captive insurance times

The primary source of global captive insurance news and analysis

March 2023 - Issue 253

Moving Forward

Christine Brown on the current trends in the Vermont captive market

Going Global

HDI Global's new appointment

Captives in Missouri

Missouri Department of Commerce & Insurance's Sam Komo outlines the state's growth

captive insurance times

Conference Special

www.captiveinsurancetimes.com

Published by

Black Knight Media Ltd

Provident House, 6-20 Burrell Row
Beckenham, BR3 1AT

Editorial

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

Deputy Editor: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0)208 075 0936

Reporter: Lyndsey Young
lyndseyyoung@captiveinsurancetimes.com

Contributors: Barney Dixon and Ned Holmes

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

Guernsey becomes largest captive domicile in Europe

Guernsey has become the largest domicile for captive insurance in Europe, according to Guernsey Finance, with a total of 201 captives domiciled in the island at the end of 2022. Last year, Guernsey approved 12 new captive licences and had three surrenders. This overall increase sees Guernsey overtake Luxembourg as the largest European domicile at year-end.

At year-end 2021, Guernsey was tied as the joint-largest European domicile with Luxembourg, with both domiciles reporting a total of 195 captives.

Commenting on the statistics, Rupert Pleasant, chief executive of Guernsey Finance (pictured), says: "It is testament to the quality and experience of our practitioners. Guernsey is a globally renowned centre for specialist financial services and a jurisdiction of substance, and it is gratifying to reach this milestone."

He adds: "Guernsey has a long history of domiciling captives, with the first captive insurer being incorporated into the island over 100 years ago. Since then, the island's insurance industry has continuously evolved and innovated to provide the very best infrastructure for its clients."

Mark Elliott, chair of the Guernsey International Insurance Association, comments: "This is a great endorsement of Guernsey's captive offering, coming soon after our 100 years of captives anniversary celebrations." ■

RiverStone International completes £1.2 billion RITC and LPT transactions with MS Amlin

RiverStone International has completed a reinsurance-to-close (RITC) and loss portfolio transfer (LPT) transaction with MS Amlin. The RITC will be provided to MS Amlin's Syndicate 2001 for 2018 and prior years of account, and the LPT will be specific to discontinued classes ranging from 2019 to 2021. The RITC portion will be a 'split' RITC as the 2018 and prior years of account have already been closed into MS Amlin's 2020 year of account.

RiverStone International will undertake the split RITC and LPT through its specialist legacy syndicate 3500.

The RITC and LPT became effective on 1 January 2023, with net technical provisions of £1.2 billion.

David Rocke, group head of M&A of RiverStone International, says: "We are delighted that MS Amlin has once again chosen RiverStone International as its partner in meeting its strategic aims.

"We will ensure that MS Amlin's excellent reputation is maintained, and their insureds continue to receive the highest possible level of service."

Andrew Carrier, CEO of MS Amlin CEO, comments: "Through this transaction, we create the space to concentrate on our future strategy, reduce volatility, and better utilise our capital and resources.

"Transferring these legacy accounts to a trusted partner like RiverStone International maintains our confidence in the support available from both our organisations to effectively service our clients' historic claims, as well as their current and future needs."

North Carolina captive insurance programme among strongest in the world, affirms State's Commissioner

North Carolina Insurance Commissioner Mike Causey has affirmed that the State's captive insurance programme remains among the world's strongest domiciles, as it enters its second decade of operation. The number of risk bearing captive entities licensed or approved (including conditional licenses and approvals) since inception through 2022 is now more than 1400.

North Carolina, with its strong economy, is an attractive and welcoming home for captive insurers, says Causey.

All indications signify that 2023 will be another year of growth for North Carolina's captive insurance industry as companies of all sizes seek increased flexibility and lower costs while managing their risk profiles in the hardening market, he adds.

Commissioner Causey goes on to say: "We are excited by the continued success of our captive programme here in North Carolina as we approach the 10th anniversary of the passage of the 2013 Captive Insurance Act.

"Our programme's growth is fuelled by helping to meet the risk management needs of captive owners and members with business-friendly regulation and a focus on professional, responsive customer service."

Redirect Health partners with Risk Management Advisors to add health plan products

Healthcare solutions company Redirect Health has partnered with Risk Management Advisors, to add health plan products that lower the cost of premiums and out-of-pocket costs for small and medium-sized businesses (SMBs).

