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May 2022 - Issue 243

Don't get your wires crossed

The evolution of cyber risk and why more companies are considering captives

North Carolina
Legislative amendments and leadership changeover in the domicile

Parametric Solutions
Providing coverage for non-damage business interruption

Labuan Insight
Asia's fast-growing risk and reinsurance intermediation centre

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16 Bromley Road, New Beckenham
Beckenham, BR3 5JE

Editorial

Group Editor: Bob Currie
bobcurrie@blackknightmedialtd.com
+44 (0) 208 075 0928

Senior Reporter: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0)208 075 0926

Reporter: Rebecca Delaney
rebeccadelaney@blackknightmedialtd.com

Lead 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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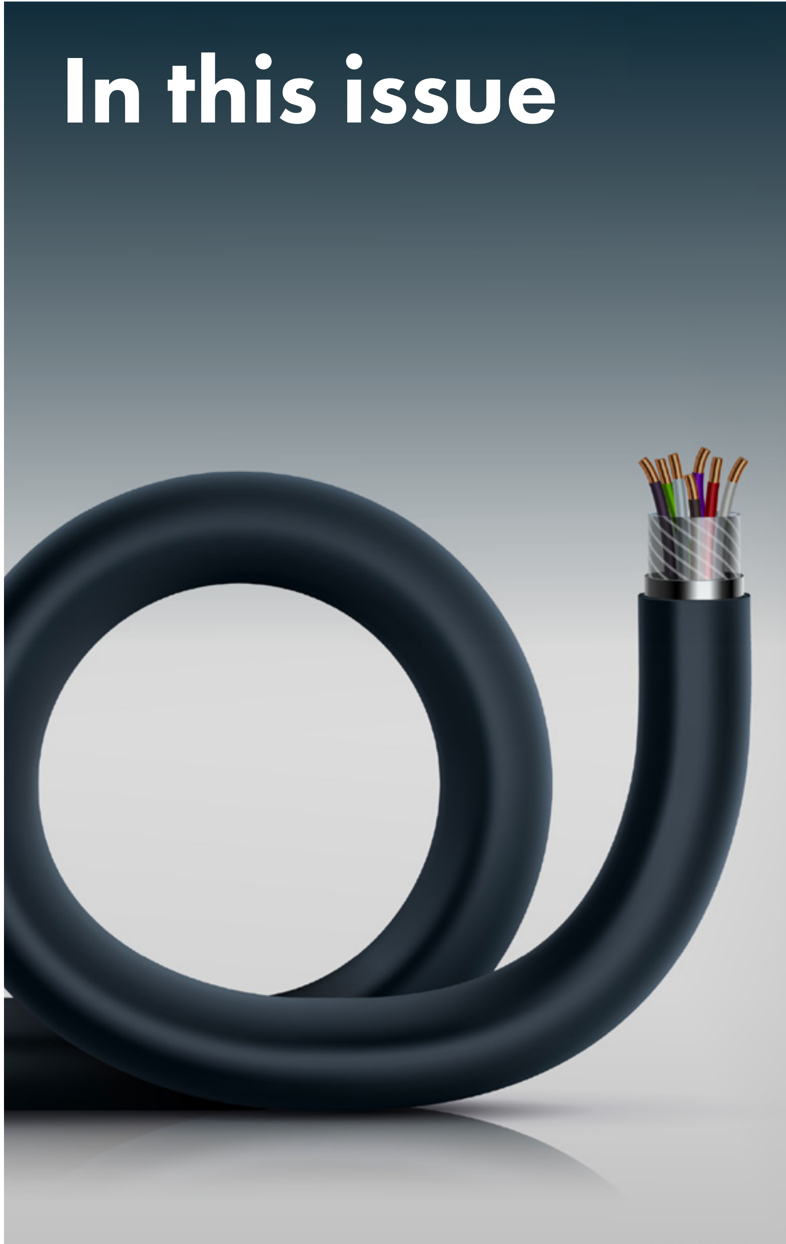

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Allianz and Swiss Re place world's first CatXoL contract on DLT

Allianz and Swiss Re have placed the world's first legally-binding catastrophe excess of loss reinsurance contract on distributed ledger technology (DLT), enabled by the live production network of DLT solutions provider B3i, of which the two reinsurance companies are members. The placement covers one of Allianz's core catastrophe reinsurance contracts, including key submission parts, final terms and contractual clauses binding to both parties involved in the transaction.

Following industry-wide testing, completion of this milestone by Allianz and Swiss Re will allow contract certainty according to B3i's internal technological and compliance-related requirements.

Technical implementation of the placement adhered to the reinsurance companies' corporate security and technology policies, as well as respective internal requirements, according to B3i.

Commenting on the placement, Jan Stoermann, chief underwriting officer at Allianz Re, says: "The signing of the first legally-binding reinsurance contract on the B3i platform is a step into the future for Allianz. It showcases the capabilities of the platform which we plan to expand on, as we will explore how to further integrate B3i's platform into our transactional processes, such as accounting and claims management."

John Carolin, CEO of B3i Services, adds: "This global first marks another significant milestone in our journey. Our B3i Re solution has matured over the last years and today, with its extended functionality, compliments current market practices, has broad application and blazes the trail of digital transformation.". ■

WTW: Interest in captives for D&O liabilities

Twenty per cent of non-captive owners are considering forming a captive for directors' and officers' (D&O) liability insurance, according to WTW's 2022 Directors' Liability Survey, produced in partnership with Clyde & Co, examining the use of alternatives to the commercial insurance market for D&O liabilities following significant price increases.

In the report, global D&O coverage specialist Angus Duncan, management liability coverage leader Lawrence Fine, and D&O liability product leader John Orr noted that potential alternative solutions include using a captive for some or all of the corporate reimbursement cover (Side B) or company securities claims cover (Side C).

In addition, companies can use a protected cell company or segregated account company for some or all of the non-indemnified loss cover (Side A) — although the report noted that this tends to be more expensive than simply purchasing insurance from the commercial D&O market.

Six per cent of respondents said their organisation had used a captive insurance vehicle for Side A insurance, compared to 5 per cent for Sides B and C. A further 18 per cent and 20 per cent respectively said they were considering implementing a captive in the future for these D&O liabilities.

The survey named the top D&O risks facing directors and risk managers to be cyber attack, risk of data loss or data breach, cyber extortion, regulatory risk, and the risk of a health and safety or environmental prosecutions safety legislation.

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Highlighting cyber as a common risk, James Cooper, partner at Clyde & Co, explained in the report: "Cyber risk is a multi-varied and ever-evolving risk, with a variety of significant consequences should an attack occur and data is lost, making cyber risks of primary concern."

65 per cent of respondents globally recognise the threat of cyber attacks as 'very' or 'extremely significant', compared to 56 per cent in the 2021 survey.

The risk of shareholder actions also remains of high concern to insurers. The report notes that these filings hit a peak between 2017 and 2020 during a significant increase in cases relating to mergers and acquisitions that were often settled quicker and cheaper than core filings.

Although the number of US securities class action filings declined in 2021, the report predicted that several other trends could reverse these gains in 2022, such as cases relating to special purpose acquisition companies, and new filings relating to COVID-19.

WTW added that although cyber-related securities class actions have not yet had a major impact on the number of new filings or settlements, this could have a significant impact on trends in the near future. For example, there is already an increase in securities class actions filed by investors in cryptocurrencies, often alleging the defendants offered or sold unregistered securities in violation of securities laws.

Lords recommend secondary competitiveness objective for FCA and PRA

The House of Lords Industry and Regulators Committee recommends introducing a competitiveness objective for the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), following an inquiry into commercial insurance and

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reinsurance regulation. During the inquiry, the committee heard evidence from several industry participants, including concerns over the lack of proportionality in the regulation of the London Market by the two authorities — described as "overly demanding and burdensome".

Economic secretary to the Treasury, John Glen MP, was asked by the committee to evaluate the culture within the regulators, particularly towards new entrants and new forms of business. Glen noted both an inflexible culture and inflexible application of the regulatory framework, which may have contributed to the stagnant development of new forms of business within the UK commercial insurance and reinsurance industries, such as insurance-linked securities and captives.

