS for using Delaware as our domicile is the courts tend to rule in favor of businesses and are accustomed to handling business mixed with regulatory issues. The insurance department of Delaware has also partnered with the business community and regulatory committees since 2009 to make sure captives are run legally and effectively. Another benefit is that Delaware is a “business friendly state government in a prime location”, because it is located a reasonable distance from New York, Philadelphia, and Washington D.C, where most business is transacted. Our group captive should be domiciled in Delaware because of the state's “modern and flexible business laws” and this is proven by more than half of publicly traded organizations including fortune 500, officially document Delaware as their legal home.

Delaware specific captive tax benefits include: having a flat rate premium tax structure. This means .2% premium tax rate on direct premiums and .1% premium tax rate on assumed reinsurance premiums, which in both cases is lower than other captive requirements. It is also important to note there are no yearly caps on premium tax payments (Delaware Captive).

How CHS Group Captive will Operate:

The group captive will be separated into 3 distinct loss layers in order to properly manage the group member’s risks. The first layer is a frequency fund, followed by a severity fund, and lastly a fixed contribution fund. The frequency fund layer functions similar to a traditional insurance deductible in the



sense that members pay for their claims without involving other members unless losses exceed a pre-set claim limit dollar amount. Essentially the risk of each college housing system is responsible for paying their own losses without sharing the risk with other universities until it exceeds a threshold amount in total claims. This is an ideal first layer because it provides an individual member incentive to control and reduce risk exposures. “If a member’s losses exceed their frequency fund premium in a year, they will be charged a Loss Experience Charge (LEC) for the overage. LECs billed to a member are capped at a multiple of the frequency fund premium (normally the multiple is one)” (Eveleigh, 2020).

The second layer of our group captive structure will be a severity fund. This layer provides excess coverage over the first layer when the per claims loss limit is surpassed. The severity fund layer will also cover unpredicted loss claims and infrequent large claims to individual members. For example, an unpredicted large loss claim for CSH would be a fire exposure in a dorm room, COVID-19, or even an active shooter situation.

The third and final layer is the fixed cost contribution fund. This layer's purpose is to fund the insurance related costs such as administrative expenses experienced by the captive. Examples of covered expenses by this fund would include: premium taxes and brokerage commissions and fees.

Select Policy Options:

The two policy options our group captive will be utilizing to ensure student tenants in college housing will be a tenant legal liability policy or a HO-4 form.

A tenant legal liability policy pays for the damage to the tenant's property if it is damaged by the tenant. An example of this would be if a tenant was cooking and started a grease fire that resulted in extreme damage to the building. The tenant legal liability option is the most basic insurance option the student can opt into as it doesn't offer coverage for medical bills, legal fees, extra expenses for living or personal property, where a traditional homeowner's policy would have coverage and additional endorsements for this.

A basic renter's policy or HO-4 form is more extensive than a legal liability policy because it covers damage to property, other's medical bills, legal fees, and extra expenses if your home is inhabitable due to damage by a covered loss. This would serve as the full coverage option for our captive group and would be more expensive than the tenant legal liability choice.

Pricing Options:

Off campus (through CHS) pricing: In order to price our captives off campus housing options for renter's insurance, we first created a coverage matrix for our three different policy options. We offered a basic policy, a standard policy, and a premium policy all with varying amounts of coverage for off campus housing. Then, we offered a separate set of options with different coverage amounts specifically to meet the needs of dorm's for students; this plan includes lower limits to accommodate dorm housing arrangements.

In order to calculate these prices, we ran our coverage matrix for each category through multiple carrier sites to compile quotes and averaged them to finalize our rates. We also acknowledged the difference in rates for various areas including a suburban area, rural area and urban areas. The three locations we tested were college housing in Philadelphia, PA for Saint Joseph's University, Keene, NH for Keene State College, and Fairfield, CT for Fairfield University. Each school varies greatly in location, student population size and housing accommodations in order to accurately reflect pricing plans for all colleges and universities in the United States that participate in our captive. (Chalon, 2020)

Dorm pricing: When a student lives in a dorm they must take into consideration the worth of the personal property that resides in the dorm. Items like laptops, TV, and expensive textbooks should all be accounted for in the coverage limit and will directly affect the premium amount. Risk exposures for these items can come from not only theft but water damage or fire. If more than one person lives in a dorm, each student must get their own individual renter's or tenant legal liability policy. We only offered two policy options, standard and premium, for dorms as their risk exposure is less complex than off campus housing.

Financials:

Our financials highlight the underwriting results from both types of coverage offered: dorm insurance and off-campus renter's insurance. CSH has 30,000 rental units that have averaged out to about 75,000 residents based on on-campus housing statistics. Using demographic data from the college board, CSH was able to determine the average number of students per university in the United States and multiply that number by the amount of colleges and universities eligible for the CSH captive. As this data was from 2019, we adjusted roughly a 25% decrease in enrollment to accommodate timing issues. From our adjusted total of 20,850,458 students, we separated the whole into subdivisions of on-and-off campus giving us our input values for developing gross and net premiums. Using our stratified data for each category of coverage, the average monthly premium of each CSH pricing option was multiplied by the number of students per pricing option to calculate the net earned premium for both dorm and off-campus housing. (Refer to Exhibit 4) A flat rate expense ratio was applied and deducted from the net earned premium totals, as the captive was able to reduce expenditures by utilizing our stratified data compared to industry averages. Loss ratios on par with market averages were established on the basis of coverage type, increasing from “Basic” to “Premium”. Our net underwriting profit for dorm and off-campus coverage is composed of the net earned premium less ultimate losses and expenses, totalling $54,991,830.63 and $22,485,133.37 respectively.

Financing Options for Students:

A unique characteristic of our captive is that we will be offering pricing plans for all our policies as the plans are all for student housing. College students need affordable insurance plans or we risk students not buying insurance at all or defaulting to coverage well below the limits they need for their property and contents. Our idea is to offer financing plans to make premium payments easier and less stressful for college students. By paying for the policy premium in full the insured will receive an 8% discount on the total premium. If the insured pays in two payments they will receive a 5% premium discount and if they pay in more than two payments, the student will be paying for the full amount of insurance. Another option is to utilize third party administrators to finance the premium for a small percentage. This offers capital benefits to the captive compared to financing their own premiums because they would receive all the premium up front. In creating a financing plan, we hope to appeal to young student populations of universities and encourage them to buy the right amount of coverage for their off-campus housing or dorm.

Profit Utilization:

We plan to use our profits from the group captives in a couple different ways. Firstly, if our profit margin is too high, a portion of the sum will be booked to reserves upfront. We would then plan to return a portion of our earned premiums back to students in the form of a credit for their next year’s renting period. Lastly, a majority of our profits will be utilized in investment income.

Conclusion:

Group captives are a great alternative to traditional insurance methods and are a perfect match for a unique risk such as college dorm and off-campus housing for students. With the large number of students and universities in the United States, captives provide a large enough number of members in order to make for a profitable and well-run captive. Also, with enrollment remaining constant each year, there is a sustainable source of revenue available each year. Our captive requires a large number of college and university participants because of the low premium for student renter's coverage and with over 20 million students in college right now, it provides the perfect opportunity for growth and profitability.