Through this partnership, Redirect Health aims to create additional health plans specifically designed for SMBs, allowing them to provide more affordable options for their employees, while offsetting the risk that also allows stability in pricing year-to-year.

Redirect Health says unaffordable and uncollectable patient out-of-pockets have long been a roadblock for healthcare providers and hospitals interested in helping their communities control healthcare costs.

The combination of a value-based cost control system with Risk Management Advisors' captive insurance management will allow quick and certain transfer of funds between members, claims accounts and providers, while significantly streamlining the de-risking process, Redirect Health adds.

Dr. David Berg, CEO and co-founder at Redirect Health, says: "This collaboration will greatly benefit our customers, as we are able to further reduce out-of-pocket costs for our members and make care more accessible, while increasing coverage across the US. This expansion of product offerings will give companies more affordable and accessible solutions to meet their workforces' diverse coverage needs."

R. Wesley Sierk, president and co-founder of Risk Management Advisors, says: "We take great pride in our advisory strategies. Our consulting and design teams have taken great care in strategising the best captive products for Redirect Health, and we're looking forward to continuing this collaboration."

Geopolitical uncertainty set to worsen, Airmic report says

Geopolitical uncertainty is a risk that will not be reduced anytime soon, a recent report from Airmic and the Chartered Institute of Internal Auditors (CIIA) warns.

The report, entitled 'Navigating geopolitical risk', cites macroeconomic factors such as trade flows, monetary policies and political developments as significant determiners of risk. The report emphasises the role that geopolitical risk plays in a range of business-critical areas, including legal, reputational and cyber security. As such, it should be treated as a strategic risk to be addressed collaboratively by risk and internal audit professionals. Although future geopolitical events cannot be predicted, scenarios must be prepared based on predicted situations. Financial stress testing and simulation exercises are recommended by the report.

24 February 2023 marked a year since Russia's invasion of Ukraine, the economic effects of which are still being keenly felt across the globe. Rising energy costs, in tandem with recession recovery efforts, have increased economic pressure on countries and industries alike.

In a case study of the war, the report considers the responses seen from a range of organisations. One anonymous participant in the study commented that their organisation ranked the levels of various impacts in order to prioritise their responses. Ukrainian assets and organisations insured by the company were the first to be addressed, followed by the impact predicted on clients outside of the country and the potential consequences of long-term war.

Speed and agility are highlighted as essential qualities of companies' reactions to geopolitical risks, ensuring that business can continue in the smoothest way possible.

Examples of this include the disposal of Russian assets, continual scenario analysis and a "multidisciplinary approach."

VCIA to send representatives to Mexico to highlight Vermont's captive insurance industry

The State of Vermont and the Vermont Captive Insurance Association (VCIA) are to send a delegation of government, regulatory and industry representatives to Mexico to highlight Vermont's captive insurance industry.

The initiative was originally planned for March 2020, but was delayed due to the COVID-19 pandemic.

The delegation, which will lead the captive insurance educational forum in Mexico City on 1 March, will include Vermont staff and industry service providers.

Commenting on the event, Vermont Governor Phil Scott, says: "We want to make it clear that Vermont is a global industry leader and we welcome companies from around the world."

The educational forum will also include educational content and networking opportunities designed for Mexican-based companies that are interested in forming a captive insurance company.

In addition, participants will hear panellists from a Mexican-based captive insurance company América Móvil, licensed in Vermont in 2008.

América Móvil is the largest telecom operator in Latin America, headquartered in Mexico City.

"Captive insurance has been a great tool for our company in managing our risk and achieving our broader company goals," says Santiago Dawson, head of corporate development for América Móvil.

The initiative is part of a collaboration with the U.S. Commercial Service, the trade and promotion arm of the U.S. Department of Commerce's International Trade Administration, and Vermont's Department of Economic Development via its State Trade and Expansion Program.

Vermont currently has 66 companies licensed with foreign ownership from 23 different countries outside of the US.

