captive insurance times

The primary source of global captive insurance news and analysis

October 2022 - Issue 248

Shine On

Why Alabama has been a strong proponent of captives since 2006

Captive Ownership

Ian-Edward Stafrace of Atlas Insurance PCC talks to CIT

Industry Appointments

VCIA promotes Jim DeVoe-Talluto

captive insurance times

Issue 248

www.captiveinsurancetimes.com

Published by

Black Knight Media Ltd

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

Contributor: Barney Dixon

Lead Designer: James Hickman
jameshickman@blackknightmedialtd.com

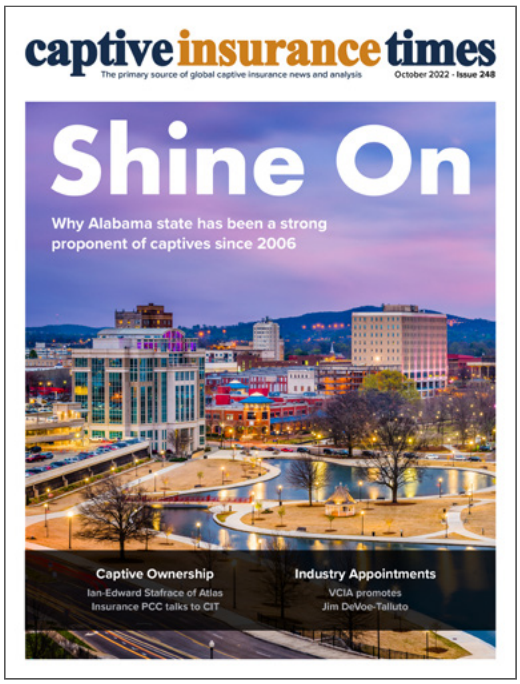
Marketing and sales

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

Follow us on Twitter: @CITimes



Contents

In this issue

Atlas Insurance PCC

People you can trust

Discover the advantages of our protected cell facilities

Why Atlas?

- A leading Maltese insurer since the 1920s. In 2006 was the first EU insurer to convert to a PCC.
- **Recognised independent EU PCC experts** having assessed and implemented a variety of direct third-party, reinsurance and captive cells, including hosting cells for clients of global management companies and consultancies.
- **Active non-cellular core** - Allows greater flexibility including cells writing third party or compulsory classes.

Why Malta?

- Only full EU member state with PCC legislation.
- Avoid fronting cost through **EU Passporting.**

We offer benefits under Solvency II

- **Less costs** thanks to shared governance, risk management and reporting.
- **Less capital required** as Atlas core capital surplus over SII requirements provides significant support.

Contact us to find out what we can do for your company
t: +356 2343 5411 e: cells@atlaspcc.eu **www.atlaspcc.eu**

Atlas Insurance PCC Limited is a cell company authorised by the Malta Financial Services Authority to carry on general insurance business.

Sapphire Re picks Synergy2 Reinsurance Platform

The Captive Insurance Companies Association (CICA) has announced the case study topics for its fifth "Captive Insurance Solutions for Today's Risk Management Challenges" essay contest for college insurance and risk management students. The 2022-2023 contest case studies were developed by the contest's new sponsors, Hylant Global Captive Solutions (Hylant GCS). The CICA Essay Contest invites two-person teams of college risk management and insurance students to describe how and why a captive insurance company could be used as a cost-effective means of alternative risk financing for emerging risks and their corresponding loss exposures.

Essay contest winners will receive cash prizes and the opportunity to present their winning papers at the CICA 2023 International Conference, which will be held 5-7 March 2023 at the Westin Mission Hills Golf Resort & Spa, Rancho Mirage, California. A publication of their essays will also be included in Captive Insurance Times.

Case studies focus on developing strategies to help fictional organisations in real-world situations develop captive insurance solutions. Students will demonstrate how to establish a captive for their specific case study, select policy options, and determine underwriting, pricing, and more.

The first case study for 2022 is centred around forming a captive insurance company to manage the risks associated with PikUp's operations, which involves 4000 contracted independent drivers using their own vehicles to deliver people, food, and groceries, as well as risks associated with customers using PikUp-owned bicycles and scooters for transportation.

The second case study concerns Sammy's Deli — a deli trying to help its franchises form a captive insurance company to manage risks and expenses to address the rapidly increasing general liability rates. It is also looking to cover the impacts of supply chain disruptions and staffing shortages.

The third case study analyses the American College and University Athletics Association — a non-profit organisation regulating activities for 400,000 student athletes, which is looking to form a captive insurance company to support risk management related to student athletes' opportunities.

Student teams will select one of the three case study topics for the competition.