Financial Exhibit References:

Exhibit 1:

CICA Quotes		5423 Wynnefield, Philadelphia, PA			1289 Fairfield Beach Rd, Fairfield CT 06824				81 Ralston St, Keene NH 03431		
Urban		Monthly Premium		***Suburban***				***Rural***			
Company	**Basic**	**Standard**	**Premium**	**Company**	**Basic**	**Standard**	**Premium**	**Company**	**Basic**	**Standard**	**Premium**
Lemonade	$7.75	N/A	$18.34	Lemonade	$5.57	N/A	$14.67	Lemonade	$5.00	N/A	$10.25
Geico	$14.59	N/A	$20.34	Geico	$15.25	N/A	$23.42	Geico	$16.17	N/A	$24.25
Nationwide	N/A	$14.31	$16.39	Nationwide	N/A	$18.36	$20.83	Nationwide	N/A	$8.73	$9.43
Farmers	$13.50	N/A	$24.83	Farmers	$14.65	N/A	$22.80	Farmers	$12.47	N/A	$14.32
The Hartford	N/A	$11.33	$13.50	The Hartford	N/A	$11.67	$13.33	The Hartford	N/A	$9.75	$10.25
Travelers	$10.42	$11.25	$12.54	Travelers	$12.50	$13.75	$15.17	Travelers	9.75	10.17	11.75
Total Average Premium:	**$11.56**	**$12.30**	**$17.66**		**$11.99**	**$14.59**	**$18.37**		**$10.85**	**$9.55**	**$13.37**
Rounded Up	$12	$13	$18		$12	$15	$19		$11	$10	$13

Exhibit 2:

Off Campus Housing				Dorm Housing		
Underwriting Matrix				**Underwriting Matrix**		
Policy Type:	**Basic**	**Standard**	**Premium**	Policy Type	**Basic**	**Premium**
Personal Property	10,000	15,000	20,000	Personal Property	5,000	20,000
Personal Liability	100,000	200,000	300,000	Personal Liability	100,000	300, 000
Portable Electronics	1,500	2,000	3,000	Portable Electronics	1,500	3,000
Loss of use	3,000	5,000	6,000	Loss of use	1,500	6,000
Medicial Pay. Others	1,000	3,000	5,000	Medicial Pay. Others	1,000	5,000
				Premium:	$9	$11

Exhibit 3:

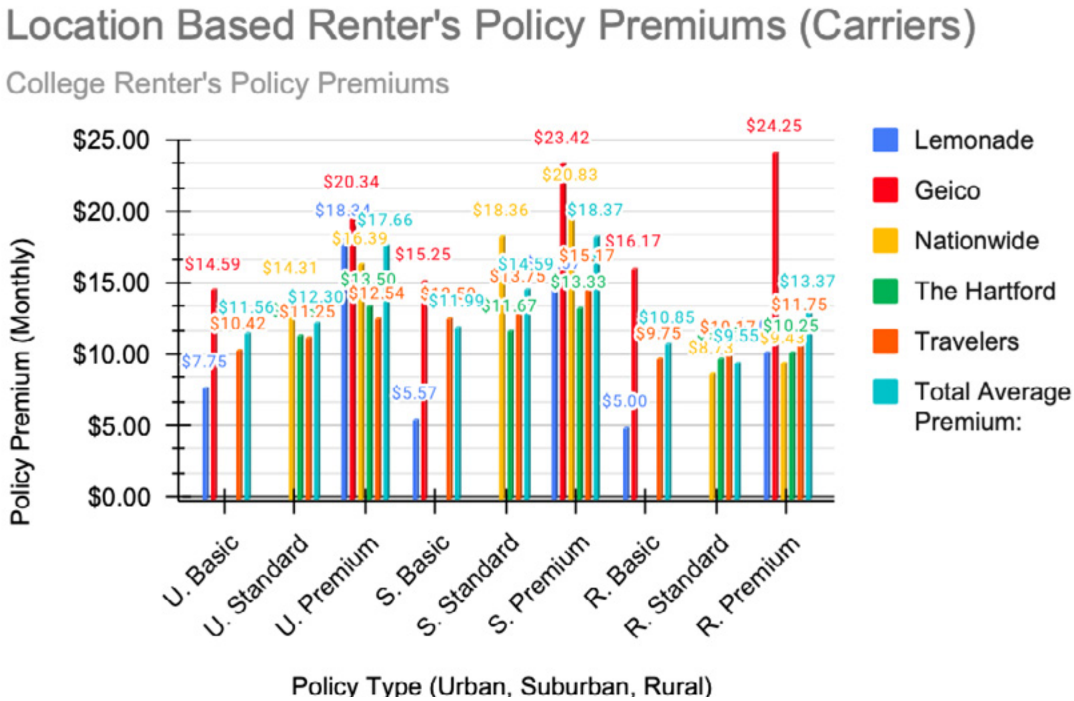
				Calculation Notes:
CSH (parent)	75,000			Dorm more than 1 student
Average students per university	4,834			Enrollment is down ('19)
Colleges and Universities	4,298			*20,775,458*
number of students	**20,850,458**			
Dorm Housing	10,842,237.90			52.00%
Off Campus Housing	10,008,220			48.00%
	20,850,458			

Exhibit 4:

Off Campus				
Names	**Basic**	**Standard**	**Premium**	**Total**
% students each category	30%	50%	20%	100%
# students each category	3,002,466	5,004,110	2,001,644	10,008,220
Policy Price	$11.67	$12.67	$16.67	$41.00
Price Total (earned premium)	$35,028,768.60	$63,385,390.80	$33,360,732.00	$131,774,891.40
Combined Ratio	78%	83%	88%	83%
Loss Ratio	58%	63%	68%	63%
Expense Ratio	20%	20%	20%	20%
Net Underwriting Profit	$7,706,329.09	$10,775,516.44	$4,003,287.84	**$22,485,133.37**

Dorm			
Names	**Basic**	**Premium**	**Total**
% students each category	60%	40%	100%
# students each category	6,505,343	4,336,895	10,842,238
Policy Price	$9.00	$11.00	$20.00
Price Total (earned premium)	$58,548,084.66	$47,705,846.76	$106,253,931.42
Combined Ratio	46%	51%	49%
Loss Ratio	31%	36%	34%
Expense Ratio	15%	15%	15%
Net Underwriting Profit	$31,615,965.72	$23,375,864.91	**$54,991,830.63**

Exhibit 5:


Location Based Renter's Policy Premiums (Carriers)
College Renter's Policy Premiums
Policy Premium (Monthly)
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
$14.59
$10.42
$7.75
$11.56
$14.31
$12.30
$11.25
$20.34
$17.66
$16.39
$13.50
$12.54
$15.25
$11.99
$5.57
$18.36
$11.67
$23.42
$20.83
$18.37
$15.17
$13.33
$16.17
$10.85
$9.75
$5.00
$9.55
$24.25
$13.37
$11.75
$10.25
U. Basic
U. Standard
U. Premium
S. Basic
S. Standard
S. Premium
R. Basic
R. Standard
R. Premium
Policy Type (Urban, Suburban, Rural)
Lemonade
Geico
Nationwide
The Hartford
Travelers
Total Average Premium:

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Joseph Simmons and Jake Smedley

What interested you about the CICA Essay contest Using Captive Insurance to Better Manage Risk, Improve Your Bottom Line?

Jake Smedley: I was attracted to the CICA essay contest by our professor Michael Zuckerman. During our capstone class, taught by him, we learned a great deal about captives and different captive arrangements.

I felt that the knowledge I learned from this class would put me in a good position to write a competitive essay for this contest. I also think that the CICA provided interesting prompts for the contest.

This allowed Joe and I to stay engaged and interested throughout the entire process.

Joseph Simmons: I learned about captives in my course with professor Michael Zuckerman, who shared the CICA Essay Contest with us.

Jake and I felt that while learning about captives, we could write a competitive essay for the contest.

Jake Smedley, Temple University

I am a senior risk management and insurance major at Temple University in Philadelphia. Upon graduation, I will be relocating to New York to join Marsh as a TRAC associate. In my time not in class, I referee the NCAA D1 women's ice hockey for the College Hockey America Conference. During my free time, I enjoy playing golf and watching sports with my friends.

Joseph Simmons, Temple University

I am a graduating senior in Temple University's risk management programme, in Philadelphia. I am a graduate of Notre Dame High School in Easton. I currently work as an intern for InsuranceNerds.com, as well as part-time for reThought Insurance, where I will become a full-time underwriter upon graduation. I also enjoy golfing and watching sports in my free time.

How did you decide to pair up as a team?

Smedley: The decision for Joe and I to work together was fairly simple. We are roommates at Temple University and are both in the risk management programme.

Simmons: Jake and are friends and roommates at Temple. We are both students in the risk management programme and have helped each other with our studies in the programme. It was an easy decision for us as we have had success in working on group projects together in the past.

How did you work together on your essay given in our current virtual world? Were you both on campus, or did you work together remotely?

Smedley: Joe and I are roommates at Temple University, so we were able to work on this essay together in person. We were able to work virtually with our Strategic Risk Solutions' mentor Tempe and our Professor Michael Zuckerman.

Simmons: Jake and I are roommates, so we were able to work together in person. We met virtually with our assigned mentor, Tempe Robins, who was very helpful throughout the writing process.

Why did you pick classic auto sales?

Smedley: Joe and I felt that class auto sales and collision centres had the greatest need for a captive insurance solution. Our captive programme brings a benefit not only to collision auto sales but to their customers as well.