Sandy Bigglestone, deputy commissioner of captive insurance at the Vermont Department of Financial Regulation, says: "The goal of the trade mission is to raise awareness about Vermont as a leading domicile for captive insurance, no matter where in the world you are headquartered. We are looking forward to meeting with prospective captive owners and insurance industry professionals during our time in Mexico." ■

Christine Brown
Director of captive insurance
Vermont Department of Financial Regulation

Moving forward

John Savage talks to The Vermont Department of Financial Regulation's Christine Brown about the trends observed in the Vermont captive market in 2022, and what is in store for the year ahead

Vermont has had another record year of captive formation in 2022. What are the main factors driving Vermont's continued growth?

Not only is the hard insurance market a contributor to our growth in Vermont, but there are many other factors that have contributed to our continued success as a domicile.

Vermont has had significant leadership transitions in 2022 with the promotion of Sandy Bigglestone to deputy commissioner of captive insurance and a ripple effect of internal leadership promotions.

The Division was intentional in its succession planning and focus on continued stability for captive insurance companies domiciled in Vermont. Companies continue to put their faith in Vermont to regulate their company with quality, efficiency and open communication.

Additionally, Vermont's legislature remains very supportive of the captive insurance industry, and with the support of the Vermont Captive Insurance Association (VCIA). Yearly proactive laws are passed to keep pace with the changing needs of the industry.

Vermont continues to be where the captive world comes to meet and the VCIA remains a great resource for captive insurance companies and service providers in the region. The annual conference returned in-person after years of virtual conferences. The conference brought nearly 1000 attendees from around the country and world.

New captives were licensed in 17 different industries, with healthcare topping the list. Is the self-funded healthcare market evolving in a positive way for captives? What changes have you seen?

We have seen steady growth in the number of captive programmes providing medical stop loss coverage to self-insured plans. Protected cell programmes for mid-sized employers continue to be a growth area. These group programmes are designed to protect employer participants against healthcare inflationary costs by leveraging the buying power of the group and creating economies of scale. The programmes also encourage and incentivise good health decisions by providing health management programmes designed to reduce claim costs and increase positive health outcomes.

Christine Brown was promoted to director of captive insurance at The Vermont Department of Financial Regulation (DFR) in July 2022.

Brown has also held the position of examiner in charge and assistant chief examiner within DFR's captive insurance division. She became assistant director of the division in 2016.

Prior to joining the division, Brown worked for an accumulation of six years at Johnson Lambert and Ernst & Young as an auditor.

Brown began working for the captive insurance division in 2003 as an examiner.

In June 2022, Governor Phil Scott signed House Bill 515 into law to update Vermont's captive insurance statutes and eliminate inconsistencies. Parametric risk transfer contracts are a key part of the new legislation. How has this impacted the Vermont captive market?

Parametric contracts are becoming more common as a form of financial protection for catastrophic events and can be an important risk management tool. The 2022 Vermont Captive bill included language to explicitly allow parametric risk contracts. However, captives domiciled in Vermont have always been allowed to use them.

Since many organisations use captives as a central repository for all types of risk management tools, it has been helpful for companies to have explicit authority in our law, which allows both insurance contracts with parametric triggers and pure parametric contracts that are not considered insurance contracts, pursuant to U.S. Securities and Exchange Commission (SEC) guidance and definitions.

We have not seen a measurable increase in the use of parametric risk contracts yet, but we expect this to change with advances in technology and natural disasters on the rise due to climate change.

Are there any new legislative amendments on the horizon?

As always, we have a Captive Bill before the Vermont legislature. It is what we call a "housekeeping bill" that primarily includes technical fixes, updates to references and modernisation of certain language and requirements.

What trends did you observe in the Vermont captive market in 2022? What is your assessment of the landscape for 2023?

We are experiencing continued growth in the use of captives by companies ranging from very large, publicly traded companies to small family-owned businesses, in virtually all sectors.

We are also seeing growth in protected cell formations for a variety of reasons: as a solution for companies wanting ease of entry for one line that is difficult to place, for medical stop loss programmes and for companies wanting to test the waters before converting to a stand-alone captive.

A consistent theme we are seeing from companies forming captives is that they have been thinking about forming for years, and the hard market has provided the motive to do it now. We continue to have lots of great meetings with prospective captive owners and have a very healthy pipeline of expected applications for licensure. We expect to see continued growth and innovative uses for captives in 2023.