Last year's winners, Matia Daskalos and Vincent Palmieri from Temple University, were awarded first place honours in the CICA College Student Essay Contest. ■

Hub International launches its own hospitality benefits captive

Global insurance brokerage Hub International Limited (Hub) has launched HUB Hospitality Benefits Captive to help hospitality employers in the US, and those with cross-border operations in Canada, manage their benefits costs.

The initiative has also been introduced to offer a more comprehensive health and wellness plan to attract and retain employees.

HUB Hospitality Benefits Captive is intended for hospitality employers with stable claims experience, a predictable cash flow, and more than 75 covered employees.

The self-insured programme is available to hospitality businesses in the US and those with cross-border operations that extend into Canada.

While controlling costs, HUB Hospitality Benefits Captive enables employers to customise their health benefits programme and offers medical and pharmacy benefits, a third-party administrator and health network access.

Captive membership provides affordable stop-loss protection against the high cost of ongoing and catastrophic claims, and integrated cost management through data-driven intelligence on medical and pharmacy, says Hub.

Hub adds that with the Hospitality Benefits Captive, it will continue its commitment to providing tailored insurance solutions designed to best manage its hospitality clients' risks and insurance needs.

Kim Gore, North American hospitality specialty practice leader at Hub, says: "We are excited to offer the HUB Hospitality

Benefits Captive to hospitality employers who want to offer personalised benefits to their employees while gaining control over their healthcare expenses. A strong benefits strategy helps create more engaged hospitality employees, which can improve the overall customer service experience."

COSCO joins Poseidon Principles for marine insurance

China-based COSCO SHIPPING's (COSCO's) captive insurance subsidiary has joined the Poseidon Principles for marine insurance.

Singapore's EF Marine and Hong Kong's CTX Special Risks already align themselves with the principles. However COSCO is the first Asian marine insurance company to become a member.

Created by the Global Maritime Forum, the Poseidon Principles for Marine Insurance are a framework by which insurers' shipping portfolios can be measured and reported in relation to their climate goals. The central tenets of the principles are: assessment of climate alignment accountability, enforcement and transparency.

Zheng Xiazhe, chairman of the board at COSCO Captive Insurance, says: "Joining PPMI is aligned with Cosco Shipping Group and Cosco Shipping Captive's strategy towards green shipping and green finance. We are motivated to work with all stakeholders to promote marine de-carbonisation and the marine industry's sustainability transition and growth."

Patrizia Kern-Ferretti, chair of the Poseidon Principles for Marine Insurance, adds: "It is essential to the mission of the Poseidon Principles for Marine Insurance that our membership reflects the diversity of the maritime industry. I am proud to welcome COSCO SHIPPING Captive Insurance to our framework for responsible marine insurance as they bring us a big step closer to this goal."

AM Best affirms Dow captive rating

AM Best has affirmed the financial strength rating of A (Excellent) and the long-term issuer credit rating of "a" (Excellent) of Dorinco Reinsurance Company, the captive reinsurance company of The Dow Chemical Company.

The outlook of these credit ratings is stable.

The ratings reflect Dorinco's balance sheet strength, as well as its adequate operating performance, neutral business profile, and appropriate enterprise risk management, according to AM Best.

Dorinco's risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio, is assessed at the strongest level.

The balance sheet strength also reflects the company's track record of overall positive reserve development, conservative investment strategy, good liquidity profile, and the enhanced financial flexibility provided by its parent, Dow. The credit rating agency says the ratings acknowledge Dorinco's operating performance, categorised by AM Best as adequate, and Dorinco's business profile, which AM Best assesses as neutral.

Dorinco is a single-parent captive that is well-integrated within the Dow group and plays a fundamental role in managing the group's risk-exposures, according to AM Best.

RYSKEX launches climate change perils working group

Digital risk exchange firm RYSKEX, in association with several European funds, has created a new working group for the captive market.

RYSKEX, which focuses on cyber, climate change, pandemic, and political perils, says the group will cover climate change perils, and provide alternative capital for the captive market, particularly Vermont-based captives.

Using Parametric Risk Transfer, captives will be able to sell components of their risk portfolio to capital markets.

This approach was included in Vermont's Captive Bill in 2022.

Parametric Risk Transfer includes automated claims processing, which ensures the transfer in case of a claim within 48 hours, and generates an arbitrage.

This lowers administrative costs as the captive can be communicated with directly, RYSKEX says.

The approach also provides a wider selection of risks that fit the investment portfolio, and the possibility to work with leverage, increasing yield in comparison to traditional insurance-linked securities investments, RYSKEX adds.

The final strategy paper will be presented at the Baden-Baden Reinsurance Congress in October 2022.