"We had a base knowledge of captives from our coursework at Temple. We were able to take a deeper dive into elements of a captive such as its domicile and structure"

Simmons: We picked classic auto sales because it presented a unique opportunity to create a captive that not only benefits the parent, but its customers as well.

Did you have much knowledge on this subject before undertaking your research? Has your impression changed since developing your essay?

Smedley: As risk management students at Temple University, Joe and I have been exposed to many different aspects of insurance, including captive. We have taken courses that go over the fundamentals of what a captive is and how it is structured.

Joe and I also have experience working in the MGA sector of the industry, which allowed us to understand the fronting arrangement we used in the essay. I believe that captive arrangements will play a major role in the industry moving forward as the current insurance market continues to harden.

Simmons: We had a base knowledge of captives from our coursework at Temple. We were able to take a deeper dive into elements of a captive such as its domicile and structure.

How was captive insurance helpful for your chosen industry?

Smedley: A captive solution helped classic auto to better control its costs and also created customised policies at a lower premium for its customers. Traditional auto insurance is not tailored towards classic car users.

The premiums are high and special needs, such as high repair costs, and appreciation in value are not recognised. Our captive solution will allow policyholders a menu of options to choose from to create the best coverage for them.

Simmons: A captive provided an opportunity to create a one-stop-shop for auto purchasing, repair, and insurance that serve the unique needs of the classic auto market.

What did you learn about captive insurance while researching and writing your essay?

Smedley: I learned that captives are not one size fits all. They can be customised and tailored to meet the specific needs of the parent. For example, Joe and I created a captive that provides a menu of options for its customers. We recognised that classic car owners are not one size fits all and they needed coverage that was specific for them.

"A captive solution helped classic auto to better control its costs and also created customised policies at a lower premium for its customers. Traditional auto insurance is not tailored towards classic car users"

Simmons: I learned that captives are a tool in the insurance industry that allows its parent to be creative in serving its insurance needs.

Would you consider a career in captive insurance?

Smedley: Yes! After completing this essay, my knowledge of captive insurance solutions was enhanced. The opportunities that will come from captives seems very interesting and exciting to me. I look forward to seeing how captives will play a role in the insurance industry in the near future.

Simmons: I am entering the insurance industry upon graduation as a flood insurance underwriter. I hope to remain in the climate risk field and to see if a captive programme could potentially serve this market.

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TEMPLE UNIVERSITY:

Jake Smedley and Joseph Simmons

CLASSIC AUTO SALES AND COLLISION CENTERS

Executive Summary

Classic Auto Sales has an opportunity to address a commercial insurance challenge for its customers and create new profit sources in doing so. Many of Classic Auto Sales' customers argue that their classic auto insurance coverage does not meet their unique needs. To determine how to address this issue, we will take a look into the classic auto industry and the current insurance landscape. Classic Auto Sales will then perform a feasibility study to determine if a single parent fronting captive arrangement is an appropriate solution to these issues. In addition, the study will determine if implementing loss control and risk management techniques can produce a profit for the company.

Introduction

We are Joe Simmons and Jake Smedley, senior Risk Management & Insurance majors at Temple University. Joe is pursuing an underwriting career in the climate risk field. He is currently an underwriting intern at reThought insurance corporation, and will be joining the company full-time upon graduation. Jake is pursuing a career on the brokerage side. He is currently an insurance operations intern at Transverse Insurance Group, and will be working as a TRAC associate at Marsh upon graduation. We have combined Joe's underwriting knowledge with Jake's knowledge of fronting arrangements to collaborate on this essay.

Classic Automobile Industry

Defining a Classic Automobile

Classic Auto Sales serves purchasers and owners of classic and sports automobiles. A classic car is defined as an automobile, "built in limited production numbers and were quite expensive when new" and, "represent the pinnacle of engineering, styling and design for their era", according to Classic Car Club of America (Classic Car Club). Classic and sports cars include antiques (25-30 years old), hot rods and modified vehicles, exotic and luxury vehicles, muscle cars and trucks, and classic military vehicles, according to the Insurance Information Institute (III).

Classic automobile owners typically purchase their vehicles for different reasons than a traditional car owner. Classic cars are often purchased as either an investment or a hobby for the owner. The owner will either restore or upgrade their vehicle either to sell at an auction or display at a car show. Classic car usage also differs from traditional car usage. John Huffman, a contributing editor at *Cars and Dealers* magazine, commented "they're normally not used every day, they're driven a few miles every year, and their true value usually has nothing to do with depreciation" (Person). Wear and tear damage is typically more severe on classic automobiles compared to traditional automobiles. Sun damage on classic autos can be severe. It can cause paint to burn, bleach a convertible top, and burn plastic on a dashboard. Extreme heat also poses problems, including: melting/warping interior plastics, deforming leather, or melting glue to detach cloths (Ramey).

Current Insurance Landscape

The differences in value and usage of classic automobiles compared to traditional automobiles have caused the insurance industry to evaluate the risk in a different manner. Carriers such as Hagerty, State Farm, and American Modern Insurance Group have developed classic auto insurance products to cater to the specific needs of classic automobile owners.

The Insurance Product

To qualify for specialty classic auto coverage, the automobile must meet a limited usage requirement. Qualifying automobiles cannot be used for everyday commuting and errand running. Insurers may impose a mileage restriction on these automobiles to limit usage. Insurers may impose other restrictions, such as adequate storage and condition requirements, as well as disqualifying drivers who have serious offenses on their driving record (III).

A classic automobile insurance policy also differs from the traditional market in terms of the value of replacing or repairing the automobile. Traditional auto insurance policies insure a car based on Actual Cash Value (ACV). This value is calculated by subtracting depreciation from the vehicle's replacement cost in order to reflect its book value. Traditional automobiles depreciate in value over time. However, classic automobiles may gain value over time. To account for this, classic automobile policies offer coverage at an agreed value. Insurers determine this price using methods such as appraisal value or auction price. Collision coverage also differs from that of a traditional policy. Classic automobile policies often provide the insured coverage for specialized repairs or restorations to their vehicle, as traditional collision centers may not possess the expertise to service a classic auto (Hagerty).

Commercial Insurance Issues

Classic Auto Sales has experienced customers who wish that their insurance coverage would be more tailored to their specific needs. Automobile owners who rarely drive their classic auto and mainly store it in a garage as an investment complain that their premiums do not reflect the minimal usage of their car. In contrast, high-end sports car owners who drive their automobile regularly complain about the mileage restrictions that their insurer places on their vehicle.

Many of Classic Auto Sales customers are very passionate about their vehicles. These customers take very good care of their automobiles, and would like to be rewarded for doing so. Some customers store their vehicles in personal or commercial climate-controlled garages or facilities. Classic's customers are not seeing an insurance benefit to taking extra care of their vehicles.

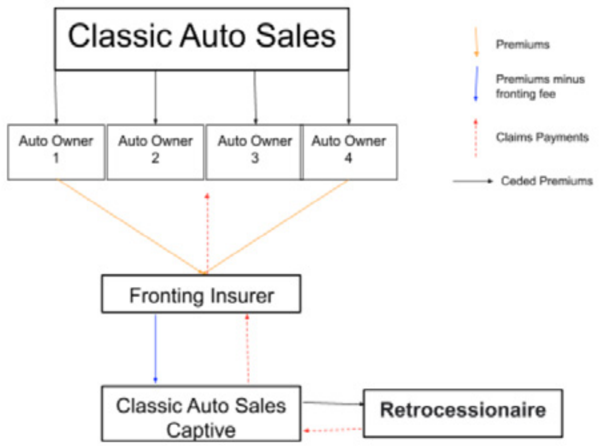
Single Parent Fronting Captive Solution

Classic Auto Sales would like to provide a solution to its customers' insurance needs in addition to its sales and collision services. The company will perform a feasibility study to determine if a single-parent fronting captive is a proper solution for its customers. The proposed single-parent fronting captive will offer a custom-made manuscript policy to Classic Auto Sales' customers. This will provide them with a menu of coverage options specifically tailored to their insurance needs. A captive solution will allow the company to provide solutions in terms of affordable premiums and customized coverage.

Captive Structure

The proposed captive would be a single parent fronting based captive domiciled in Vermont. Classic Auto Sales customers will pay premiums to the fronting carrier, who will then collect a 5% fronting fee, and transfer the remaining amount to the captive insurer. The fronting fee will cover administrative responsibilities including underwriting, policy administration, and claims processing and handling. The selected fronting carrier will be experienced in specialized auto coverage in order to receive an advantage in expertise and a proper fronting carrier fee rate. Claims will be paid by the captive through the fronting insurer. Figure 1 below illustrates the structure of the proposed captive (Captive).