In giving evidence to the committee last month, Glen said: "On the point you made about the captives market and the fact that there is a lack of a bespoke regulatory legal framework for hosting outside Lloyd's, we certainly see more captives operating in other jurisdictions.

"Again, the PRA is very aware of that, and it is right for further work to be done. I hope we see that, and see evolution in the way that insurance and reinsurance is offered to big corporates and is delivered by big corporates, and we find an appropriate way of developing that market in the UK."

The committee heard arguments that, in order to prevent the UK being perceived as a bureaucratic system compared to other jurisdictions, the government should introduce a secondary competitiveness and growth objective for financial regulators, reinforced with coherent criteria and appropriate performance measures.

In a letter to Glen, the committee notes that, although the PRA and FCA aim to act in a proportionate manner and take into account their respective impacts on the insurance and reinsurance industries,

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it is understandable that they focus on their statutory objectives of safety and soundness and make no reference to competitiveness.

It reads: "We share the PRA and FCA's view that the primary objective should continue to be the safety and soundness of firms. Indeed, we agree with those who emphasised that a robust and rigorous regulatory framework contributes to both the competitiveness and the reputation of the London Market and would be concerned at any initiative which could unintentionally dilute this."

The letter concludes: "We recommend that, alongside introducing a competitiveness objective for the PRA and FCA, it will be essential to establish clear criteria and appropriate performance measures.

The evidence we heard suggested that industry practitioners have some ideas for what such measures might be and would be a useful source. Publicly-disclosed performance criteria would provide an opportunity for both the [UK] Government and Parliament, through this committee and others, to monitor performance and hold the regulators to account."

Swiss Re closes stop-loss transaction for underwriting risks

Swiss Re has closed a multi-year stop-loss transaction with J.P. Morgan and other institutional investors to cover underwriting risks across the entire Swiss Re Group, in an innovative combination of bank financing and insurance-linked securities (ILS) that is the first of its kind.

Under the transaction, J.P. Morgan will provide US$1 billion financing through a senior loan to the newly-established segregated account of the existing special purpose insurer vehicle, Matterhorn Re. In addition, various other institutional investors will participate via a US$150 million investment in junior insurance-linked notes issued by the new segregated account. The fully collateralised transaction will provide Swiss Re with significant alternative capital, therefore protecting the group from severe underwriting losses for the financial years between 2022 and 2026.

In supporting Swiss Re's growth opportunities in the reinsurance market, the group expects the transaction to also have a positive impact on its ratings and regulatory capital requirements. ■

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Passing the torch

Lori Gorman, newly-appointed deputy commissioner responsible for NCDOI's captive insurance companies division, and Jackie Obusek, senior deputy commissioner with a senior leadership role over captive regulation, talk to Rebecca Delaney about the department's development agenda and regulatory environment amid favourable market conditions

How do you assess current market conditions for the captive industry in North Carolina? What are the most significant trends in the market?

The market conditions for North Carolina's captive industry in 2022 are favourable. The continuing hard commercial market, emerging risks and COVID-19 pandemic are some of the factors that are leading more business owners to form captive insurers for their risk management needs. In addition, other business owners with existing captives are finding new uses for those captives. With the hard commercial market creating a higher cost of insurance, or an inability for an insured to find the desired adequate coverage, the use of captive insurance offers a way to address business risk through gap coverage, higher deductible reimbursement coverage, coverage for risks that cannot be insured through the commercial market, coverage for certain layers of risk, or full replacement of the commercial insurance at a reasonable cost.

Business owners seeking to address emerging risks, as well as risks arising from the COVID-19 pandemic and future unforeseen situations, are also understanding the benefits of utilising captive insurers. This continued growth of new and existing captives is leading to increased opportunities for service providers such as captive managers, auditors, actuaries, investment managers, attorneys, claims managers and others ancillary service providers. In addition, participation in cells and series captive structures by business owners continues to be on the rise. For the past few years, the growth of cells and series in North Carolina has been significant, and this trend is expected to continue in 2022. Since the inception of the North Carolina captive programme, the state has approved more than 835 cells or series. In 2021 alone, the number of new cells or series was more than 150.

How is the regulatory environment of North Carolina beneficial for captive owners? How is this reflected in the operations of the North Carolina Department of Insurance?

North Carolina, through the leadership of Commissioner Mike Causey, provides a business-friendly yet appropriate regulatory environment for captive owners and their service providers. The state's in-house regulatory team operates under the commissioner's mission of providing outstanding customer service. This means that our staff are responsive, accessible, and available.

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Captive insurer submissions are reviewed and acted upon in a timely manner. If issues are noted during the review of a submission, the NCDOI communicates with the captive insurer making the submission to determine how those issues may be addressed to the satisfaction of the NCDOI and the captive insurer.

North Carolina has a modern captive law that provides discretion for the commissioner to regulate each captive insurer based on that insurer's unique risk profile. This law enables the formation and operation of all types and structures of captive insurers.

Lori Gorman
Deputy commissioner

I have been with the NCDOI for more than 15 years, serving in several roles prior to joining the captive insurance companies division, most recently as assistant chief financial analyst with the NCDOI's financial analysis section of the company services group. In this role, I assisted with monitoring the financial solvency of 90 domestic insurers and more than 1,400 foreign insurers licensed in North Carolina.

Before joining the NCDOI, I worked in public accounting and in the insurance industry, including serving as the director of internal audit with the former Durham Life Insurance Company.

Additionally, the law is written in a way that provides for flexibility to adapt to changes and developments that may take place in North Carolina's captive industry in the future. The state provides for a low regulatory cost in the formation and operation of a North Carolina captive insurer. The NCDOI collects no fees (with one exception related to special purpose financial captives); this means no licence application fee, renewal licence fee, or business plan change fee. The only regulatory costs are premium taxes paid annually with a tax rate competitive with other domiciles. Nominal fees are paid to the North Carolina Secretary of State's office for the processing of corporate documents and a short annual report filed with the agency.

Since the regulation of captive insurers is conducted by in-house professional staff of the NCDOI, which includes financial analysts, examiners and actuaries, there are no outsourcing fees charged to the captive insurers. The NCDOI's regulatory responsibilities are fulfilled by the internal staff of the NCDOI.

What are the most significant challenges facing the captive industry, in North Carolina and as a whole?

Like many industries in this state as well as other domiciles, the recruitment and retention of personnel is one of the most significant challenges. The insurance industry, prior to the COVID-19 pandemic, was experiencing challenges in the hiring of personnel. Since that time, this has become more challenging. The industry will need to continue to demonstrate to the workforce that a career in insurance can be interesting and challenging.

What emerging risks have been identified in the pipeline for the captive industry in 2022?

After the impact of the COVID-19 pandemic, it is anticipated that captives will provide coverage to their insureds to address the impact of these types of events, including coverage such as business interruptions. Other risks that captives may be used to address are the risk of losing valuable employees and the inability to hire employees, supply chain disruption, cyber security risks, corporate governance risk management (including the risks impacting directors' and officers') and the risk that new innovations will disrupt or make a business product or service obsolete.

What will be top of NCDOI's captive development agenda throughout 2022?

During 2021, the NCDOI, along with the support of the North Carolina Captive Insurance Association (NCCIA), proposed legislation to make technical and clarifying changes to the captive laws. Senate Bill 347 included provisions to provide a premium tax incentive to those captive insurers that redomesticate to North Carolina from another jurisdiction within the next year or so. Although that legislation has not yet made it through the entire legislative process, it has progressed through most Senate and House committees and has done so with unanimous approval so far. The NCDOI and NCCIA will continue in 2022, during the short legislative session, to work to get this bill enacted into law. Assuming the bill is enacted in 2022, the NCDOI, along with the NCCIA, will partner to educate business owners about the redomestication incentive in the law and discuss the benefits of forming a captive insurer in North Carolina. Through this initiative, we hope to not only bring the foreign captives of North Carolina businesses back to the state, but we also hope these benefits will entice others to bring their captives to the state.