AM Best gives Delvag negative ratings outlook

AM Best has released a negative credit ratings outlook for Delvag Versicherungs-AG (Delvag), the captive insurer for Germany-domiciled global aviation group Lufthansa.

The captive has also been given a financial strength rating of A- (Excellent) and a long-term issuer credit rating of "a-" (Excellent) by AM Best.

Delvag's balance sheet has been assessed as "very strong", with AM Best also recognising the captive's strong operating performance, neutral business profile, and appropriate enterprise risk management.

AM Best recognises Delvag's "conservative and prudent reserving practices, as well as its good liquidity profile". The balance sheet is additionally protected by a profit and loss absorption agreement between the parent and captive companies.

The captive has a five-year weight average operating ratio of 67 per cent between 2017 and 2021, according to AM Best. This historically good earnings track record is supported by a balance of underwriting and investment income. Since 2020, remedial action has been taken on underperforming lines of business and partial discontinuation of non-group-related reinsurance business.

However, uncertainty around air traffic demand trends and an unpredictable economy mean that the core business and credit profile of the financially weaker parent company could be negatively impacted. As a result, the business profile and operational performance of the captive will be under pressure.

Acrisure acquires CRK

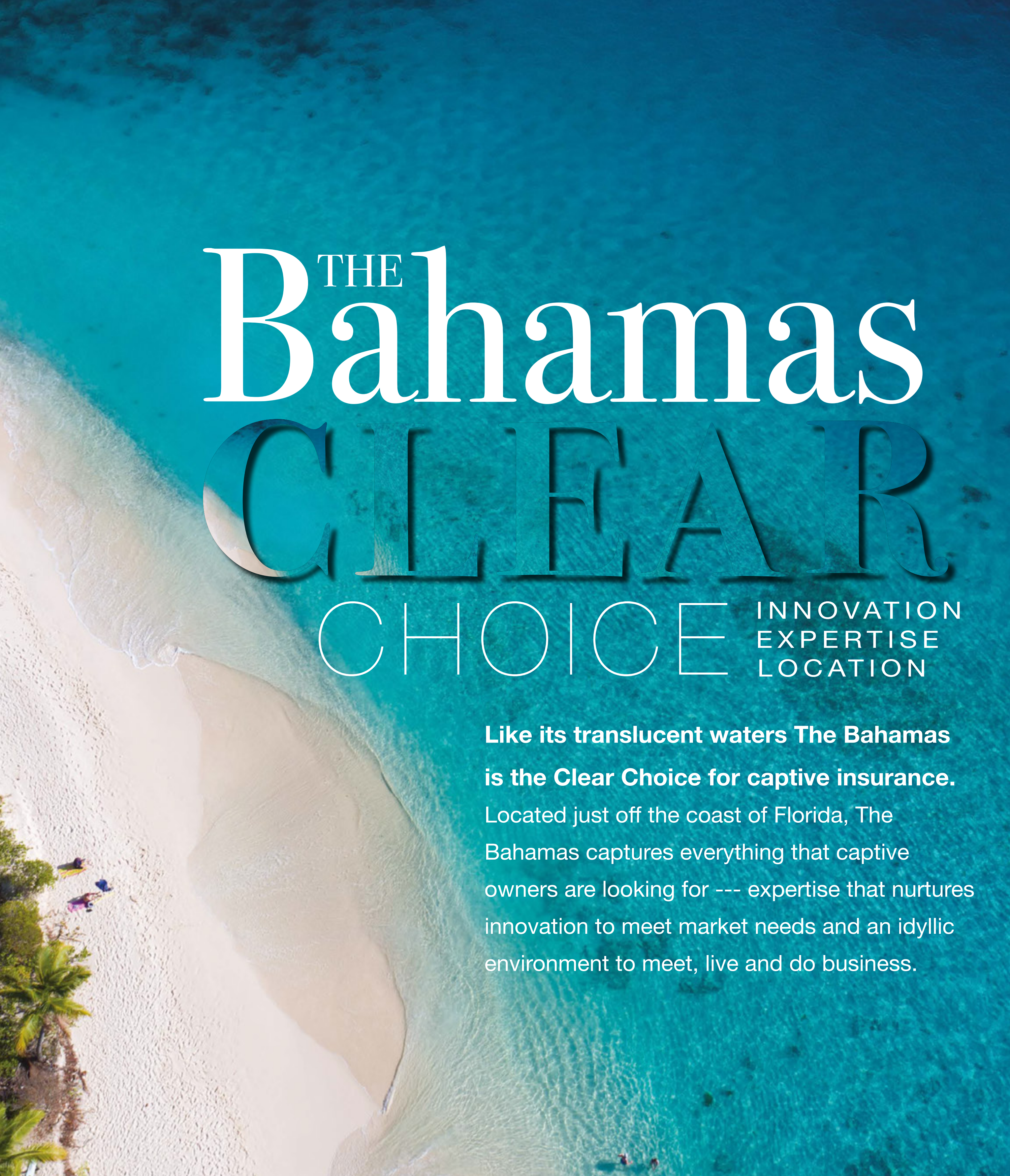
Financial services provider Acrisure has acquired commercial schemes provider CRK Commercial Insurance Services Limited (CRK), in a deal anticipated to close at the start of October.