Figure 1. Captive Structure



Policy Options

Classic Auto Sales' captive solution will include policy provisions to serve the insurance needs of its customers. In addition, it will also offer a menu of coverage options to serve the specific needs of each customer. These features include favorable value agreements, mitigation discounts, and mileage customization to address the problems that Classic Auto Sales' customers face in purchasing coverage from the existing insurance market.

Classic Auto Sales will offer its captive members replacement cost coverage for their vehicle. This value agreement is the most beneficial to the members, due to the fact that classic cars are often purchased as an investment, and can gain value over time. This replacement cost value will be predetermined by an in-house appraiser at Classic Auto Sales before the policy period begins. The appraiser will base this value upon trusted industry sources, such as auction prices.

The proposed captive will also allow members who take proper care of their automobiles to be rewarded with premium discounts. These discounts will be provided to members who properly store their vehicles in climate-controlled facilities, as opposed to exposing the vehicle to detrimental weather conditions. The captive will seek partnership with CubeSmart storage facilities, and provide premium discounts to members who store their vehicles in their facilities when not in use.

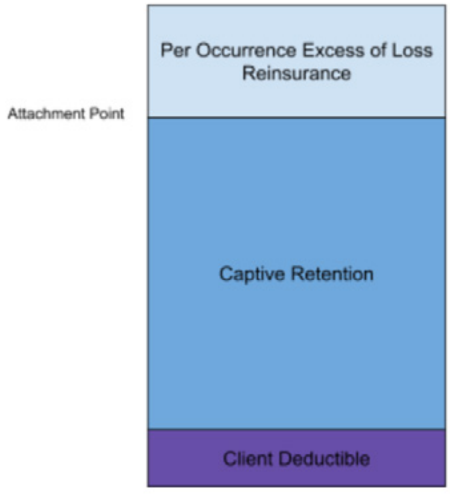
Classic Auto Sales will provide a solution to its members who would like their premium to more accurately reflect their vehicle usage. This will be done through a pay-per-mile premium structure option, in addition to the traditional mileage limits seen on classic auto policies. The pay-per mile option will require policyholders to submit time stamped pictures of their odometer at the beginning and end of the policy period so the captive can keep track of usage. Traditional mileage limits may be exceeded by frequent drivers, for an additional premium increase. This premium structure will benefit members who rarely use their automobile, as well as members who would like the ability to drive more frequently than traditional limits permit.

Loss Control

A major benefit of the captive structure will be the ability for Classic Auto Sales to uniquely implement loss control techniques. This structure will allow the company to control costs associated with insuring classic automobiles, such as repair costs and accumulation risk. The captive will require its members to get their automobiles repaired at a Classic Auto Sales collision center. Classic Auto Sales will benefit from this agreement because it has the ability to control labor and expense costs that it would otherwise pay to a third-party collision center.

Another risk in insuring classic automobiles is accumulation risk. Many classic car owners attend trade shows and auctions. Classic Auto Sales could potentially face a situation where many of its insured vehicles are exposed to a loss at the same event. For example, thousands of high-end and classic automobiles are present at the annual Barret-Jackson Vintage Car auction (Barret- Jackson). If a catastrophic loss event, such as a fire or hurricane, occurs at this event, Classic Auto Sales could receive a large number of claims. To address this exposure, the captive will enter into a per-occurrence excess of loss reinsurance agreement. This will provide catastrophic coverage for the captive in the event the loss exceeds the agreement's attachment point. Figure 2 illustrates this arrangement below.

Figure 2. Captive Reinsurance Agreement



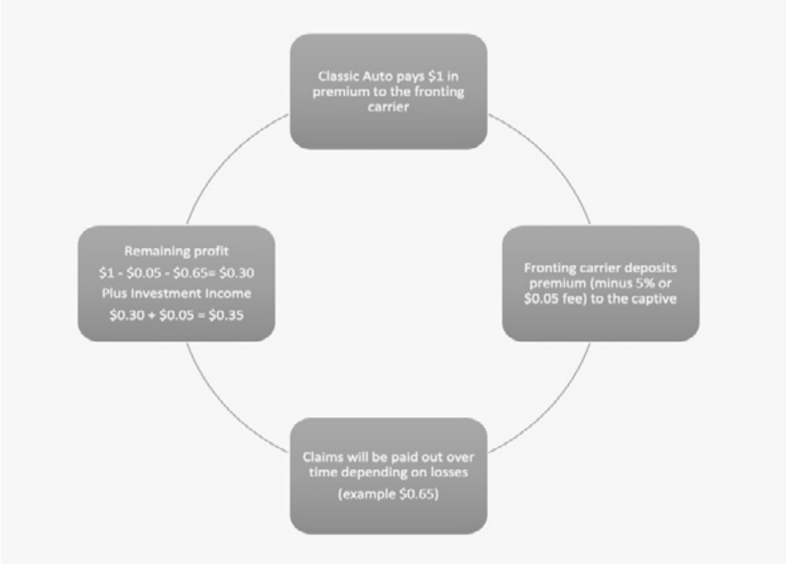
<u>Benefits of a Single-Parent Fronting Captive</u>

Vermont Domicile- The proposed captive will be domiciled in Vermont. Vermont is one of a small group of states in which its regulation allows for a captive to provide auto liability coverage on a reinsurance basis. Within this group, Vermont was chosen due to the fact that it provides superior tax advantages compared to other states with the ability to provide auto liability (Vermont). The captive's functions will be administered by a captive manager, who will ensure that all financial and regulatory requirements are met.

Admitted Paper- Due to the regulatory nature of auto insurance in the U.S., a fronting arrangement is a necessary component of the proposed captive. All auto insurance policies must be written by a licensed carrier in a given state. The fronting carrier, as a licensed insurer, meets regulatory requirements needed for the captive to insure its customers.

Profit- Another benefit of the captive structure is the ability for Classic Auto Sales to profit from favorable loss periods. Figure 3 below shows the captives profit structure.

Figure 3. Profit Structure



The captive insurer will receive the full benefit of all investment income, as it can use this funding to pay losses or retain it as profit. Underwriting profit is another major contributor to the total profitability of the captive. The captive can retain premium dollars that are not spent paying out member's claims. The arrangement will allow for the fronting carrier to leverage collision repairs data provided by the parent. This will allow for underwriters to accurately estimate repair costs, and properly factor this into the premium. Over time, the captive will build a retained earning surplus. The retained earnings are used to build policyholder surplus so the captive can expand its offering over time, pay dividends to Classic Auto Sales, or reduce premium charged to the car owners. Classic Auto Sales will benefit from the cash flow provided by the captive arrangement. Monthly premium payments will allow the company to rely on a steady flow of income. The captive arrangement will also allow for Classic Auto Sales to manage its expense costs.

Conclusion

The proposed single-parent fronting captive will provide benefits to Classic Auto Sales and its member customers. Members will benefit from potentially decreased premiums, as well as coverage that is specifically tailored to their insurance needs. Classic Auto Sales will enjoy profit from investment income and loss control measures. Both parties will benefit from the creation of a one stop shop for auto purchasing, collision repair, and insurance coverage.

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Natalie Kojababian and Terra-Lynn Tokiwa

What interested you about the CICA Essay contest Using Captive Insurance to Better Manage Risk, Improve Your Bottom Line?

Natalie Kojababian: I had participated in CICA's essay contest the year prior where I expanded my interests in captive insurance. Throughout the year I learned more about captives and wanted to undergo the essay competition again to challenge myself and try something new.

Terra-Lynn Tokiwa: I was interested in sinking my teeth into the topic of captive insurance, in order to better understand that area of the insurance industry as a whole.

Prior to the CICA Essay Contest, I had minimal experience on the topic so I wanted to broaden my knowledge on the subject so that way I would be better prepared when I enter the industry after I graduate.

Natalie Kojababian, University of Southern California

I am a senior at the University of Southern California majoring in business administration and risk management. I have had two prior underwriting internships and participated in DE&I initiatives this past summer as well. I am the current GammaSAID officer of USC's GIS Chapter and was recently a TA for one of the risk management classes USC offers. After graduation, in May 2021, I will start my full-time job as an associate underwriter at AmWINS Access in Woodland Hills.