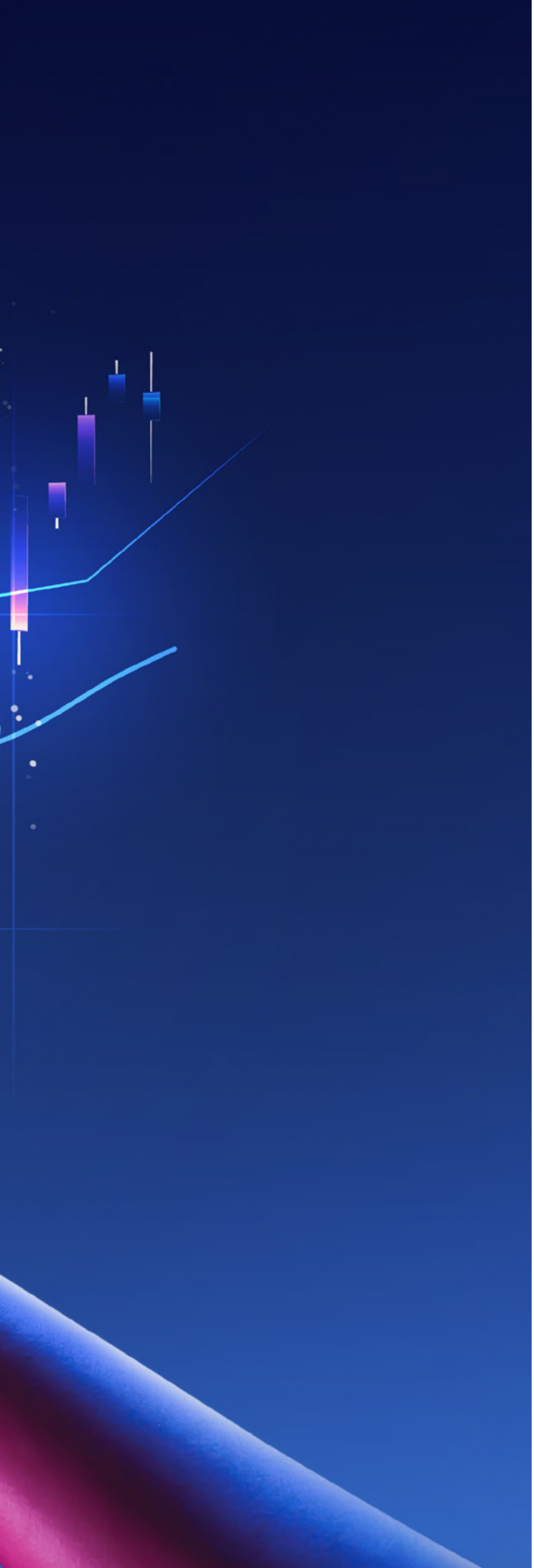
How do you expect emerging risks will continue to unfold in 2023?

Cyber and climate change will continue to be a challenge for companies in 2023 and we expect to see companies utilising captives for these risks more frequently. Vermont continues to monitor the changing federal cannabis landscape in 2023 and will adjust accordingly.

One of the biggest risks facing the captive insurance industry is the workforce challenge. More people are retiring from the industry than entering it. In Vermont we are addressing this issue and look forward to continued work and conversations in the year ahead. These efforts will create a ripple effect of positive change throughout the industry and we all need to work to address it in our respective jurisdictions. ■

Maturity and scale: run-off in 2023

2023 is expected to be a bumper year for deals in the run-off/legacy market. Barney Dixon speaks to the experts to find out why



In 2023, run-off insurance will remain a crucial component of risk management for companies. Organisations will continue to take advantage of the hard market and recycle capital to open new, profitable and efficient lines of business and, with the threat of economic hardship looming, this shows no signs of slowing. Run-off insurance is cover for businesses that have been acquired, merged, or have ceased operations.

The coverage provides protection for claims that arise after a company has stopped writing or renewing policies.

Paul Corver, group head of legacy M&A at R&Q, notes the hardening of the insurance and reinsurance markets in the last year, which he says has “caused companies to focus even more on the efficient use of capital. Releasing capital supporting legacy years or portfolios could provide the funding to increase underwriting appetite or, in the case of a captive, to perhaps increase retention or write new classes. Capital supporting legacy liabilities is unproductive capital as it is not being used to its full advantage.”