This is part of Acrisure's planned expansion in the UK, with further acquisition and partnerships expected to be announced in the near future.

UK-based CRK creates specialist insurance schemes exclusively for insurers groups. It focuses on the manufacturing and engineering industries.

After the acquisition, the company will operate as part of Acrisure UK Retail. It will continue to be led by Darren Wills, managing director of CRK, and his team, and will gain access to Acrisure's technology and global network.

Mark McIlquham, president of Acrisure Retail UK, comments: "We are excited to collaborate with CRK and Darren. CRK is a profoundly entrepreneurial and agile business with a fantastic client base. We were particularly attracted by the truly bespoke, unique schemes that the team have developed with their in-depth knowledge and understanding of specific trades and industries." ■


THE Bahamas
CLEAR
CHOICE
INNOVATION
EXPERTISE
LOCATION
Like its translucent waters The Bahamas is the Clear Choice for captive insurance.
Located just off the coast of Florida, The Bahamas captures everything that captive owners are looking for --- expertise that nurtures innovation to meet market needs and an idyllic environment to meet, live and do business.

Shine On

As one of the fastest growing captive insurance domiciles, Alabama has been a strong proponent of captives since passing its first captive legislation in 2006. Barney Dixon puts the state's captive insurance in focus

In recent years, Alabama's stellar business climate, low cost of living, and continued friendly approach towards captive insurance has given the state the ability to grow its captive industry significantly.

As of February 2022, there are nearly 80 captives of varying types domiciled in Alabama, and, according to the Alabama Captive Insurance Association (ACIA), the domicile has established itself as a "respected jurisdiction with a willingness to work with prospective and licensed captive companies".

Alabama's unanimous support for captives

In May last year, Alabama passed yet another captive insurance bill, sponsored by ACIA. This new legislation, which passed the Alabama House Chamber at the House of Representatives on 1 April with a 94-0 vote, permits the creation of new captive formation types, while also lowering the minimum capital requirement to US$100,000 for pure and protected cell captives. This sort of transformational legislation has allowed the state to stay at the forefront of captive insurance in recent years. Just last year alone, there were five new pure captives domiciled in Alabama, bringing the grand total of pure captives to 33.

The ACIA has been at the forefront of this captive-friendly agenda. Last year, when the ACIA-sponsored bill passed, the association said it had "pushed forward an ambitious agenda with one of the most comprehensive and aggressive captive laws in the country".

"ACIA advocated for the modernisation of the Alabama Captive Act that was previously amended in 2016, so that the updated law would promote economic development within the state, as well as adding flexibility and innovation to the captive industry in Alabama."

"This continues ACIA's streak of receiving unanimous support for all of its legislative efforts since its founding in 2006."

The bill introduces agency, reinsurance, and special purpose financial captive structures, offering captive owners the freedom of a captive structure that can be tailored to their specific needs. Captives in Alabama are now able to pool risks written in alien or foreign jurisdictions, while removing the requirement of maintaining a principal place of business in Alabama.

According to the ACIA, this will open the door for exceptional growth in Alabama in the coming years. Norman Chandler, ACIA

images by seanpavonephoto/stock.adobe.com

> *"Alabama boasts a very supportive and forward thinking department and association that work in lockstep to promote the best environment for the captive and alternative risk industry"*
>
> **Ben Richardson, ACIA**

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

Ben Richardson, director of external affairs at ACIA, added that the opportunities for captives in Alabama are "endless".

He states: "Alabama boasts a very supportive and forward-thinking department and association that work in lockstep to promote the best environment for the captive and alternative risk industry."

"The legislation allows for Alabama to be on the cutting-edge as a highly competitive domicile within the captive industry, while maintaining significant financial benefits afforded by a business-friendly state.

"The new legislation makes Alabama a highly competitive domicile as there is a new element of versatility in selecting a captive structure that best suits the needs of captive owners, all while maintaining low costs and a very simple redomestication process. For captive owners and managers looking for a bespoke captive structure with a favourable business environment, Alabama is the place for you."

The past four years in Alabama have seen a proliferation of risk retention groups (RRGs). The number domiciled grew to 17 this year, with eight added in 2021. This trend is expected to continue into 2023, but Alabama is also seeing a general spike in interest to form new captives.