NCDOI recently underwent a leadership change in the captives division. What are your first impressions of working in the captive industry?

It is an exciting time to be joining the captive industry in North Carolina! As new challenges in insurance solutions emerge, it is interesting to see how innovative alternatives to the traditional insurance market can be designed and utilised to meet these risk management needs. Together with Commissioner Causey, we are enthusiastic about the new legislation being enacted to provide for a temporary premium tax waiver as an incentive for captives to redomesticate to our state. We are both looking forward to partnering with leading industry professionals and continuing North Carolina's strong commitment to its captive programme.

What impact, if any, will the personnel change have on NCDOI's captive regulatory programme?

Debbie Walker is greatly missed by the NCDOI since her retirement. Under her leadership, North Carolina has become a leading captive domicile by providing the support of knowledgeable and accessible insurance professionals to address the industry's insurance needs. North Carolina's captive insurance programme will continue to maintain our highly experienced in-house regulatory team, and we will continue our focus on delivering outstanding customer service with a business-friendly regulatory approach.

We believe that this, combined with the flexibility of the North Carolina Captive Insurance Act, will remain important reasons to choose North Carolina when establishing a captive insurer. ■

Jackie Obusek
Senior deputy commissioner

I have been with the NCDOI for more than 25 years, most recently serving as senior deputy commissioner of the company services group for over five years. As the senior deputy, I oversee traditional insurers' financial analysis, financial examination, licensing, receivership, and actuarial functions. I am excited to begin working with the captive insurance company division, which became part of the company services group on 1 April 2022.

Prior to becoming senior deputy commissioner, I spent most of my years at the NCDOI working with the financial analysis of traditional insurers, including serving as chief financial analyst for almost four years.

Don’t get your wires crossed

Rebecca Delaney explores how the evolution of cyber risk has led to more companies considering captives to close coverage gaps left by the expensive commercial market

Universally recognised as a rapidly-evolving risk, cyber has seen an exponential expansion over the last decade in the use of online platforms for communication, retail, financial transactions, and just about every other staple of modern life.

Niel Harper, cybersecurity and digital policy expert at Octave Consulting Group, explains that cyber risks have evolved synchronously with this growing connectivity of companies, households and devices.

"Criminals have become more organised and professional as they seek to make money from stealing information and committing fraud, and we have seen noticeable increases in state-sponsored cyber attacks, including industrial espionage and critical infrastructure disruption," he notes.

Cybersecurity as an issue accelerated to the top of companies' agendas during the COVID-19 pandemic as entire work systems shifted online. This operational transition revealed cyber liability exposures and vulnerabilities within organisations, causing many firms to reassess their security protocols and processes.

Randy Sadler, principal at CIC Services, contends: "Cyber risk is ever-evolving, since cyber criminals are becoming increasingly more advanced and have quickly adapted. The COVID-19 pandemic exacerbated the situation by fast-tracking digital change. An increase in cybercrime emerged as businesses moved to remote work models that pose vulnerabilities, weaken systems and create exposure to breaches."

In this current environment, characterised by accelerated implementation of digital transformation programmes — and as the velocity of digital change outpaces security — cyber threats are evolving into a form of disruption that organisations must learn to live with, rather than being able to eradicate entirely.

The nature of cyber threats can range from supply chain attacks, data breaches and targeted malware attacks.

Ransomware in particular was named as the number two concern among risk professionals in Airmic's 2021 Annual Survey, while business interruption following a cyber event was identified as the top front-of-mind risk for risk professionals as a result of the exponential increases in cyber insurance rates.

Harper describes how ransomware has become a commodified form of organised crime: "Fears around COVID-19 and the immediate rush to deliver contact-tracing applications created opportunities for threat actors. Additionally, online adversaries have ramped up their targeting of software supply chains since the start of the pandemic. Extending beyond the generally accepted damage to information assets, cyber risks now also include regulatory fines, non-physical business disruption, and directors' and officers' liability."

Timothy Powell, head of financial lines and cyber at Zurich, notes that heightened awareness of cyber exposures translates into a maturing market for cybersecurity services and providers. He explains: "This is a continuing evolution of what we have seen with businesses becoming far more interconnected electronically. People are becoming more aware of those risks as a result of this interconnectedness, and that awareness is driving insurance and risk management."

Cybersecurity and cyber resilience protocols are essential, with Powell adding that the growing industry of cybersecurity consultants, such as Zurich's Cyber Resilience Services, can vastly help to improve the security profile of an organisation.

Sadler agrees that it is important for companies to follow best practices to mitigate the risk of a cybersecurity breach, including regular risk assessments, employee education, password protection, multi-factor authentication, and data encryption. However, he notes that commercial cyber policies are not always adequate when implemented alongside these best practices.

The commercial cyber insurance market has adopted somewhat inconsistent approaches to capturing and analysing data, creating a wide variety in the risk appetite for cyber cover, as well as challenges surrounding programme capacity, high premium rates, reduced insurer capacity, and more stringent underwriting criteria.

Common gaps in cyber coverage include a lack of proper asset inventory, weak identity and access management, and lack of segmentation.

For example, a commercial policy may not cover cyber risk arising from human error on the part of a company's employees, rather than 'bad actors'.

In this turbulent and fragmented cyber insurance market, organisations are increasingly turning to captive insurance to finance their cyber risk and address coverage gaps. This is affirmed by Alex Gedge, senior captive consultant at Hylant.

"Cyber insurance has evolved alongside cyber risk; with the hard market, pricing has increased and capacity has decreased. Many companies are struggling to adequately cover their cyber risk in the traditional market and thus are looking at alternatives," Gedge says.

Ctrl + Alt + Captives

A captive can provide a tailored alternative risk management solution to meet the specific exposures of an individual company. This means it can help cover vulnerabilities and key areas where traditional insurance coverage fails, as well as support operations through risk mitigation controls.

Paul Wöhrmann, head of captives at Zurich, elaborates: "In the European market, there is a growing interest among large corporates exploring the use of a captive because they often face capacity restrictions on the insurance side. Alternatively, they may want broader policy language to protect their local subsidiaries across an insurance programme and across various jurisdictions."

"Provided that captive owners use their captive effectively, they can bring more risk management interest and incentives within their own organisation to identify what kind of exposure they face in the business segment, what kind of claims have happened, and collect vital information from this."

CIC Services' Sadler notes: "On the front end, a captive insurance company is not inexpensive to create, as there are start-up and operational costs to consider. But in the long run, the captive insurance company serves as a lucrative financial strategy that goes beyond covering losses and provides a valuable profit centre that can enable businesses to survive during crises."

Hylant's Gedge adds that a captive should be considered as an alternative risk solution for cyber risk because it can offer additional coverage, both in traditional capacity and in difference in conditions or difference in limits. Captives offer other advantages for cyber risk in areas where the commercial market falters. As well as capacity,

Wöhrmann identifies that, currently, the insurance and reinsurance markets are confronted with a lack of historical data to model specific cyber risks, which in turn presents difficulties for actuaries looking to build professional modelling. Implementing a captive can help to close this gap over time.

Harper affirms: “Given the unavailability or prohibitively expensive nature of commercial insurance coverage in several markets, captives offer up great potential in terms of formulating a statistical base, which can make it easier to obtain excess coverage at favourable terms and pricing.”

He adds that captives can be utilised for coverage that is not readily accessible in the traditional insurance market, or is not packaged into commercial offerings despite being a highly-correlated risk. Prominent examples are cyber risk, technology failure, loss of value of intangible assets, and future lost revenue.

Published last month, Aon’s 2022 E&O and Cyber Market Review found that financial institutions and healthcare organisations are the highest users (30 per cent) of captives for cyber, owing to the unique risk profiles and a typically higher level of risk maturity in these segments. This is a result of stricter regulation and the potentially disastrous consequences of a cyber attack or data breach in these industries.

Powell identifies a connection between the cybersecurity of an organisation and the way that it transfers its risk, whether through a captive or on a direct basis.