According to PwC’s 2022 review of non-life insurance run-off deals, 2022 was an active year in the market, with 48 transactions publicly announced across North America, Europe, and the UK and Ireland. Robbie Kerr, senior manager at PwC, says: “We have seen large deals being completed and North America has once again dominated geographically by deal volume, accounting for more than 50 per cent of all transactions.” While these numbers are low compared to the previous two years, 2022 saw many significant, lucrative deals announced. PwC’s Global Insurance Run-off Survey 2022 estimates the value of non-life run-off liabilities globally to be approximately US$960 billion, an 11 per cent increase year-on-year on 2021.

Eric Haller, CEO of Fleming Re, says the growth is being fuelled by “insurers divesting non-core business lines, regulatory and rating agency pressures, and counterparties seeking innovative ways to optimise their capital base. This has also drawn the attention of new investors looking to capitalise on this opportunity.”

He adds: “The combination of these factors has increased competition, especially for larger transactions. We believe the sector will experience a change in the overall paradigm and counterparties will explore ongoing relationships versus being counterparties to a one-off transaction. It is becoming increasingly important for run-off providers to demonstrate the key differentiators of their solutions and not simply bidding the lowest price.”

images by lemonsoup14/stock.adobe.com

Significant deals in 2022 included Enstar's US$3 billion deal with Aspen and multiple deals at Lloyd's.

According to Kerr, this trend towards larger deals will continue, with a number of substantial transactions set to be announced in Q1 2023. He adds, "our conversations with market participants indicate that a number of players will be announcing deals that they have recently been concluding."

Legacy's legacy

Caroyln Fahey, executive director at AIRROC, says that the run-off market is seeing "an increased level of interest and opportunities of all sizes." These range from very large loss portfolio transfers to smaller captive transactions and more companies considering insurance business transfers or divisions, according to Fahey.

"There are many options in the legacy 'toolkit' for companies that want to pursue a legacy transaction to fit any type of solution they are seeking," she adds.

Riverstone's chief business development officer, Matt Kunish, builds on this, stating that run-off "continues to be a strategic focus for companies broadly."

Kunish says there are a number of well-capitalised buyers giving this space credibility and, while the US has seen fewer transactions, the size of the deals are significant.

He concludes: "We expect run-off will continue to see consistent growth in 2023 and beyond. I anticipate both the quantity of deals and the size of transactions will increase in the coming years as more companies see the benefits, both operational and financially, of doing these types of transactions."

Corver notes that recognition of what the legacy transaction market can deliver has "increased significantly" and "big name insurers" are happy to trade in the sector, which he says was "once just associated with failure or distress."

He explains: "The legacy community has increasingly demonstrated over the last 30 years that the transactional tools available can enhance the ongoing operation of a live underwriter or captive."

Cover adds that the large number of deals in 2022 demonstrate the "maturity and scale" of the sector.

Mature books

With growth comes wider lines of business, and while general liability and workers' compensation are prime areas for run-off, larger transactions have brought more classes into the fold.

According to the PwC survey, general liability, property casualty and workers compensation will continue to generate the most activity, but Fahey notes there is an interest in "younger" portfolios as insurance companies exit unprofitable lines.

She adds that there are more deals from corporate liabilities. Fahey explains: "Non-insurance entities are looking to the legacy sector to take their long-tail exposures, such as asbestos and environmental, that can be a drag on financial performance. These corporate liability deals are an area to watch."

Haller echoes this and adds that there is demand for "tougher lines of business," such as construction defects and A&E.

Corver remarks on the "much wider variety of classes" in the market, including commercial motor, medical malpractice, professional liability, and even cyber-and gig economy-related risks.

He adds: "Legacy portfolios used to be mature books of policies issued at least 10 to 15 years ago. Now there are frequent books coming to market that include 2021 and prior, and often contain some unexpired risk."

Inflationary disturbance

The past few years have been tumultuous for all businesses, first with the COVID-19 pandemic, which shut down economies around the world, and now with rising inflation and a looming recession. Largely, run-off and the insurance industry as a whole has not been negatively impacted by these pressures, though the industry has suffered similar pressures to other areas of the economy.

Fahey argues that the run-off sector has "thrived", while other industries stalled due to these environmental factors. She says it is "proof of the resiliency of the run-off sector and how we can provide solutions even in the most turbulent times."

"I like to say when you have seen *one* legacy transaction you have seen *one* legacy transaction. The market offers options for all appetites of sizes and types of transactions," she adds.