According to Steve Wells, director of programme management at Arsenal RMI, there is "no shortage of businesses that have the capital and desire to take advantage of the captive model [...] captive opportunities continue to come to us from all over the country on a regular basis."

Wells adds: "There has been a steady rise in the number of captives, captive cell, and RRGs over the past several years. I believe Alabama has been the fastest growing captive domicile for several years."

Changing hands in the DoI

Despite this steady growth, there have been some shifts in Alabama's department of insurance that could spell a change in approach to captives. On 1 July 2022, Mark Fowler was appointed as acting commissioner of the Alabama department of insurance, following the retirement of former commissioner Jim Ridling in June 2022.

According to the Alabama department of insurance, Fowler will lead the department in fulfilling its mission to serve the people of Alabama by regulating the insurance industry, providing consumer protection, and promoting market stability.

Fowler joined the insurance department in 2013 and worked as the deputy commissioner. In this role he served as the liaison to the Alabama legislature, and was the point of contact for various outside entities, including industry associations. During his time in this role, the department enacted more than 34 bills and assisted in enacting several industry sponsored bills supported by the department. During his tenure, Fowler has been a regular speaker and attendee at the ACIA's annual conference.

As Alabama's longest serving insurance commissioner, Ridling was a key relationship for the ACIA and for the development of captive insurance in the domicile. The captive industry in Alabama benefits from its relationships with the government and elected officials, and Ridling previously said that the "partnership and cooperation with both entities allows Alabama to boast one of the best environments for captives and the alternative risk industry."

Collateral Trust Services

Our advantage

Truist Corporate Trust & Escrow Services has a long history of trust, escrow, and risk management excellence with both domestic and international coverage.

If you're choosing a cost-effective and convenient collateral trust as part of your captive and reinsurance solution, we have a broad range of specialties that can help mitigate risk in your insurance business:

- Collateralized Reinsurance
- Regulation 114 Trusts
- Captives
- Surety Bonds
- Insurance-Linked Securities
- Deductible Trusts

Our experience is only one aspect of what differentiates our reinsurance trust business from other firms. Additionally, we excel because of:

- Single point of contact
- Comprehensive servicing
- Rapid response times
- Team of reinsurance specialists
- Extensive carrier relationships

To learn more about how Truist can efficiently and comprehensively support your escrow transaction, please contact:

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

Truist.com

TRUIST

Ridling was described by Alabama governor Kay Ivey as keeping "stability" within the agency, while also bringing "fresh ideas to ensure our state was offering our people the best."

Along with these changes at the department of insurance, Alabama's chief captive regulator, Sean Duke, has also left his role after 24 years.

Wells says he does not see the domicile shifting away from its captive friendly reputation, despite the change in commissioner.

He says: "While there have been some retirements in the Alabama Department of Insurance, the acting commissioner and the entire department has made a concrete effort to continue working closely with captives. The department realises captives are good for business and good for the state."

"2022 will be a transition year for Alabama. With a new acting commissioner and several new key management personnel and staff, everyone is working hard and doing a good job of getting up to speed."

A question of talent

Alabama, like all captive domiciles, is facing the ongoing talent crisis. As captive experts retire and the industry grows, it is becoming more difficult to fill empty and new roles with talented people. Wells says "finding quality, young candidates to fill our ever-growing staffing needs" is a challenge.

He adds: "The insurance industry is not the sexiest field to enter. Nobody grows up going 'I want to be a captive manager or captive underwriter!'"

To combat this, the ACIA, in collaboration with Arsenal and Troy University, launched its Risky Business internship programme in January 2020.

According to the ACIA, Risky Business is the first multi-entity programme in Alabama to offer internships to risk management and insurance students. The programme is designed to expose students to the captive insurance and alternative risk management segments of the market, to encourage them to pursue a career in the industry.

During the programme, interns work with two or three different ACIA member companies on a five-week rotation. It provides undergraduate and graduate students potential opportunities in risk management and insurance, by exposing them to the daily operations of several different service providers.

Wells noted that the programme "has had great success in attracting quality candidates."

Since its launch it has seen a 100 per cent employment rate for all graduating seniors who have completed the programme, a number of whom were employed by ACIA member businesses. The programme has been endorsed by the Alabama Property and Casualty Adjusters Association and the Alabama department of insurance.

Dr. Courtney Baggett, programme director of risk management and insurance at Troy University, says the programme has provided students with valuable professional opportunities, which have resulted in full-time positions.

She adds: "We are thankful for the investment made by the ACIA and Arsenal alongside Dr. Edward Pappanastos, associate chair of the department of risk management and data analytics at Troy, to student success within our RMI programme."