Terra-Lynn Tokiwa, University of Southern California

I am a senior studying business administration with an emphasis in risk management at the Marshall School of Business at the University of Southern California. I have been secretary of USC's Gamma Iota Sigma chapter for the term of 2020 to 2021 and I have prior internship experience with Tokio Marine America, SpottedRisk, and Tokio Marine HCC. Following graduation I will be joining Beazley's Underwriting team in Atlanta to work as an assistant underwriter.

How did you decide to pair up as a team?

Kojababian: I reached out to Terra-Lynn because I felt like our backgrounds and experiences were complementary to one another and would form a strong team. Terra is also a great friend of mine so I knew it would be easy to work with her. Together we were able to successfully put our knowledge from our risk management classes at USC and our former internships to practice and create a group captive.

Tokiwa: Originally, Natalie reached out to me, to see if I was interested in working with her on this project. Prior to the CICA Essay contest, Natalie and I have worked together as board members in USC's Gamma Iota Sigma chapter so I knew we would make a strong pair. After she reached out to me we hit the ground running.

How did you work together on your essay given in our current virtual world? Were you both on campus, or did you work together remotely?

Kojababian: Terra-Lynn and I worked together remotely because she was in the Bay area and I was in Los Angeles at the time. We also were managing finals while working on the essay because of USC's new Fall schedule. It was easy for us to work together remotely because we had been doing so with our GIS Chapter and all of our classes throughout the semester.

Tokiwa: With both Natalie and myself being in two different areas of California, Natalie in Los

Angeles and myself in the Bay Area, we had to work remotely on this project. With our classes and our other joint projects being virtual we had no issues when it came to working on this project in a virtual environment.

Why did you pick college student housing?

Kojababian: I thought college student housing was a good pick because USC tries to expand on their student housing every single year because of its growing population in the Los Angeles area. I felt that I was so familiar with hearing about the topic but never viewed it as an industry disruption until I looked at it from the perspective of captives or something difficult to insure for that matter.

Tokiwa: We picked the topic of College Student Housing because it is a problem that truly affects our lives. Being college students, we have always had struggles when it comes to obtaining housing and viewing it from a risk management and insurance perspective really enlightened us on the situation as a whole.

Did you have much knowledge on this subject before undertaking your research? Has your impression changed since developing your essay?

Kojababian: I had prior knowledge about the Captive industry because I participated in CICA's essay contest last year as well.

My knowledge and interests definitely grew after participating in the year prior. However, I did not have knowledge of the topic we chose because it was not my area of focus at all. It was a great experience and opportunity to try something new.

Tokiwa: Prior to our research, I had some knowledge pertaining to captives due to my work within the risk management programme at USC and the corresponding courses however, this was my first time deep-diving into the subject.

I think my impression has changed since developing this essay because prior to our work, captives were simply a topic that I had learned about in class but now, with our research we developed one to solve a real problem in the insurance industry.

How was captive insurance helpful for your chosen industry?

Kojababian: Captive insurance was helpful for College Student Housing because this is a sector that experiences frequent and large losses on a regular basis and has become increasingly more difficult to insure over the years.

In addition, we highlighted the way the COVID-19 pandemic has affected this risk and discussed the captive insurance may be the only way to go when handling this industry disruption.

I think this is particularly important and interesting for captive professionals to take into consideration because this risk can be protected through a single and group captive.

Tokiwa: Captive insurance is incredibly helpful to the insurance industry because it helps solve a problem that many companies are facing with our current climate. In order for companies and clients to mitigate potential large risks, captives provide them with the opportunity to minimise and mitigate those risks that might be most detrimental. Without captive insurance, companies might not be able to resolve risks that other insurance policies cannot solve.

What did you learn about captive insurance while researching and writing your essay?

Kojababian: I learned that captive insurance is a form of risk management that makes the impossible, possible. When handed a particularly large risk that would immediately get rejected if handed to an underwriter or carrier, it is in the best interest for them to go with the route of a captive.

Tokiwa: While researching, I learned that captive insurance can truly help companies achieve any goal when it comes to mitigating risks. Even if an insurance carrier doesn't wish to cover a certain risk a captive can cover it with ease making it a saviour for companies.

Would you consider a career in captive insurance?

Kojababian: Last year, when I participated in CICA's essay contest I did not consider a career in captive insurance. However, I think this is something that I might attempt in the future if presented with the opportunity.

I think captives are fun and creative as well as challenging and I feel this would be a great opportunity to pursue as I gain more experience and knowledge with the industry throughout my work.

Tokiwa: I would highly consider pursuing a career in captive insurance as long as it was with a company that had the global reach that I wanted and had a diverse array of clients. In addition, making the work environment and clientele dynamic would help to always keep me interested in captive insurance along with upholding my passion.

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2020-2021 CICA Student Essay Contest

Using Captive Insurance to Better Manage Risk, Improve Your Bottom Line

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Natalie Kojababian and Terra-Lynn Tokiwa

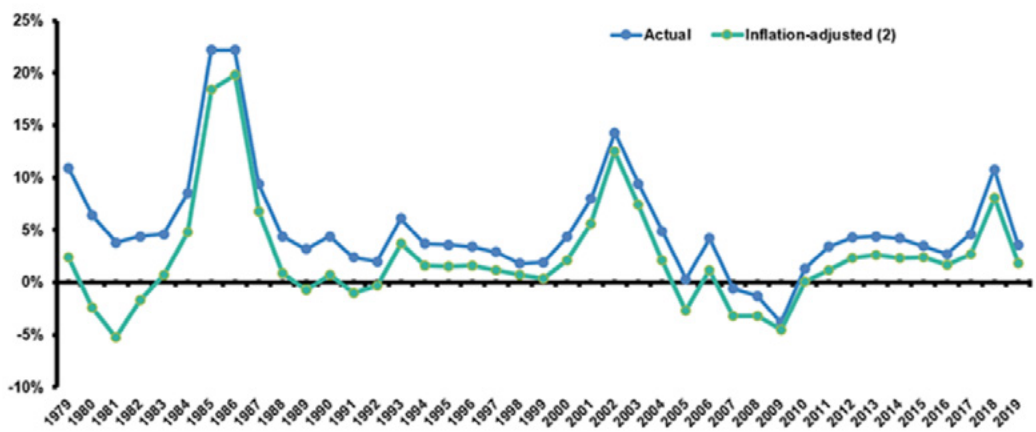
COLLEGE STUDENT HOUSING

Introduction to College Student Housing

OVERVIEW

Over the past year, college student housing has faced a myriad of economic risks due to the COVID-19 pandemic. Many student tenants are seeking rent concessions and the current property and casualty market is receiving higher demand for coverages with an overall reduction in capacity. As the property and casualty markets are hardening, it is becoming increasingly difficult for college housing property owners to find suitable coverage due to property damage, habitational limitations and clauses, increase in crime rates amongst college students, and lack of investment track records.[1]

Percent Change From Prior Year, Net Premiums Written, P/C Insurance, 1979-2019 (1)



(1) Excludes state funds and other residual market insurers.
(2) Adjusted for inflation by ISO using the GDP implicit price deflator.

Source: ISO®, a Verisk Analytics® business.

[1] "Market Conditions: Cycles And Costs." III, April 14, 2020. https://www.iii.org/publications/commercial-insurance/how-it-functions/market-conditions-cycles-and-costs.

PROPERTY DAMAGE AND COVERAGE

In general, property owners are subject to certain risks associated with their tenants. These risks are common and typically assessed by an underwriter at the beginning of the underwriting process. This includes, risk of fire triggered by tenant-owned kitchen appliances, property damage due to lack of care or dangerous activity, and vandalism. Oftentimes to mitigate these risks, student housing landlords retain a property manager to implement certain precautions for the tenants. Essentially, rules and regulations are set by the owner and enforced by the property manager. These rules would entail not allowing certain equipment that could cause power outages, fires and other damages to occur from equipment such as high voltage refrigerators, heated hair tools, smoking devices, additional H/VAC units and even liquids being kept near outlets. Unfortunately, over time, property owners have seen such risk management tactics to be unsuccessful. Frequent and large claims have increased the cost of their risk to unfeasible levels or even to termination of coverage.