Corver adds that turbulence in the financial markets "invariably leads to an uptick in legacy activity," but notes that when it comes to inflation, social inflation is a concern.

He explains: "The two inflationary areas of concern for the insurance market generally are economic inflation and social inflation. The former has less of an impact on legacy liabilities as they tend to be long tail with pay-out patterns that ride through the peaks and troughs of inflation.

"It is much more of a concern on short-tail lines, for example where property damage from windstorm or flood needs repair and prices for construction materials have significantly increased. Longer-tail bodily injury or workers compensation-type claims are impacted more by care costs, which tend to be less volatile over the longer period of treatment."

He continues: "Social inflation is more of a concern, especially for books of US liability that might have been assumed by a legacy acquirer and which were significantly under-priced or had muted policy terms when originally underwritten during the last soft market cycle. Jury awards in the US continue to astound and the general social inflation trend is impacting many lines of recently written business for live and legacy carriers."

This is reflected in PwC's 2022 run-off review, which notes that the general uncertain economic environment, and protracted high period of inflation, influenced deal volume.

The report says that, while supply into the market from sellers and brokers has been plentiful, acquirers have "retained their pricing discipline."

It continues: "This underwriting caution and ensuring that the deal is the 'right deal' through detailed due diligence has likely contributed to some transactions remaining on the shelf."

Haller notes that inflationary pressures are "not all negative," arguing that while inflation will cause the cost of liabilities to increase and the value of investments to decrease.

In addition, capital pressures "increase demand for run-off transactions due to regulatory and rating agency pressures."

He adds: "Run-off is an efficient way to quickly optimise capital without equity dilution or increase leverage through debt. We expect the inflationary pressures to be one of the contributing factors to increasing transaction flow in the near future."

"Depending on individual strategies, run-off carriers may successfully navigate inflationary claims pressures and mitigate unrealised losses on their own books, which in turn will allow them to provide capital solutions to counterparties. Run-off providers that are able to deploy new capital into the market will have a significant advantage."

Capital momentum

Going into 2023, abound with inflationary pressures and a further hardening market, companies looking to recycle capital and remove historic liabilities will continue to choose run-off.

Corver argues that the benefits of pursuing a legacy solution are stronger in 2023 than in prior years. He says: "With the hard market, especially for reinsurance terms, and a retraction by insurers on certain risks, we see the uptick in captive formations but also the addition of new perils and classes written by captives. This requires capital that could be attained by removing historic liabilities. This may be preferable than the captive parent having to inject further funds themselves."

He concludes: "Utilisation of the legacy sector has become an acceptable element of running an efficient insurance operation. Laying off the risk of historic liabilities is effectively no different to acquiring reinsurance to limit the risk taken on prospective underwriting. Both are there to provide capital efficiency and greater economic certainty."

Haller explains that Fleming Re is looking to develop "long-term strategic partner relationships with our counterparties. This will facilitate efficiencies in pricing, execution of transactions and management of liabilities. Most importantly, our capital solutions will provide a mechanism to optimise our partners' capital structure on an ongoing basis."

He adds: "In the current market, the recycling of capital will allow our partners to take advantage of the hardening market. In other words, both companies will be able to recognise economic benefits from a run-off transaction, unlike historical experiences. This mutually beneficial scenario is our primary focus."

Fahey says run-off is an "integral part of the insurance cycle and companies and captives are looking at the creative and flexible solutions that run-off provides as ways to better manage their portfolios. At AIRROC, we predict that momentum is going to continue well into the future. The future is bright for legacy!" ■

Captives in Missouri continue to grow in 2023

Sam Komo, captive manager at the Missouri Department of Commerce & Insurance outlines the state's strengths

The Missouri Department of Commerce and Insurance (DCI) Captive Insurance Programme licensed its last three 2022 captive companies of the year on 22 December and its first 2023 Captive Company on 12 January.

2022 was a great year for the Missouri Captive Insurance Programme, as we expanded into the sponsored captive realm by licensing our first sponsored company – while also adding seven pure captives.

These new captives increased our reach into construction, banking, financial investment, transportation, and warranty industries – throughout the US and on and off-shore.

Our programme ended 2022 with 54 active captives, tying Missouri's record high from 2018. Only five companies voluntarily discontinued their licenses because of their business decision to no longer write premiums after several years of run-off.