He explains: “Large companies have the resources to invest in cybersecurity and may have a chief information security officer or a department focused on the security posture of the organisation. This will do them a world of good when it comes to considering a captive solution because they will have a better risk profile in the insurance and reinsurance market to place that cover — in particular, to place it via a captive.”

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But what about those companies that do not have the resources to form such comprehensive insights and make investments in cybersecurity? Wöhrmann acknowledges that there are challenges in ensuring a captive is sufficiently capitalised, particularly for cyber risks as a new market.

“If a captive has only covered property and casualty risks thus far, it is possible to provide a view of the economical capital required for the captive owner. This is more difficult with cyber because we do not have sufficient experience or historical data,” he says.

Similarly, Powell explains that insurers traditionally rate and price their risks based on years of aggregated data so that actuaries can project future losses based on this history. “That situation does not exist to the same extent in cyber simply because the history is not there,” he says.

This is affirmed by Gedge, who adds that this lack of data for both individuals and the wider market is indicative of any new or emerging risk. She explains that this results in companies taking more time to fully understand their business exposure to cyber insurance, as well as determining what portion of the risk they wish to retain, and the ultimate pricing and cost to the captive.

Gedge notes: “While data is improving across this line, it can still be a challenge to fully understand the implications of what is covered by your cyber policy. It is invaluable to speak to captive consultants, actuaries and brokers to understand exactly what the risk is to the business and how best to manage it through the captive.”

Assessment and quantification of cyber risk requires a robust approach, rather than basing the underwriting on binary questions that do not take into account the broader context of the cyber landscape, warns Harper.

Aon’s Cyber Market Review notes that, although on an upward trajectory, risk financing maturity is still in relatively early stages, with many organisations that place cyber risk into captives relying on management intuition or benchmarking to inform their approach rather than deterministic or qualitative analysis.

The review notes: “Cyber, although no longer emerging, can still be considered in the ‘incubation’ phase for captives, mainly because the traditional risk management approach and the network security communities are not fully aligned. However, reframing the captive from a tactical, transactional play to something linked to the broader maturity development of risk will help accelerate this alignment.”

Zurich's Wöhrmann adds that another challenge lies in the future of cyber developments, and uncertainty over whether limited underwriting appetite on the traditional side will continue.

The reaction of the market to this is important, he notes, given how closely captive trends and their use in a transactional manner is correlated with market conditions.

This evolving environment will see the risk management and insurance community continue to develop its understanding of the underlying risks facing organisations, while exploring the role a captive can play in this dynamic.

Press any key to continue

Discussing how the landscape of cyber risk is likely to evolve over the next 18 months, Sadler says: "There is no doubt that cyber risk will grow and evolve as technology continues to advance and criminals become more sophisticated."

This includes even more refined phishing and ransomware attacks targeting new 5G networks. Sadler continues that it will be even more critical for organisations, regardless of size, to be aware of emerging cyber risks and trends, and to also adopt a proactive approach in cybersecurity assessment.

Harper agrees that ransomware attacks are likely to become more prevalent owing to the lucrative nature of Ransomware-as-a-Service. He says: "Given that cyber physical systems (such as industrial control systems, water systems, robotics systems, and the smart grid) are not generally built with security by design, vulnerabilities in these systems will continue to be widely exploited in the coming months.

"There is also a growing interest by attackers in the use of deep fakes in facilitating business email compromise and in circumventing multi-factor authentication solutions and know-your-customer identity proofing."

With cyber risk set to only inflate in frequency and severity, risk professionals are urging organisations to reassess their cybersecurity posture and ensure they have sufficient insurance policies.

Harper adds that it is important for companies to complete an inventory of their digital assets and relevant threats, as well as identify cyber risk scenarios, and assess and quantify both the direct and indirect consequences.

"Businesses should then run the inputs and scenarios through a cyber cost framework that considers publicly and non-publicly available information about actual cyber losses, ultimately providing the organisation with an estimated maximum loss and most likely loss values for each chosen scenario," he adds.

This will then provide an estimate of coverage gaps or losses, which offers a more quantitative assessment of business impact from cyber.

Harper notes that companies should also take care to review their risk shifting and risk distribution practices, warning that regulators are increasingly scrutinising captives in particular.

Both Sadler and Gedge anticipate that premiums in the global insurance market will continue to grow as the hard market persists across several lines of business.

In these market conditions, it is likely that cyber insurance premiums in captives will only increase.

With captives set to be implemented as the alternative risk financing vehicle for cyber risk, Powell identifies that insurers are increasingly considering the sustainability of their insurance programmes.

"As their cyber insurance portfolios grow, insurers are considering how to manage the accumulation of all these exposures from policies in their portfolio, particularly in the event of a catastrophe-type cyber attack that affects multiple people at once. Insurers are very keen to understand what this accumulation risk poses to their portfolio," he explains.

"It will be interesting to look to the so-called alternative market in the future, as captives can learn and understand how the insurance-linked securities market may respond to the need for cyber protection behind a captive, as well as what terms and conditions need to be fulfilled to make them more interested," Wöhrmann concludes. ■

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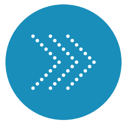

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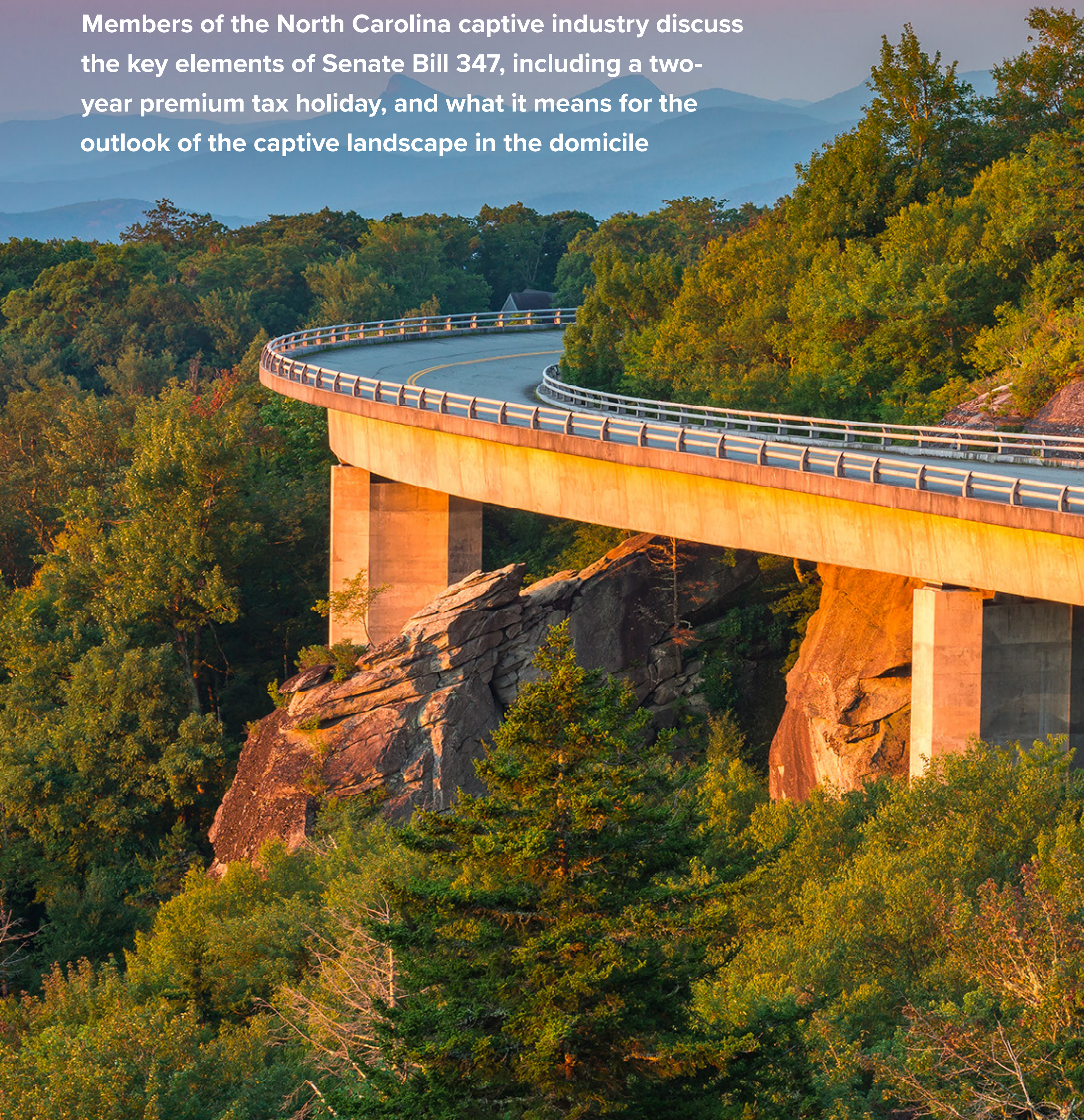
Vacation mode