LIABILITY LIMITATIONS AND EXCLUSIONS

In the event that owners can qualify for property insurance coverage, they could encounter excessive exclusions and limitations within the policies enabling their insurance company to deny certain claims. Additionally, if they do qualify for coverage and sustain an insurable event, their tenants are often excluded from that coverage. If a tenant's personal property is damaged, compromised, stolen, or if a non-tenant is injured in the property, the tenant is not insured along with the property coverage the landlord has purchased. This exposes the tenant to losses which could occur in their rented space and not protect them or the property owner from those losses.

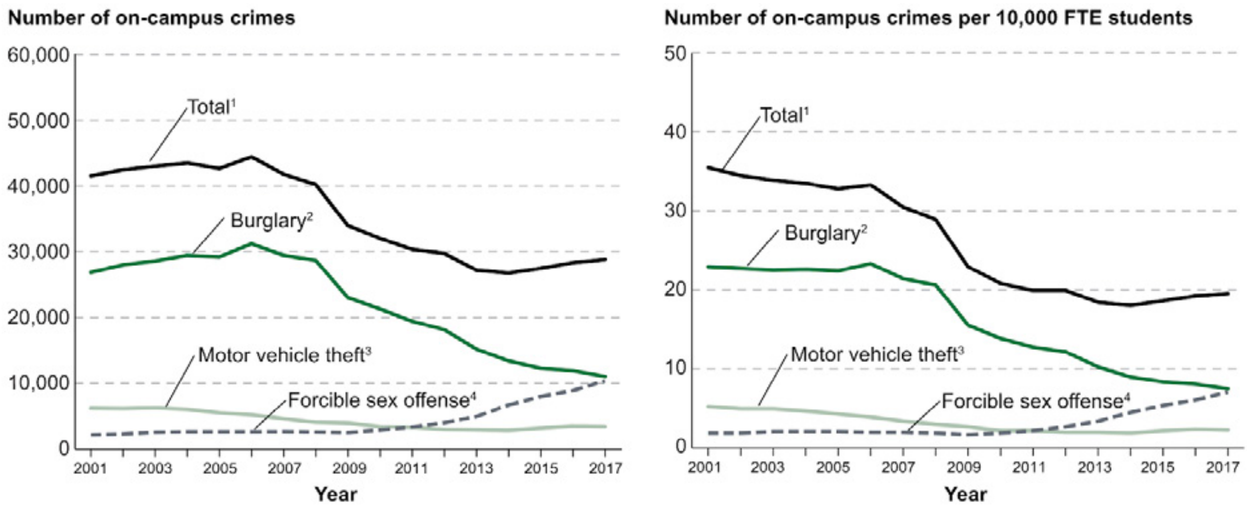
It is important to note, in the current COVID-19 climate, changes in market conditions have arisen causing unforeseen losses to occur in a short amount of time. Furthermore, property owners are facing additional risks due to habitation exclusions noted in the policies purchased by landlords. Insurance policies typically have some form of contractual language enforcing the "*force majeure clause*" which is often used by insurance companies. This clause limits or removes liability for injuries, damages to property or losses caused by the *acts of God,* such as natural disasters (i.e., floods or earthquakes). Due to this clause, students from various universities nationwide have filed lawsuits against their landlords to break their leases and cease paying monthly rent due to an *act of God*, in this case, a world-wide pandemic. Students breaking contractual leases equates to property owners losing monthly income, providing the opportunity for loss of income claims to be filed, due to COVID-19. This scenario inevitably causes premium inflation over time making future policy renewals by the property owner to be unaffordable or viable for their risks.

CRIMES

Property owners face a variety of risks, however the crime rate within the college student housing market remains prominent. These crimes include a variety of risks such as robbery, theft, and vandalism which can materially impact property owners.[2] With College Student Housing populated by young renters, with ages ranging from eighteen to twenty-two, there is a heightened risk to property owners due to negligence in their renters' behavior. Insurers and property owners must consider that college students are proven to be more reckless, self-serving, and unbeknownst to the repercussions for their actions than other insurable populations. Similarly, to how insurance carriers assess the risks for the auto market, property owners should be aware that insurers consider the ages of the renters within their risk pool, increasing premiums as applicable. Moreover, on-

[2] Wang, Ke, Yongqiu Chen, Jizhi Zhang, and Barbara Oudekerk. "Indicators of School Crime and Safety: 2019." National Center for Education Statistics, 2020. https://nces.ed.gov/pubs2020/202006.

campus crime rates have slowly been increasing by two percent every year since 2013; this includes crimes such as burglary, theft, sexual offenses, vandalism, and other potential high-risk activities.[3]



These higher crime rates result in higher premiums that property owners within the market will have to face. However, it is important to understand that COVID-19 has affected the situation in a variety of ways. One of which being that with many students not returning to universities due to the closure of campuses, crime has decreased, however, the rates remain the same. Within the University of Southern California's Department of Public Safety Incident Log, it is important to note that over the month of September in 2019, the first full month of academics, crimes related to property was estimated at 29.6%. This percentage includes vandalism, burglary, damage to property, and theft around the university's campus.[4] Although COVID-19 has limited the number

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[3] "The NCES Fast Facts Tool Provides Quick Answers to Many Education Questions (National Center for Education Statistics)." National Center for Education Statistics (NCES) Home Page, a part of the U.S. Department of Education. Accessed November 23, 2020. https://nces.ed.gov/fastfacts/display.asp?id=804.

[4] Tokiwa, Terra- Lynn. "USC Incident Report Data September 2019." Created November 23, 2020. https://docs.google.com/spreadsheets/d/1OTDjqYcSyzxOui_jpzan9YRhbUdAg-5MjwjVPMCKnC0/edit#gid=0

of students on campus, the pandemic has not decreased the amount of crime that affects the college student housing market.

GROUP CAPTIVE SOLUTION

College Student Housing ("CSH") will undergo a feasibility study for the creation of a group captive to provide the needed liability and property coverages for its members. Essentially, the captive will issue two policies: one for the owner and one for the renter. The association contains hundreds of student tenants, landlords, property managers and student housing apartments in the United States. By aggregating the risks of these populations nationwide, a group captive insurance company will be a viable solution to assist its members and insureds in gaining a more comprehensive insurance product while addressing property damage and crime issues through the creation of top management procedures and loss control practices.[5]

The proposed group captive will be domiciled in the Cayman Islands. Having the captive on shore was considered since many states have a strong history of supporting captive insurance companies, however, domiciling the captive offshore will be a good option for CSH who is in need of a more financially accommodating domicile. Therefore, though a local U.S. domicile option could be viable it is most beneficial for CSH to domicile in the Cayman Islands, ensuring the long-term success for the group captive pertaining to these particular risks.

The following chart depicts the proposed structure of CSH's group captive.[6]

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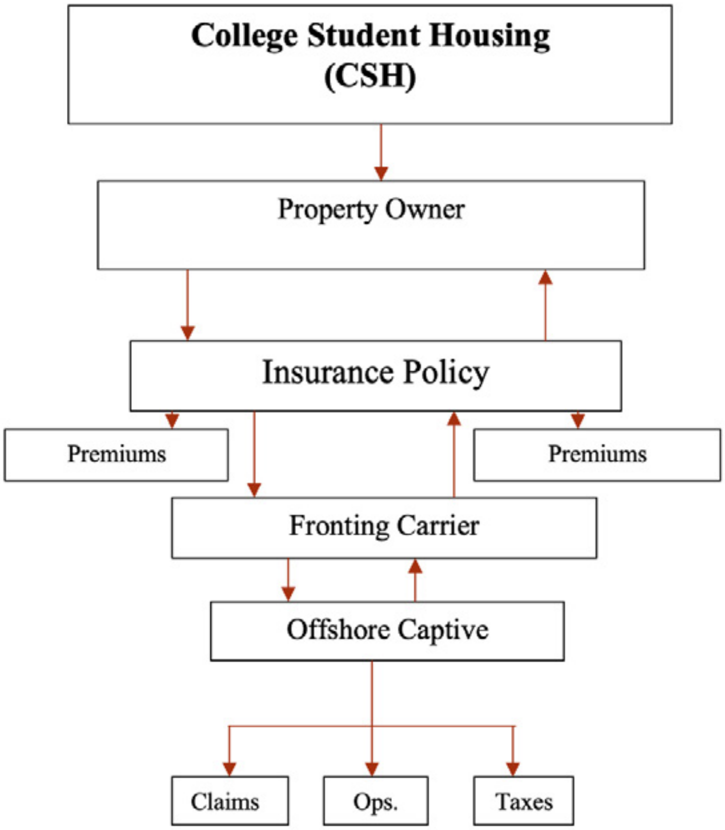
[5] "Background on: Captives and Other Risk-Financing Options." III, 2020. https://www.iii.org/article/background-on-captives-and-other-risk-financing-options.