The future is bulletproof

With a continuing positive working environment for captives in Alabama, only good things are in store.

Despite changes at the department of insurance, it is likely that Alabama's government and legislature will continue to maintain a positive relationship with the captive industry and promote mutual benefit for the domicile.

ACIA's promotion of captive opportunities within Alabama will allow the industry to continue to flourish, while its work on attracting talent to the industry will help it to maintain the industry's steady growth in Alabama.

In the words of Alabama's recently departed chief captive regulator, Sean Duke, Alabama's accomplishments are a "product of the hard work and dedication of the [department of insurance's] captive staff and the ACIA.

"The combination of the two has produced a reasonable and responsive regulatory environment that continues to attract companies." ■

Navigating the solutions your captive needs requires the right plan and financial partner.

At Comerica, we've backed captives for more than 25 years with unwavering support from one of the only dedicated teams in the industry.

Get the financial tools your captive needs with one-on-one guidance to protect your business and bottom line, from the Leading Bank for Business*.

Schedule your complimentary consultation by calling **313.757.5046.**

Comerica Bank
Raise Your Expectations®

An agile approach to captive ownership

Ian-Edward Stafrace of Atlas Insurance PCC outlines how protected cells can enable agility in risk financing and captive ownership

Captives are traditionally referred to as insurance subsidiaries of non-insurance parents writing risks of the parent. Many more options are available today for risk managers, which can be approached iteratively or combinedly.

Some choices in captive models that are not mutually exclusive in an overall risk financing programme include: standalone or protected cell, own staff or management company or shared resources of a protected cell company (PCC) and direct writing or reinsurance.

Others include onshore or offshore, and the consideration of which risks and covers to bring in scope — including whether these are of the parent, employees, or customers.

These choices may be daunting for risk managers and could require changing the comfort of the status quo.

Risk managers need an agile approach to the ownership and use of captives that lowers any decisions' financial commitments and risks, providing real options to experiment, learn, iterate, and scale. Flexibility allows adaptation to changes in internal needs and external environments.

Pain points and desired outcomes

Risk managers can stimulate reflection on the pain points the organisation may have with its existing risk financing programme and the desired outcomes and measures of success.

A small cross-functional team can provide perspectives directly from strategy, finance, HR, sales operations, subsidiaries and other areas. Such a team will help gain different insights, spur innovation and create engagement for any proposed shared solution that would not belong to any one function.

Pain points within the conventional market, often cited by risk managers, include the volatility of insurance prices and capacity that may be market driven, rather than based on the group's risk profile and experience. Conventional insurance products can also be seen as inflexible and the services they provide as inadequate to a group's changing needs.

Captive-type solutions, on the other hand, can provide savings and stability in insurance costs, provide additional cover or capacity to conventional markets, and facilitate risk reporting and claims control.

> *"Increased capital requirements and costs driven by insurance and tax regulations and government authorities' expectations can hinder the will to explore the formation of captives"*

Other captive-type solutions provide more flexibility in the selection of risks to retain or transfer with a higher degree of experience rating, as well as giving access to the lower-cost, higher-capacity reinsurance market and the insurance market's wholesalers.

They can also recognise technical reserves as tax-deductible, unlike internal self-insurance risk funds, and extend beyond risk financing to provide employee benefits cover. They can also be developed as a profit centre writing customer or another third-party business.

Agile organisations increasingly adopt strategic goal-setting frameworks such as Objectives and Key Results (OKRs). Objectives are the outcomes being strived for. Key Results are the quantitative measures of success, determining how close a company is to achieving the Objective. The same goal setting should apply to captive ownership, and the risk manager should strive to integrate the captive's goals into the organisation's shared goals.

Standalone or protected cell

Standalone single-parent captives provide the highest degree of control and freedom on Objectives. However, for organisations that only use conventional insurance, moving directly to setting up a captive subsidiary may be considered a big-bang, high-risk move to put forward to their boards without any prior experience, experimentation, or learning.

Increased capital requirements and costs driven by insurance and tax regulations and government authorities' expectations can hinder the will to explore the formation of captives.

Another approach is setting up a protected cell in a protected cell captive (PCC), which requires lower up-front running costs and management time thanks to sharing of the PCC's resources. Initial capital could also be lower than for a standalone captive.

A cell can start as a minimum viable product (MVP) with a narrow scope. The solutions offered through the cell can be reiterated and evolved. Should a single-parent captive become a desired next step, the decision can be based on experience and established relationships.

In this current 'hard' market, EU direct writing cells, or fronted reinsurance cells, often help lower the captive feasibility entry point, opening funded self-insurance options to more organisations than ever.