As we turned a new leaf to 2023, DCI director Chlora Lindley-Myers was elected as the National Association of Insurance Commissioners (NAIC) president and reaffirmed her commitment to supporting the captive industry.

Commenting on her appointment, she said: "In Missouri, we're known as the Show-Me State. That's more than a state motto. What that means is: doing more than just saying we can do something – we show you we can."

"When it comes to the Show-Me Captive programme, we believe in supporting our business community and providing options for them to manage their risk. We also believe that the number of captives a state has isn't the only thing a business should consider. There's more – a lot more."

"In Missouri, we look at the strength and success of the companies domiciled here. The companies that have

captives in Missouri are strong and successful, and our team is devoted to helping them protect that success. It's great for businesses and it's great for Missouri."

With that confirmed commitment, the team with the Missouri Captive Insurance Programme quickly went to work to make this vision a reality for 2023 — a vision that isn't only focused on the volume of captives we license in a single year, but the overall quality of service and support we provide the captive.

Historically, Missouri has addressed the needs of the captive community with a work-from-anywhere mentality, maintaining flexible laws and a devoted team with rooted experience in growing and protecting captive success.

That is evident in our 2021 numbers of 51 active captives with a gross written premium of US $4.7 billion.

As director Lindley-Meyers alluded: "We believe in doing more than just saying we can do something – we show you we can."

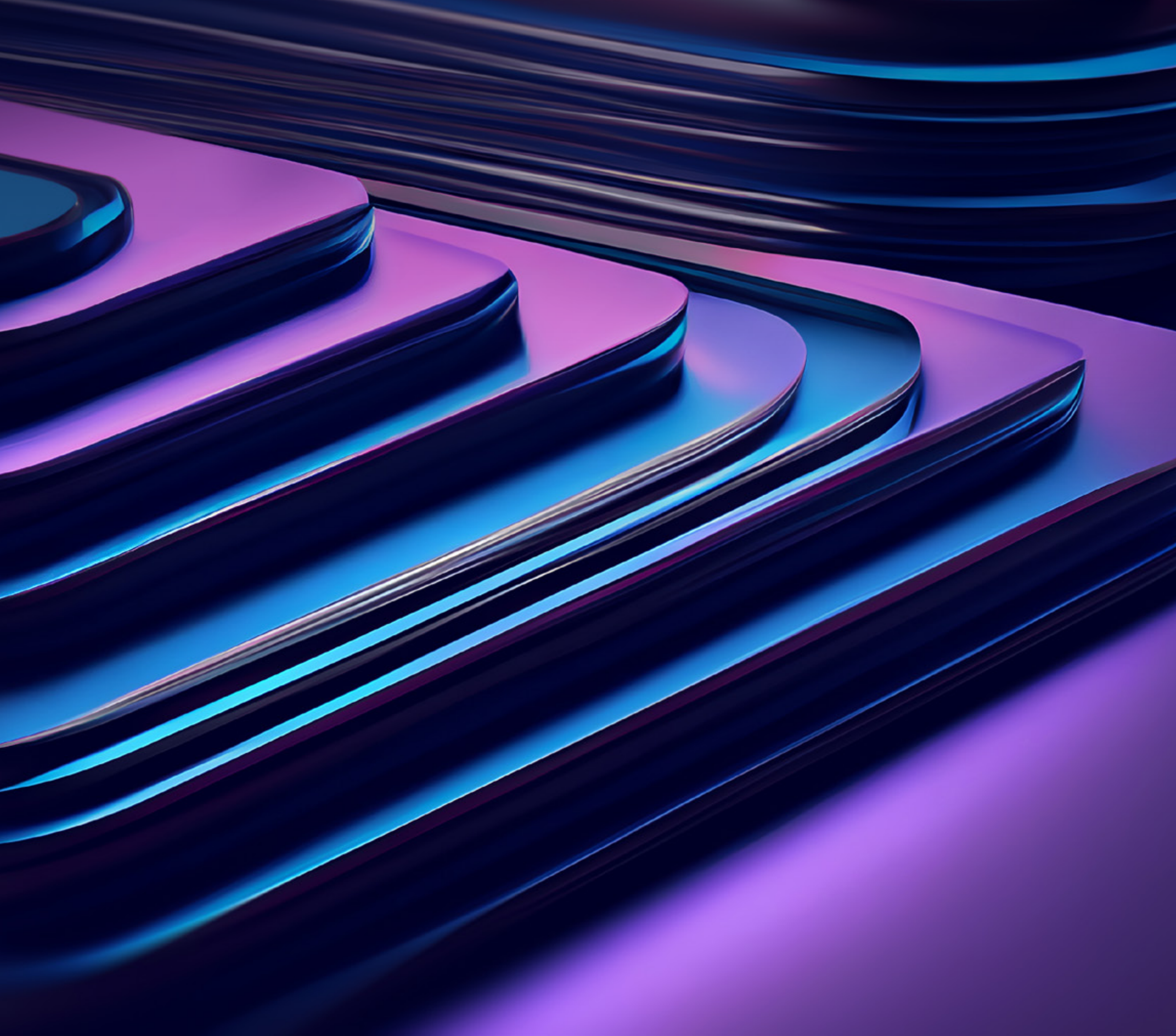
Therefore, 2023 will be a year of communicating with stakeholders and looking for ways to amplify our support for a global industry with innovative ideas that encourage ongoing growth, while also protecting success.