[6] MacGinnitie, Doug, and Kim Bunting. "River Oak Risk: Return on Risk." Riveroakrisk.com, n.d. http://riveroakrisk.com/wp-content/uploads/ROR-1PG-WebBrchr-TenantLiability.pdf.



CSH will have to arrange an admitted commercial insurance company to provide fronting services. The front will be charged with the administration of issuing the policies, invoicing/collecting premiums and the claims administration. The premium for both property owners and enrolled tenants will be remitted to the fronting carrier and then ceded to CSH's captive. Due to the spread of risk and size of insurable population, the captive will be funded applicably to assume 100% of the risk from the front. The commercial carrier will cede all premiums, less the fronting fee, and taxes collected on premiums written. A monthly bordereau will be provided to the captive with details of policies issued and claims activity. These reports will be used to reconcile the monthly cash remittance to the captive insurance company.

As an insured member of the captive, property owners will mandate that renter's insurance be purchased by the tenants, via the leasing agreements. As a tenant to an insured member, the insurance coverage will be made available and effective on the move in date through the termination of the lease. The insurance premiums will be charged to the tenant directly and remitted to the fronting carrier who will issue a policy in exchange.

By structuring the captive in this format, CSH can benefit from premiums collected and retained year-after-year, assuming they continue to be greater than the combined cost of operating expenses and claims. The accumulated cash reserves will be invested on a conservative basis, with the goal of maintaining capital preservation with reasonable returns. Dividends to shareholders or premium holidays will not be considered during the infancy of the captive.

Although having a front is a material expense, it is important to note that including renter's insurance in the United States, requires that certain states restrict or prohibit group insurance offerings unless the insured has some form of shared interest.[7] For example, if the property which CSH owns is located in a particular state that prohibits group insurance, unless the insureds have common insurable interest, CSH may have to look at other options to offer coverage or simply prohibit the offering of renter's insurance in that state. The use of a front eliminates those hurdles. Regardless, the renters will not have a capital requirement, but will only be offered the renters insurance if they are in a property owned by a member/owner of the captive. Further, the group captive will be sponsored and predominantly owned by CSH. Each property owner, landlord in this case, will have a capital component to their initial year of premium which will be the means to fund capitalization initially and for growth by addition of new members or additional insured properties.

Despite the time and expense CSH will encounter in order to form the captive, this solution is still more efficient than forming an on-shore Risk Retention Group (RRG). When combined with the benefits a captive provides such as stabilized and potentially lower premium costs and

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[7] MacGinnitie, Doug, and Kim Bunting. "River Oak Risk: Return on Risk."

increased coverage offerings CSH can confront the difficult economic environment with a captive which will enhance its bottom line and aid in future risk mitigation.

Addressing Property Coverage and Liability Needs:

Currently in today's unpredictable market, many college housing property owners are suffering large and frequent losses on a consistent basis making it difficult to renew their policies. By implementing their captive, CSH will be able to increase control over insurance coverages and keep costs static, without diluting the spread of risk. The captive will provide CSH with an avenue to establish safety policies and procedures within a tenant occupied space to minimize the frequency and severity of losses.[8] As surplus continues to grow within the captive, CSH will have the opportunity to reinvest within their insured community. Whether that includes adding preventative wind/flood deterrents to existing structures or building firewalls between condo or townhouse units, the captive will provide the flexibility to do so that a commercial carrier could not.

Addressing Crimes:

Under some circumstances property owners are unable to qualify for certain insurance coverages based on the crime rates within that area being deemed high risk. With the implementation of this captive, CSH would be able to mitigate these risks that insurance carriers project through various means. For instance, with the issuance of the renter's policy the captive will incur decreased legal fees from third-party claims, which commonly occurs in regard to robberies or burglaries, since there will be no question of responsibility. In addition, the captive will require that a tenant must purchase a form of renter's insurance which would coincide hand

[8] "Twelve Ways to Lower Your Homeowners Insurance Costs." III. Accessed November 23, 2020. https://www.iii.org/article/twelve-ways-to-lower-your-homeowners-insurance-costs.

in hand with CSH where the tenant will be responsible for the crimes they commit and or contributed to in their rented unit while living within a CSH property. Moreover, Prior to an individual becoming a renter, therefore an insured, the landlord will require that all prospective tenants undergo a background check and will maintain an ongoing background search at each renewal in order to minimize potential criminal behavior. Similar to the property coverage mitigation, as surplus continues to grow within the captive, CSH will be able to reinvest those excess funds in further strengthening the loss control within its insured population. Examples would be installing security cameras on insured properties and parking lots or hiring a nighttime security officer to patrol high crime areas.

RISK MANAGEMENT PRACTICES AND LOSS CONTROL

The implementation of this captive will ensure levels of loss control and development of innovative risk management practices among its participants. The captive will enforce a set of rules as a means of loss control for all active participants. Moreover, the captive will require active participation from those insured. An efficient flow of information and best practices will be established at implementation and reevaluated on a quarterly, or as needed, basis amongst the executive committee.

CONCLUSION

In conclusion, a group captive is the best solution to assist College Student Housing, in purchasing necessary liability and property coverages. Moreover, a group captive can bring forth help to its participants by gaining affordable insurance that helps to mitigate risks related to crime, property damage, and liability exclusion issues while creating top risk management and loss control practices. Hence, the CSH should proceed in the creation of a group captive for their participants.

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An attractive place to do business

Travis Wegkamp of the Utah Insurance Department discusses what's in store for the state's captive insurance market this year

Utah has a strong captives insurance market. The state ended 2020 with 382 active captive insurance companies in operation.

Over the last year, Utah has introduced several captive bills into its legislative plan. In April 2020, Utah governor Gary Herbert signed an insurance amendment bill into law, which includes amendments for captive insurance companies within the state.

As part of Utah's 2021 General Session, House Bill 54 was introduced. The bill will amend the insurance code, including "significant" changes for captive insurance to ensure the state remains competitive. The State's capital, Salt Lake City, is the host of the Western Region Captive Insurance Conference (WRCIC), which it is also a member of along with Arizona, Missouri and Nevada.

Despite the ongoing COVID-19 pandemic, the WRCIC is planned to go ahead as an 'in-person' conference between 14 and 16 June 2021 at the Little America Hotel in Downtown Salt Lake City.

What trends are you seeing within Utah's captive insurance market?

Since the Protecting Americans From Tax Hikes (PATH) Act of 2017, we have seen a continuing trend for the last several years in terms of the type and size of captives licensed. The state has seen a good portion of micro captives — Utah benefited greatly from the micro boom — wind down operations and be replaced by larger captives with more robust risk programmes and higher premium volumes.

So, while we remain the second largest captive domicile in the nation, our overall numbers have decreased, but conversely, our premium volume has slowly grown to record highs. A trend we're satisfied with. In terms of coverages, other than an increased interest in insuring against pandemic-related losses, no one type of coverage stands out as a new trend here.

Utah governor Gary Herbert signed an insurance amendment bill into law in 2020, which includes amendments for captive insurance companies within the state. How has this helped the sector?

The key provision in the 2020 bill was the allowance for captives to reinsure pure third-party risk with prior approval of the commissioner.

As long as I've been a captive regulator, those in the industry have sought ways to not only maximise profits but satisfy Federal requirements of risk distribution from third-party coverage. Since the passage of the amendment, many captives have taken advantage of this new risk avenue, and many have come here forming new captives

images by spiritofamerica/stock.adobe.com purposefully designed toward utilising this specific line of reinsurance coverage from a traditional front.

What opportunities will this year's captive legislative amendments provide Utah's captive sector?

With the waning interest in micro captives, I feel we're seeing increased interest in cell captives across the country. To help facilitate their formation and increase the likelihood of Utah as their domicile of choice; we've reduced the minimum capitalisation requirements for a sponsored programme to $500,000 with a minimum of $200,000 from the core. Down from $1 million and $350,000, respectively.

What challenges is Utah's captive industry facing?

I don't believe there are any challenges we're facing that are unique to Utah, but rather those that the industry faces as a whole. These challenges include the Internal Revenue Service (IRS) scrutiny, general acceptance as an alternative risk transfer mechanism, and potential National Association of Insurance Commissioners (NAIC) overreach.