Members of the North Carolina captive industry discuss the key elements of Senate Bill 347, including a two-year premium tax holiday, and what it means for the outlook of the captive landscape in the domicile



With the captive industry continuously evolving and adapting to sustain the growth in the alternative risk transfer market, as well as addressing emerging risks and withstanding ongoing challenges, it falls to domicile associations and regulators to ensure their regulatory framework is modern, comprehensive and effective.

North Carolina is one of the latest onshore domiciles to do so, with Senate Bill 347 proposing amendments to the state's captive insurance legislation, including, among others, technical corrections and changes impacting the premium tax paid by captive insurers.

Jackie Obusek, senior deputy commissioner at the North Carolina Department of Insurance (NCDOI), explains the context behind the introduction of the bill. "In just eight years, North Carolina has become the fourth largest US captive domicile and the eighth largest global captive domicile," she says. "In order to remain relevant and competitive, North Carolina recognises the need to frequently update its captive insurance laws."

SB 347 passed the North Carolina House of Representative in March after having passed the Senate in late 2021. However, the Clerk of the House since determined that the chamber had exceeded the terms of the continuing resolution it was operating under. The bill was then recalled, reconsidered and referred back to the Rules Committee.

Currently, the North Carolina legislature is adjourned. Tom Adams, president and CEO of the North Carolina Captive Insurance Association (NCCIA), says: "The House and Senate will reconvene on 18 May. We expect the House will then reconsider SB 347 and it should be enacted later in the month."

Members of the North Carolina captive industry spoke to Captive Insurance Times to discuss the key elements of the bill and what it means for the future of the captive landscape in the domicile.

Annual audit exemption

The proposed amendments would allow any sized captive to apply for exemption from the annual audit and statement of actuarial opinion requirement at the commissioner's discretion. Previously, eligibility for this exemption was restricted to captives with less than US$1.2 million in written premium.

Diana Hardy, audit partner at RH CPAs and incoming NCCIA chair, explains that, from an accounting perspective, it is important for a captive to fulfil this requirement because an audit, in combination with an actuarial opinion, can offer a level of assurance to a captive owner that their financial statements are true and accurate.

"Since captives are required to have a captive manager in North Carolina, it allows captive owners the ability to monitor their captive manager to ensure they are properly doing their job and monitoring the results," Hardy adds.

This is affirmed by NCCIA's Adams. He explains: "The reason why we have regulation of the captive industry is to protect the public. This is why NCCIA has promoted this provision since the statute's enactment in 2013."

The revised provision reads: "Upon written request by any captive insurance company, the commissioner may grant an exemption from compliance with any or all provisions of this section if the commissioner finds that compliance would cause the insurer a financial or organisational hardship."

This modification of wording makes the audit exemption provision for captives "substantially similar" to that for traditional insurers, notes NCDOI's Obusek.

A captive can apply for exemption from this annual audit and actuarial opinion requirement based on financial hardship, to be reviewed by the commissioner on a case-by-case basis. NCDOI recommends that such requests should be made at least 90 days prior to the captive's fiscal year-end.

Outlining why a captive may apply for exemption for this particular piece of reporting compliance, RH CPAs' Hardy says: "A captive may consider requesting an exemption for an audit when the cost of the audit is too high as a percentage of the total revenue. For example, if a captive is only paying $100,000 premiums and annual audit is $8,000, this results in an eight per cent cost of total revenue, which may be considered excessive."

SB 347 also contains amendments authorising the commissioner to conduct a financial analysis of information submitted or obtained as part of the legislation's captive insurance law financial analysis section. Unless specified, the captive insurance company in question is not required to pay the expense and charges of this financial analysis.

Governance

The second key provision of SB 347 concerns technical changes to the terminology surrounding the governance of a captive insurance company.

As well as including a clarified definition of "governing board" ("the board of directors or officials possessing similar authority"), the amendments then replace all instances of "directors" with the phrase "governing board" or "governing board members".

Lori Gorman, newly-appointed deputy commissioner of NCDOI's captive insurance companies division, explains that this change will provide clarification going forward, as not all captive insurers are formed as stock insurers having a board of directors.

This substitution refers to all provisions concerning the licensing, authority and confidentiality of captives in North Carolina. For example, existing requirements stipulating that at least one member of the board of directors or subscriber's advisory committee must be a North Carolina resident are replaced with the requirement that at least one member of the governing board must be a resident of North Carolina.

Similarly, the requirement that the articles of incorporation or bylaws of a captive formed as a corporation may authorise a quorum of its board of directors to consist of no fewer than one-third of the fixed number of board members is amended so that the organisational documents of a captive may authorise the governing board to consist of the same proportion.

Other modifications to the governance of captives in North Carolina under SB 347 include designation of a captive manager approved by the commissioner to a licensed captive insurance company at all times.

The bill also introduces "failure to operate in accordance with the plan of operation approved by the commissioner" as a new ground for suspension or revocation of a captive licence.

The broadened term of "governing board" is a reflection of the captive industry's increasing focus on corporate governance, which Hardy describes as "the guiding light by which a company directs its business".

She adds: "As an industry as a whole, we are trying to bring focus on what a board should be focused on — that is, direction rather than management. A board is charged with looking at the big picture and setting the strategic direction of the policies and business decisions for a company."

Therefore, it is important to have sound governance practices, as this is vital for the long-term success of any captive. Gorman says: "Strong corporate governance practices can help focus a captive insurer in aiding the risk management programme of its insured owner. Good corporate governance can also promote a positive regulator relationship by identifying and addressing any issues early on before they become serious."

Premium tax

Most crucially, the draft changes of SB 347 would provide a premium tax holiday for two years for captives that redomesticate to North Carolina.

Hardy says: "The key provision of the proposed legislation is the premium tax holiday. Should the bill pass, it will allow captives which redomisticate to North Carolina, whether offshore or onshore, a waiver for premium taxes for two subsequent years."

The revision determines that, providing it obtains approval from the commissioner to redomesticate and operate as a North Carolina-domiciled captive on or before 31 December 2022, a captive formed and licensed under the laws of a jurisdiction other than North Carolina is exempted from premium taxes for the year in which the redomestication occurs, as well as the following calendar year.

The bill notes that this subsection expires for taxable years beginning on or after 1 January 2024.

This key amendment is advantageous to redomesticating captives and their operations. NCDOI's Obusek says: "Unpaid premium tax will result in a cost savings to those captive insurers redomesticating to North Carolina, which could be used in many ways, such as offsetting operating expenses or for professional services."

NCDOI's Gorman explains that before North Carolina passed captive legislation, large North Carolina businesses and other out-of-state businesses formed their captives in other jurisdictions.

This amendment is specifically designed to entice these owners back to North Carolina, with Gorman adding: "Modern laws and the support of state leadership make North Carolina an attractive domicile."

Anticipating that this accounting incentive will be effective, RH CPAs' Hardy notes: "Recently, we have seen an influx of foreign captives moving back onshore. Captives have various reasons for looking at different domiciles. This incentive will allow North Carolina to continue on the steep growth curve it has experienced over the past several years."

Obusek adds: "As well as the premium tax holiday for captive insurers redomesticating to North Carolina, an amendment is also included for consistency to require special purpose captive insurers with a cell or series structure to pay the same premium tax as that imposed on protected cell captive insurers."