Protected cells are often more feasible and cost-effective than having a standalone subsidiary. Some organisations see cell structures as a faster, simpler and less expensive means of covering their immediate needs and gaining experience, before establishing a single-parent captive. Most prefer to remain within the efficient simplicity and comfort of the PCC.

Resources

It has often been considered unusual for any new captive owner to start operations using its staff, due to the talent needed, with

companies instead maintaining arm's length captive management. The skills required can be comprehensively and economically obtained from competent, experienced captive management companies based in the captive domicile.

However, regulators and tax authorities are increasingly expecting substance and current staff on the ground in key functions, particularly when the business includes third-party risks. This is avoided in the context of protected cells, since the PCC is one legal entity which should already have substance and resources in the respective domicile.

With their shared economies of scale, Maltese PCCs provide substance and resources in a Solvency II-regulated environment. They give confidence by being onshore in the EU, without a standalone company's complexities, costs and time.

A PCC could manage the cell or outsource the cell management to global management companies that may provide complementing services.

"Malta is the only EU Member State with insurance protected cell legislation, providing cells with direct access to the European Economic Area single market"

Direct writing or reinsurance

The current insurance carrier can potentially offer a fronting service, helping in the initial learning and experimentation stages of a captive. Fronting insurers could help with policy issuance, claims handling and settlement, accounting, engineering, and loss control. Depending on their domicile and branch network, captives and cells may also be able to provide direct cover in certain countries.

Malta is the only EU Member state with insurance protected cell legislation, providing cells with direct access to the European Economic Area single market. Some PCCs like Atlas can also write UK risks.

Organisations could have reinsurance capacity lined up, but no willing fronting insurers. In such cases, they can set up cells to predominantly front the risks, gradually increasing the retained risk with experience.

Beyond risk financing

Many organisations have access to insurance business opportunities emanating from customers. A manufacturer can sell products on cost insurance and freight (CIF) terms, providing marine cargo insurance on goods being transported, and increasing the profits generated from well-managed haulage risks. Extended warranty insurance, or even accidental damage and theft insurance, can be an option. Organisations in the event and hospitality sector could provide cancellation, event or more comprehensive travel insurance. Telecommunications companies can sell gadget insurance.

Many companies make substantial commissions on customer business placed with insurers, though there is also generally a significant underwriting profit element that they could retain. Regulators are increasingly scrutinising the value provided to insurance customers, pushing for commission levels to come down, increasing the attraction for organisations to evolve, carry the risk, and participate in the underwriting performance and profitability.

International organisations often decentralise the negotiation and purchase of employee medical, dental, accident and disability insurance programmes to local insurance markets.

A growing number are improving the management and reducing the cost of their employee benefits programmes by extending the use of their captives to insure or reinsure the risks.

Employee benefits complement risk financing because losses tend to be high frequency and low severity, hence less volatile and more straightforward to forecast than property and casualty losses.

Experimentation and combining approaches

Maltese PCCs with an active core can also rapidly front and incubate risks, giving more time to assess and set up a cell, thereby providing another solution within the same entity. The non-cellular core can provide a sandbox facility that improves time-to-market and data gaining. Business plans and projections can be revised based on experience. If tests are unsuccessful, such plans also allow a low-cost exit.

Many options and solutions have been mentioned. The agile approach is to disrupt the status-quo with simple iterative steps, striving for continuous deliverables of minimum viable products (MVPs) and adapting from experience. Well-resourced PCCs in Malta are highly flexible platforms from which an organisation can embark on this learning journey.

As discussed, with PCCs like Atlas, an organisation could be able to front or incubate EEA and UK risks, either rapidly through the non-cellular core, or through its established cell to:

- directly write and retain EEA and UK risks;
- accept inwards reinsurance for risks across the globe;
- cede risks to the reinsurance market, whether outside appetite or to reduce volatility or capital requirements;
- include parent and employee benefits and third-party consumer risks;
- obtain services from brokers, third-party administrators, or captive management companies as desired; and
- gradually bring into scope additional risks and covers.

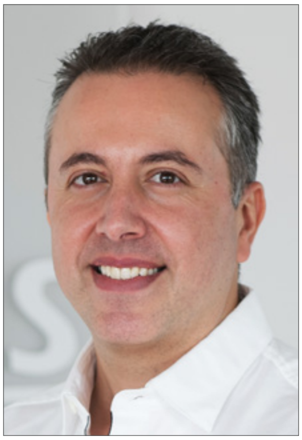
Consideration could also be given to complementing solutions in other domiciles, such as whether the organisation wishes to write risks outside the EEA or UK without using a fronter.

The organisation could increase the scope of the cell or reduce it. It could eventually decide to close the cell and establish a standalone captive or insurance company to increase the level of control and freedom, if deemed valuable.