As for challenges with other domiciles, I believe Utah remains very competitive in terms of our fees/taxes and legislative environment and remains a top tier captive domicile in the country and the world.

The Western Region Captive Insurance Conference (WRCIC) is planned as an 'in-person' conference in June in Utah. How will this event benefit Utah?

Our WRCIC is a fantastic event that gives each of our member domiciles a chance to shine when they host the conference. It's very beneficial whenever we can meet in-person, and often informally, with current and potential future owners as well as the industry service providers. I don't know of anyone that comes to our beautiful state and leaves thinking it's not a place they'd like to do business.

I'm extremely pleased that the WRCIC stakeholders who are courageously moving forward with the continued intentions of an in-person conference, it's time!

Of course, we're not oblivious to the continued concerns, and while we hope for a well-attended event, realistically I would expect the numbers to be fewer than normal.

But if people can safely attend a sporting event or go shopping at Walmart, they can certainly attend business conferences.

What else is the Utah Insurance Department working on in 2021?

We're certainly always taking advice and looking into additional ways to expand our legislation and domicile appeal.

"We're certainly always taking advice and looking into additional ways to expand our legislation and domicile appeal"

Travis Wegkamp, captive insurance director

Utah Insurance Department

Przemek Parkitny

Captive manager
Arsenal Insurance Management

Personal bio: *I left home in southern Poland when I was 14 to start making a life for myself as a professional basketball player in Europe. Eventually, I decided to come to America for a education through a scholarship to play basketball. I didn't choose to play basketball because I loved it; I played because it opened doors for things I wanted to do. I always pursued work and finance over basketball. Basketball was just a tool to get where I wanted to go.*

I'm passionate about travelling, experiencing new cultures, and cooking with my fiancé. My favourite way to spend my free time is creating new things and helping friends and family with the financial side of entrepreneurial ventures.

Professional bio: *In college, I completed two degrees — Accounting and Business Management — while on full scholarship to play D1 Basketball. Halfway through my college career, I tore up my scholarship contract after my coach told me that I would never succeed if I wasn't on his team. This made me homeless for a few months as I continued to work three different jobs (tutoring, maintenance manager for the college campus, and manager for campus cooking facilities. I also drove for Uber on the side). This allowed me to pay for the rest of my way through college and complete two degrees in four years, debt-free. My only B was in English.*

How did you end up in the captive industry?

Through my management and accounting background, I discovered the niche industry of captive insurance while working as an accounting intern for TaylorChandler. As I was preparing insurance statements, I found myself totally fascinated. After a full day of financial preparation, I would stay late studying to understand the industry. Eventually, one morning I connected with my mentor Norman Chandler, CEO of Arsenal Insurance Management, and asked him to give me an opportunity on the captive side of the business.

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

Definitely, all the unique opportunities that working for Arsenal has provided for me. Arsenal supported me as I earned my CPCU, AINS and ARM designations. Also, through Arsenal, I am involved in creating new captives, troubleshooting issues, and coming up with creative ways to solve complex problems. Every day at work is a challenge that pushes me to my limits. I love being involved in and contributing to the successful programmes that our team creates. I value how our team builds new relationships and is constantly expanding our knowledge.

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

Norman Chandler! When I started my role with his company, he said he saw me as someone with leadership qualities. He gave me the opportunity to confirm his gut feeling. He put a lot of trust in me, and I've done my best to make sure he feels like he made a good decision.

What is your impression of the industry?

My impression hasn't changed from when I first started: It's problem solving, niche, unique, very creative, and completely mysterious to anyone outside of the industry.

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

My goal is to provide the hands-down best service to all of my existing and future clients. I want to treat my risk retention groups, captives, and offshore clients to the same quality of excellent service while creating unique programmes that fit their individual needs as a business.

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

From my personal experience, I would advise anyone interested in captives — as a client or professional — to first find a team that will support your development through your career within this emerging, risky, and complicated industry.

The best companies to work for are the ones that invest in you. ■

"I had the pleasure of meeting Peter when he joined Arsenal Insurance Management as an intern, and since being hired as a captive manager, I have been totally impressed with Peter's desire to provide clients with the knowledgeable guidance and services needed within our industry.

Peter has quickly learned many aspects of the insurance industry and has obtained several insurance designations, which demonstrates his eagerness to succeed within the industry.

Peter has welcomed and overcome the challenges of coming from another country. He has embraced all that the United States has to offer and appreciates everything that comes his way.

It is wonderful to see and hopefully help a young person transform into a leader within our industry."

Dawn Wilson, senior vice president, Brentwood Reinsurance Intermediaries

Airmic, the UK association of risk and insurance professionals, has appointed Julia Graham as CEO.

Graham succeeds John Ludlow, who announced in October 2020 that he was stepping down after serving four years as CEO.

Prior to assuming the CEO role, she has served as deputy CEO and technical director of Airmic since October 2015. She has more than 35 years of experience in senior risk management and insurance positions, including serving as director of risk management and insurance at a global law firm and 30 years in the insurance sector.

Graham is a board member of the International Federation of Risk and Insurance Management Associations (IFRIMA) and serves as a non-executive director of several captive insurance companies. She is also a former chair of both Airmic and the Federation of European Risk Management Associations (FERMA).

Graham says she is delighted to accept the role and to work with members, board, partners, and secretariat to lead Airmic at such a challenging and exciting time for the risk and insurance professions.

"In 2021 and beyond, organisations and their boards will face an acceleration of challenges and will be compelled to address how they are building resilience and creating sustainable value in a rapidly changing business environment. Airmic members are well positioned to act as strategic advisors in this context and Airmic is well positioned to support them," she explains. ■

Milliman's board of directors has elected Mike Meehan as a principal of the firm, based in the firm's Boston office.

Meehan, who joined Milliman in 1993, has experience with loss reserving, ratemaking, feasibility studies, and financial pro formas for insurance companies, captives, risk retention groups, self-insurance groups, excess insurance pools, municipalities, and Lloyd's of London syndicates.

In addition, he has assisted in the review of various rate filings for the Rhode Island Insurance Department and has gained experience with workers' compensation residual markets.

He is an active member of numerous captive domicile committees, including the North Carolina Captive Insurance Association.

Previously, Meehan was also a board member and treasurer of the Vermont Captive Insurance Association.

Commenting on his new role, Meehan says: "I am honoured to have been elected a principal of Milliman. Personally, I have been so fortunate to work with such an extraordinary team of talented and dedicated consultants. It is an honour and privilege to have been elected to the principal leadership team. The firm's commitment to innovation and excellence has enabled us to be an industry leader, particularly within the captive market." ■

William Spiegel has officially taken on the role of executive chairman of Randall & Quilter Investment Holdings (R&Q) succeeding Ken Randall who announced his retirement plans last July.

Randall has also stepped down as a director of the company.

Randall co-founded R&Q in 1991 alongside Alan Quilter, with the company playing a pioneering role in the growth and development of legacy market that is now worth over $800 billion, according to PwC.

Spiegel says: "It is an immense honour to succeed Ken Randall, who has been one of the world's leading insurance entrepreneurs for over 30 years. More importantly, he has been an important mentor and friend to me."

From a personal perspective, Spiegel explains: "I am very excited to step into the role of executive chairman. We have a huge market opportunity in front of us. We will continue to execute our growth strategy and move the business forward, and I look forward to updating you on our strong progress at our upcoming full year results."

Commenting on his retirement, Randall notes: "The one constant since I co-founded R&Q is the quality of its people, from Alan Quilter who I've worked with since the start through to Spiegel as my successor, and it is these people who have underpinned our success."

Randall says he is retiring as executive chairman "with a mixture of pride in the business I have helped build and excitement, as a shareholder, for its future". ■

John Talley retired from his position as captive programme manager at the Missouri Department of Commerce and Insurance (DCI) on 31 March.

As part of his retirement plans, Talley will launch his own consulting business TAL Consulting, based in Jefferson City, Missouri.

TAL Consulting will offer information to those who need help and advice on captive insurance companies. Although Talley will not be offering legal, tax or actuarial advice, he says: "If a client needs any of those, I will refer them to the appropriate professional."

Talley, who has 30 years of insurance regulatory experience, was appointed as Missouri DCI's captive programme manager in December 2015.

In addition to his time at Missouri DCI, Talley also served as the chief of captive insurance operations for the New Jersey Department of Banking and Insurance. ■