Summarising the provisions of SB 347, Adams describes the bill as a continuation of the refinement of North Carolina's legislation. "It is a great economic development tool that enjoys great bipartisan support. I expect that activity and support for its evolution to continue," he comments.

While other domiciles may follow suit in adopting similar redomestication incentives, the captive industry in North Carolina remains confident that their domicile stands out as unique.

"North Carolina captive insurance companies operate in a business-friendly environment and enjoy low regulatory cost of captive formation and operation."

"North Carolina is a competitive domicile largely due to its in-house professional team of regulators, with a focus on customer service and a mission of prudent regulation," Gorman concludes. ■

The ideal ecosystem

With captive insurance to have a primary focus in Labuan IBFC's five-year strategic roadmap, Annie Undikai, managing director of Brighton Management and deputy chairman of LIIA, talks to Rebecca Delaney about Labuan IBFC's position as one of the fastest-growing risk and reinsurance intermediation centres in Asia

How do you assess current market conditions for the captive industry in Labuan IBFC? What about the landscape?

There has been encouraging growth in the captive industry in Labuan International Business and Financial Centre (Labuan IBFC). A total of 18 new captives were approved as at Q3 2021, which was a marked increase from the seven captives approved over the same period in the previous year. We foresee that this momentum will continue in 2022 in tandem with the hardening of the insurance and reinsurance markets, with business owners looking for alternative risk transfer solutions that could provide better cost efficiencies, as well as flexible solutions in managing their risks. Home to more than 60 captives and a growing number of cell captives, Labuan has become a very important captive domicile in the Asian region. Labuan IBFC is also the only jurisdiction in Asia that provides for the protected cell company (PCC) structure; both conventional and Shariah-compliant.

In terms of the captive landscape, there is growing awareness and interest around the benefits of captives in Asia as more companies look to use this risk transfer tool as a complement to their traditional insurance programmes. The growth in captives will also be precipitated by increasing demand from companies that were forced to review their risk management approach and strategy due to business interruptions and economic distress caused by the COVID-19 pandemic.

The pandemic is a stark reminder that the impact of a 'black swan' event on business can be simultaneously pervasive and long-tailed. This underscores the need for businesses to consider self-insurance, such as captives, as part of their overall corporate risk management strategy rather than as a separate entity. As a result, businesses are using their captives more strategically, with many using existing captives for different lines or limits of coverage.

The pandemic has also brought emerging risks — such as cyber risks, climate change, supply chain risks and data breach — very much into focus. Characterised by lack of historical data, emerging risks have dissuaded commercial insurers from pricing coverage competitively. Through their customisable coverage and flexibility, captives are a suitable risk management tool for mitigating emerging risks, which are often unquantifiable, difficult to price and lack commercial market solutions.

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With the hard market set to continue well into 2022, captives are increasingly becoming more attractive as a risk retention tool as more small- and medium-sized companies (SMEs) turn to captive insurance to self-insure their risks. It has been a longstanding belief that self-insurance vehicles like captives were only accessible to large multinational corporations and businesses. However, the availability of cell captives and master rent-a-captives offered in Labuan allows for the 'democratisation' of self-insurance vehicles, thus lowering entry barriers for SMEs.

How is the regulatory environment of Labuan beneficial for captive owners, particularly with regards to PCC legislation?

Labuan IBFC provides the ideal ecosystem for the establishment and management of captives, while the strong banking and corporate services industry provides for a seamless one-stop jurisdiction for captive insurance entities. In comparison to other captive markets, the current Labuan legislation is regarded as among the most market-adaptive, particularly the provision on PCCs. To date, Labuan is the only jurisdiction in Asia to offer both conventional and Shariah-compliant PCCs, thus making Labuan a key player in the global conventional and Islamic captive insurance sectors. In addition, the robust regulatory regime provides Labuan with the capability to host and provide the appropriate solvency and capital protection needed for the captive sector. Labuan also offers a fast-track authorisation process, which means that the whole application for captives formation can be turned around within 14 days. This is the most significant development and innovation in cell captives, as the fast-track or pre-authorisation process has improved the speed of establishing captives.

Labuan IBFC provides a wide range of innovative captive solutions, such as PCCs, master rent-a-captives, group captives, multi-owner captives, and subsidiary rent-a-captives. This broad range of solutions enables businesses that establish their operations in Labuan with maximum flexibility as they develop and mature over their individual lifecycles.

The Labuan International Insurance Association (LIIA) is extremely pleased that the regulator, Labuan Financial Services Authority (Labuan FSA), has earmarked the captive sector in Labuan as a primary focus in the Labuan IBFC's strategic roadmap for the next five years. This is indeed opportune and timely. LIIA is always happy to work together with Labuan FSA to develop the captive sector further, and we see exciting days ahead for the sector.

What are the most significant challenges facing the captive industry, in Labuan and as a whole?

There are two critical factors that are still challenging us today: the lack of skilled human capital based in Labuan, and finding the right balance in a taxation regime that can meet both government and industry objectives. As a representative of the industry players, LIIA deliberates with the relevant authorities on many legal tax interpretations. Our ultimate objective is that the Labuan taxation regime should be amenable enough that they would not discourage new entrants in the market.

The captive industry as a whole faces mounting regulatory and fiscal compliance burdens such as the Organisation for Economic Cooperation and Development's base erosion and profit shifting framework, and the upcoming IFRS 17 implementation. Despite these regulatory challenges, a growing number of companies are looking at captive structures due to the prolonged hardening market, which is characterised by increased premium and reduced capacity in the market.

Furthermore, regulatory and tax pressures that require an increase in substance suggests that smaller captives could struggle to be commercially viable given the operational costs associated with running captives. However, PCCs are an attractive solution, as this captive structure is more cost-effective than forming a standalone captive. With a PCC, smaller corporates are able to access the benefits of captive insurance without needing to set up the infrastructure themselves.

What emerging risks have been identified in the pipeline for the captive industry in 2022?

With the corporate risk landscape constantly shifting and changing, 2022 will see continued formation of new captives, with innovation and technology being key drivers. This follows increasingly complex risks and the greater willingness of business owners to manage them. In 2022 and beyond, the industry can expect to

see growth in captives, manifested not only in an increase in the number of new captive formations, but also in the expansion of existing captives to finance risk across a wider range of coverages and different lines of business.

The types of risks that companies are now exposed to have dramatically shifted in the last decade toward coverage for emerging risks such as cyber, business interruptions, supply chain and climate change. Captives for cyber risk coverage are anticipated to take off in 2022 owing largely to the acceleration in the implementation of digital transformation programmes and trends associated with cyber risks, which are the direct result of the global pandemic.

As the financial and economic effects of the COVID-19 pandemic continue to put a strain on businesses, managing supply chain risks have emerged as one of the top concerns for businesses worldwide. The COVID-19 pandemic and the Suez Canal blockage highlighted the fragility of global supply chains and their interconnected impact on business operations. As such, the industry can expect to see more businesses turning to captives to address these risk factors and circumvent business interruptions.

In the face of escalating healthcare costs underpinned by a hardening insurance market, tightening insurance capacity and greater pressure for employers to offer more comprehensive benefits; companies will increasingly turn to captive insurance to fund their employee benefits programmes. An employee benefits captive can be structured to provide medical stop-loss, retiree benefits, group term life and long-term disability, and enables businesses to achieve cost reductions and more control over their plans.

There have also been enquiries on parametric insurance. For example, the use of captives as a mechanism for structuring parametric weather insurance has steadily increased in recent years as companies are forced to take on more catastrophe related risks. This trend is likely to continue moving forward.

Climate change events such as floods, tropical storms, droughts, pollution and sea level rise have led to contingent business interruption losses, from physical damage to global supply chain disruptions and impacts on healthcare. These are a hugely prominent risk for many businesses. Although these events may be insurable, they are often either too difficult to insure on the commercial markets or are too expensive to be insured.