Adopting an agile approach to captive ownership allows for iterative learning and gains while lowering each step's financial commitments and risks.

Such flexibility offers risk managers real options and capabilities to adapt to changes in internal needs and external environments. ■

"Employee benefits complement risk financing because losses tend to be high frequency and low severity, hence less volatile and more straightforward to forecast than property and casualty losses"



Ian-Edward Stafrace
Chief strategy officer
Atlas Insurance PCC Ltd

Aon welcomes Donald Ashwood

Aon has appointed Donald Ashwood as accounting executive of business development for their captive and insurance management team.

Ashwood joins the company from the Oklahoma Insurance Department, where he has served for more than eight years, most recently as a captive coordinator. Previous to this, he was a loan editor at BankFirst.

Ashwood graduated from Oklahoma City University in 2011 with a BA in mass communications.

Commenting on his appointment via LinkedIn, Ashwood said: "It has been an honour serving Oklahoma for the last eight years. I have served under two great insurance commissioners, worked alongside an exemplary staff, and found my passion for captive insurance. Let the new adventure begin!" ■

Strategic Risk Solutions (SRS), an insurance company manager, has appointed Brad Meindersma as president of SRS Managers (Canada) Limited.

Meindersma brings a wealth of experience to the role, having previously served as senior vice president for Marsh Bermuda from 2019 to 2022. He was also executive vice president at JLT Insurance Management, among a number of other senior positions, between 2012 and 2019.

In his roles, Meindersma worked directly with and advised senior executives from companies ranging from mid-sized to Fortune 50.

He has served as the client account executive, a captive board member, captive and commercial insurer setup, and coordinated the AM Best rating process, as well as liaising with external service providers for a portfolio of captive and commercial clients.

Commenting on the appointment, SRS president and CEO Brady Young, says: "We are excited to have Brad join us as we have many Canadian clients in various domiciles, but decided it was an opportune time to have "boots on the ground" locally to better serve our current and future clients based, or with significant operations, in Canada.

"We expect an uptick in activity, both new formations and re-domestications, given recent legislative changes and the opportunity to form domestic captives in British Columbia and, more recently, Alberta. Brad is the ideal person to build and lead our team in Canada as these domiciles gain traction."

Meindersma adds: "The growth potential at SRS is very exciting. Diving into the legislation and coordinating the setup of

VCIA promotes Jim DeVoe-Talluto

The Vermont Captive Insurance Division has promoted Jim DeVoe-Talluto to assistant director of captive insurance at the Department of Financial Regulation. He replaces Christine Brown, who has been promoted to director of captive insurance.

DeVoe-Talluto has served the division for almost 20 years, most recently as examiner-in-charge — a role he has held for 17 years. Before this, he was an examiner and analyst for the department.

He has been chair of the risk-focused surveillance working group for the past two years, ensuring that the department complies with NAIC Accreditation requirements.

Prior to joining the captives division, DeVoe-Talluto worked in public accounting and captive management.

Brown comments: “Jim has built many valued relationships within the Vermont captive insurance industry over the years with his inquisitive and helpful nature, and we expect he will broaden these relationships in his new role. He has deep knowledge and perspective to bring to the licensing team, and we are thrilled to welcome him.”

Dan Peterson, director of examinations, says: “Jim has been a valuable member of the exam team for nearly 20 years where he has honed his skills as an examiner, an analyst, a supervisor, and a teacher. He will be missed on the exam team, but his vast experience will serve the Vermont captive community well as the new assistant director.” ■

Alberta and British Columbia insurance management operations is a great beginning. SRS has such a well-respected reputation and growing the business into Canada to provide customised services is the logical next step.”

AXA XL’s Primary Casualty Business has appointed Mark Benz and Joseph Davina to lead the group captives unit in New York. The two will report to Chris Kopser, president and chief underwriting officer of primary casualties in the Americas.

Benz will be head of group captives for the Americas, and will be responsible for the division’s underwriting, operations, and distribution. He joins from global insurance organisation American International Group (AIG), where he worked for more than 15 years. Most recently, he was head of captive solutions. Davina will be underwriting manager for the group, managing underwriting and operations for casualty and the wider group captive business.

Davina has more than 16 years of experience in the insurance industry. He also joins the group from AIG, where he served in a variety of roles, most recently vice president of captive solutions.

Commenting on the appointments, Kosper says: “As we continue to grow and diversify our US risk management portfolio, we see great opportunity in underwriting open broker multi-line group captives. Mark and Joe’s combined experience in the captives space will be an exceptional asset.”

Steve Bauman, global programmes and captives director for the Americas, adds: “The new unit and appointments recognise AXA XL’s continued support for our clients who desire utilisation of captive insurance companies, and further enhances our leadership in the captive industry.” ■