As climate change threatens to bring more extreme events and as severe weather events become a greater point of global concern, risk management frameworks will need to account for risks related to climate and weather. Many companies now consider captives as an appropriate risk management tool to mitigate climate-related risks and improve their climate resilience.

What will be top of Labuan's captive development agenda for 2022?

As an industry player, LIIA works closely with Labuan FSA to realise the strategic roadmap for the captive sector. Thus, moving forward, we would like to see more measured flexibility in allowing captives to underwrite third-party risks, especially for 'uninsurable' risks. The earnest focus on commercial risks prevalent in Malaysia's economy can be used as a starting point for further captive introduction in Labuan, in collaboration with Bank Negara Malaysia players. In addition, joint promotional activities by Labuan players with Labuan IBFC for PCC structures can capitalise on Labuan's inherently advantageous position in terms of its regulations relative to Singapore and Hong Kong. ■

Annie Undikai
Managing director, Brighton Management
Deputy chairman, Labuan International Insurance Association

The risk index

How can parametric insurance be implemented with captives to provide appropriate coverage for weather, pandemic and other forms of non-damage business interruption?

Rebecca Delaney reports

In these times of heightened volatility, uncertainty, complexity and ambiguity, the need for alternative risk management tools has never been greater. As one of these innovative solutions, parametric insurance employs predetermined, verifiable and objective metrics to allow risks to be transferred or financed in non-traditional ways. Rather than indemnifying the actual losses sustained, as is traditional in an insurance policy, parametric insurance instead covers the probability of predefined event occurring, and pays out according to a predefined index-based trigger.

Ankush Bhardwaj, head of AXA Climate, Asia Pacific, explains: "The insurance cover in a parametric solution is triggered if the predefined parameters are reached. Such parameters are measured by an objective index and a pre-agreed payout is provided if the index threshold is reached, irrespective of the actual physical loss sustained."

There are three fundamental elements of parametric insurance that are customised according to each organisation's policy. This begins with determining the risks to be covered; similar to indemnity insurance, parametric solutions are aimed at mitigating specific external factors that could impact an organisation's revenue or costs. Secondly, the parametric policy must decide the threshold level. This is the point at which the external factors begin to be detrimental to a company. The index value is generally informed by models based on historical data that demonstrate the economic impact of different event scenarios. The final tailor-made component of parametric insurance is the limit. This is the maximum payout that will be made to the company — it is important to note that for the policy to qualify as insurance, the limit must not exceed the company's actual losses. Having this tailored coverage provides three key advantages to a company: certainty, as coverages are automatically triggered when data from objective third-party sources falls outside the pre-agreed threshold; speed, as the policy does not require a lengthy loss adjustment process; and cost efficiency, as claims managers, attorneys and other technical specialists are not required to assess the actual losses sustained.

The ability to be fully customised for an organisation's specific exposures means that parametric solutions can be employed for a wide variety of coverages, such as man-made perils (cyber, terrorism, supply chain disruption), agriculture, weather and catastrophes (pandemic, flood, wildfire). This model makes parametric solutions attractive to provide coverage for risks likely to

cause non-damage business interruption losses, such as pandemic risk. Leigh Hall, senior originator at Munich Re Markets, notes that more companies are seeking parametric structures for pandemic risk to provide quick access to liquidity to help address the costs or loss of revenue associated with an extreme event.

He explains: "An early-stage cash inflow can help the company to mitigate the impact of the pandemic, and we are seeing more calls for such ex-ante risk financing solutions. We see a lot of different requests and also a lot of activity around the set up of parametric managing general agents or start-ups, which drive the market. With more granular data available, it is also now easier to provide tailored triggers that were not available before."

Bhardwaj adds that the risk profile in the insurance market today is increasingly informed by changes in weather patterns and heightened severity of weather-related events. This has created significant volatility within the market, resulting in increased rates and reduced capacity for risk transfer. "Organisations are therefore seeking alternative risk solutions provided by insurers that enable them to finance or transfer risk in a non-traditional way. Parametric insurance is one of the best solutions to these issues and provides certainty, speed and customer satisfaction," Bhardwaj says.

Captives and parametrics

Alternative risk solutions designed to address these evolving risks could see business opportunities for captive insurance, which can be used in combination with parametric solutions to address protection gaps, reduce dispute risk and enable efficient indemnification of affected communities. Parametric solutions also allow companies to match insurer capital to current and emerging exposures through improved risk insights and resilience across key suppliers and third-parties, such as captives and index-linked parametric solutions. Parametric insurance programmes and catastrophe bonds can be utilised to supplement a captive-based programme by addressing a specific threat that may not be adequately covered by the reinsurance market.

Since captives are more sensitive to hardening market conditions, they are likely to continue to face pressure with traditional capacities. Therefore, Bhardwaj identifies that "captives have started to explore alternative risk transfer for natural catastrophe events, with parametric insurance emerging as the best option to deal with this volatility being brought by the hardening markets".

He adds that because parametric insurance products do not have the same loss adjustment requirements as traditional indemnity insurance, payouts are quicker and more efficient, which reduces any cash flow strains for the captive.

Munich Re's Hall affirms that parametric structures are ideally suited to the needs of captives in their ease of execution free from a traditionally arduous claims adjustment process. He notes that in the case of the COVID-19 pandemic, organisations required clarification and certainty on how their policy would respond in a possible future catastrophic outbreak.

"The transparency offered by a parametric structure can provide senior management with greater comfort on what they are buying," Hall explains. "In a catastrophic event, senior management want to focus on running their business, rather than being absorbed by a long drawn-out loss adjustment exercise with loss adjusters."

Another specific area where parametric insurance can be used with a captive to provide coverage is retained non-damage business interruption losses, as it is extremely difficult to find traditional insurance for this. A parametric policy is an effective way to manage this risk while freeing up capital reserves that may be set aside to cover losses, notes Hall.

Basis risk

The most significant challenge in providing parametric insurance is basis risk, explains AXA Climate's Bhardwaj.

"Since the parametric cover by design is not an indemnity cover, the payouts are dependent on the pre-agreed parametric triggers which may result in a situation where the payouts are slightly different than the actual losses suffered on the insured's side. This variation of the payout versus the actual loss is referred to as basis risk," he says.

To alleviate the possibility of basis risk, Hall recommends that when implementing a parametric solution, a business should be particularly careful when selecting an observable measure or index.

He explains: "For example, a parametric agriculture contract that pays in case there is a certain amount of low rain days implies a drought condition. If not structured well along the risk profile of the client, there is a risk that there is not sufficiently low rainfall (i.e. the trigger is not met), despite the client still experiencing a drought loss on their yield. This is why we spend significant time with our clients designing and structuring parametric solutions to make sure this basis risk is minimised."

Bhardwaj adds that basis risk has been somewhat minimised owing to recent modelling, data science and remote sensing techniques.

Another concerns in using a captive in combination with parametric insurance is that the risk needs to be passed onto the original insured, who generally wants full indemnification for the losses. Bhardwaj notes that this can also be mitigated through efficient capitalisation and technical advancements.

Moving forward

Looking to the future of parametric insurance, it appears inevitable that it will become an increasingly popular policy in light of the ever-growing frequency and severity of catastrophe events, as well as the continued hardening of the traditional market and the associated strain on capacities. Bhardwaj anticipates that the next few months are likely to see an evolution of parametric structures with solutions to the perils and assets that are underinsured or uninsured by traditional capacities. He adds: "We will also see the losses arising out of impact to sales or profit due to weather anomalies. Such exposures are not being covered under the traditional offerings. Climate science, data and technology will play a vital role in the transformation of this new-age risk transfer solution."

Hall notes that the greater appetite for parametric structures will be enhanced by their inherent fast, simple and efficient features, as well as the ability to be more responsive to the risks faced by organisations in the ever-evolving modern world."

"A corollary of this development is that it has made participation by the capital markets in the insurance sector more attractive, creating a much larger opportunity to scale up markets for innovative risk transfer solutions to address systemic risks," he concludes.

Putting it into practice

Real-life examples of parametric solutions being implemented in the alternative risk transfer industry include:

Captive+Parametric: Using artificial intelligence and blockchain technology to create smart contracts, this solution by Arbol allows companies to transfer climate risks into captives through a parametric structure, while the firm's underwriting insurance agent also pairs reinsurance capacity with parametric insurance risks

Replexus: The world's first humanitarian catastrophe bond covering pure volcanic eruption using a Guernsey-based ILS structure, in which the parametric is triggered by volcanic ash plume height and wind direction

Paratus Maritime Insurance: Also based in Guernsey, the world's first parametric fuel and freight insurance programme protects industry from fuel and freight price risk by automatically paying a cash settlement when the average fuel price exceeds the trigger level

Belize Blue Bond: Designed and placed by WTW's alternative risk transfer division, this parametric transaction supports the Government of Belize's debt restructuring for marine conservation to improve the economic and environmental resilience of island and coastal nation sovereign borrowers to climate-related events

Epidemic Risk Solutions: Munich Re's team examines how a captive can offer its parent company a bespoke risk transfer solution to protect against viral epidemics and pandemics, using the parametric trigger of the World Health Organization's reporting protocol for declaring a Public Health Emergency of International Concern

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Donny Tong
Senior Vice President
212-590-0976
donny.tong@truist.com

Joseph Monaco
Vice President
212-303-1746
joseph.monaco@truist.com

Barbara Aubry
Senior Vice President
212-303-4164
barbara.aubry@truist.com

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Emerging Talent

Claire Richardson
Captive consultant
Hylant Global Captive Solutions

"Claire has a tremendous appetite for learning, networking and developing herself and others around her. She has been voracious and diligent in studying and learning the captive industry to expand her own personal knowledge while being highly professional and a quick learner. As a recent graduate of Butler University, she has been motivated to educate herself with ICCIE courses and recently earned the ACI designation.

"Claire has spearheaded the captive education with our interns at Hylant by training and being a resource. She has constantly asked me and others for tips and tricks for professional speaking and presentations to our clients and prospects. I have had the privilege of managing Claire for almost two years now, and she is a true team player in being available to assist with captive projects. Claire is motivated, outgoing, innovative and fun-loving, going the extra mile for anyone who requests her time and experience. Claire demonstrates the epitome of emerging talent and is a rising star in the captive industry."

Anne Marie Towle
Global captive solutions leader, Hylant

How did you end up in the captive industry?

After my sophomore year at Butler University, I was looking for a change in major. I had some discussions with professors and mentors that pointed me to re-evaluate the risk management and insurance degree that Butler offers. Soon after switching my major, I found that Butler has the first and only student-run captive. While I could not take the captive operations course as a sophomore, a professor took me under his wing and assisted in my exposure to Butler's captive and the industry. As I kept learning through webinars, ICCIE coursework, and two captive-specific internships, I found myself continuingly drawn to a career touching captives.

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

The people. Every single person I have met thus far in the industry has been so accepting, energising, and passionate about supporting young talent into the industry. This is an industry like no other, that genuinely wants everyone to succeed, competitor or not. The captive industry's support in the first year of my career has set me up for success and it is an industry in which I am thrilled to continue to work.

What is your impression of the industry?

It is one big, extremely educated, kind, innovative, and fun-loving family. As not many people intentionally go into the insurance (or captive) industry, this career diversity allows for an unmatched level of innovation. The industry fosters the best experiences for captive clients, attributable to the sheer volume of advanced and fruitful collaboration.

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

I hope to serve as a resource in the industry as I accumulate knowledge through experience, designation coursework and working through challenges, especially to those just starting in the industry. I have been extremely blessed that my hard work has paid off and I love exactly what I am doing, and I want to assist and empower young leaders in entering the captive industry.

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

Go for it! Do not be afraid to ask questions and to reach out to industry professionals who you might find on LinkedIn or in an article, as the industry welcomes new talent with open arms. If you have the opportunity, look for an internship in a business within the captive industry, or take the time to join a webinar on captives to increase your exposure to the space and serve as an aid in your decision. The flexibility in this space is unmatched and you can easily find a home within the captive industry.

Personal bio

I grew up in the Chicago suburbs and now call Indianapolis home. I prioritise trying new recipes in my kitchen and adventuring in and around Indy for some great new restaurants. Staying active is core to my lifestyle and I cherish my time in the gym and on the trails. Live music, baseball, sunsets, and my dog hold a special place in my heart.

Professional profile

I went to Butler University and studied risk management and insurance, completing my Bachelor's degree in May 2021, and starting my career with Hylant in June 2021. Prior to joining Hylant, I had internships as a captive account management intern at Aon, a risk solutions intern with CRC Group, and interned for two semesters with Hylant as a captive consulting intern. Each experience built my knowledge base, allowing me to complete my CISR designation in July 2021, and my ACI designation in March 2022.

I love to learn and will continue to learn from organisations I am involved in, including VCIA, NCCIA, the National Alliance's CISR board of governors, the National Alliance's UA advisory board, and Butler's Davey Risk Management and Insurance Program advisory board.

"I am thrilled to, once again, work closely with Bermuda-based reinsurers"

Jereme Ramsay

SS&C adds Jereme Ramsay as business development head

SS&C Technologies Bermuda has appointed Jereme Ramsay as director of business development and client relations.

In his new role, Ramsay is responsible for the development of strategic alliances, as well as managing the implementation of strategic marketing plans to grow SS&C's portfolio of clients across the risk industry.

With more than 15 years' experience in strategic marketing and business development within the financial services sector, Ramsay previously served as senior manager, markets and business development lead for the insurance and reinsurance sectors at KPMG Bermuda.

Before this, he was business development manager for risk solutions at the Bermuda Business Development Agency, where he worked with industry and advisory groups in the reinsurance, insurance, captives and insurtech sectors.

Commenting on his appointment via LinkedIn, Ramsay says: "I am thrilled to, once again, work closely with Bermuda-based reinsurers, the insurance-linked securities market, and the island's fund industry to offer integrated service solutions to new and existing clients." ■

Capterra Risk Solutions has appointed Jeff Ellington as senior vice president, where he will manage the captive insurance manager's business development team to foster new captive business.

In his new role, Ellington is responsible for overseeing the entire captive formation process, including risk assessment, feasibility study, organisational structure and design, and policy production.

He will also coordinate captive renewals, claims handling and claims processing, as well as working closely with account managers on captive operational issues, including procedures, best practices and quality reviews.

Ellington previously served as vice president of marketing and business development at Atlas Insurance Management, a position he held for more than 10 years.

In this previous role, he was responsible for the development and oversight of the underwriting department, and worked with brokers and other referral sources to form strategic partnerships and explore new captive opportunities.

The Risk Management Society (RIMS) has named Gary LaBranche as its new CEO, succeeding longstanding CEO Mary Roth, who announced her retirement late last year.

As a global professional association, RIMS works to promote the practice of risk management through networking, professional development, certification and educational opportunities.

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LaBranche most recently served as president and CEO of the National Investor Relations Institute, an association representing 1,600 publicly-traded companies in the investor relations and corporate officers space.

Before this, he held the position of CEO for the Association for Corporate Growth and the Association Forum of Chicagoland. LaBranche has also served as senior executive at the American Society of Association Executives and the U.S. Chamber of Commerce, where he was responsible for identifying, developing and sharing best practices, models and innovation in association management.

Atlas Insurance Management has appointed Kirsty Swink as senior account manager in the firm's US client servicing team.

The captive management firm assists in the formation and management of captive insurance companies and alternative risk solutions in major US and offshore domiciles.

Swink previously served as senior account manager at Marsh Management Services in Bermuda. Before this, she was a senior financial accountant, captive management at Bermuda-based Symphony Management, where she was responsible for a portfolio of captive insurance clients located in Bermuda and the US. Swink qualified with the Institute of Chartered Accountants of Scotland last year.

Commenting on the appointment, Tania Davies, vice president of business development and marketing at Atlas, says: "We are excited to welcome a team member with international experience, especially from one of the leading offshore captive domiciles. Kirsty is a technically strong chartered accountant with six years' captive management experience. Her prior clients exposed her to many different captive structures, lines of business, and industries." ■

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