Encouraging captive insurance growth is one aspect of our philosophy, but an equally important element in this environment is protecting the success and strength of our current captive insurance companies.

This is accomplished by providing necessary oversight that does not stagnate growth, but rather protects these companies from outside scrutiny. Missouri will stand strong on this commitment as we work together to find solutions in this ever-changing captive world. ■

RRGs: The benefits of an alternative risk solution

Barney Dixon speaks to Gulfstream Risk Advisors' Bill Hodson on RRGs, their benefits and their future



For companies looking at alternative risk financing, risk retention groups (RRGs) can be a good choice for business sectors traditionally considered “non-standard” or “specialised.”

With the current hard market, RRGs are facing another natural uptick in formations, with growing industries, such as healthcare, increasing demand for this type of captive structure. But, in terms of new formations, RRGs remain behind other types of captive structures. Though RRGs provide myriad benefits and can be more cost-effective and flexible for some types of liability coverage, they may not be the right choice for every business.

Those looking to RRGs for risk financing should carefully consider the benefits and whether their line of business is the right fit before seeking such coverage.

Risky benefits

RRGs are member-owned entities that pool and spread the risk of similar companies within an industry by providing liability coverage to those operating in non-standard and specialised business sectors. RRGs are authorised under the Federal Liability Risk Retention Act (LRRA) of 1986, which allows group self-insurance plans and group captives to form an insurance company to cover their liability exposures on a multi-state basis, using a single domicile licence.

RRGs provide liability coverage that is either not available or is too expensive in the traditional insurance market. They allow members, who tend to have similar lines of business, to pool their risks, reducing the overall cost of the coverage. Members have more direct control of their insurance coverage and can tailor their policies to suit their needs.

According to Bill Hodson, managing member at Gulfstream Risk Advisors, historically, RRGs have “served the liability coverage needs of those operating in business sectors considered by the traditional insurance marketplace to be ‘non-standard.’”

But he argues that these are usually “classes which the traditional market has a class bias against, mainly because when they have tried to write them they’ve gotten it horribly wrong from the underwriting expertise, coverage provision and claims handling perspectives.”

This includes companies involved with “specialised classes of the medical, healthcare and long-term care, commercial

images by bazziba/stock.adobe.com

> *"RG member-insureds have the potential — depending on the RRG's structure — to share in any positive trends in loss experience via a dividend or other sharing arrangement"*
>
> **Bill Hodson, Gulfstream Risk Advisors**

automobile, property development and contracting, adventure and recreational sports, religious groups and education industries," Hodson says.

He adds: "As these sectors continue to grow and have issues finding capacity, and experience increased demand for coverage solutions, I believe RRG formations will continue in these areas."

There are many benefits to using an RRG, but Hodson notes that they aren't for everyone. "Specialty insurance shouldn't be looked at as a commodity," he says. But for those with a "more holistic, longer-term view of their business and risk management programmes, insuring with an RRG makes sense."

Hodson lists a wide-range of benefits for RRG member-insureds. Specifically, he notes that RRGs offer "policy and coverage terms that are tailored specifically for the needs of their industry." RRGs also offer the "price stability that comes from RRG management and underwriters understanding the economic and exposure dynamics of a particular industry," according to Hodson.

He also identifies the "self-policing aspect of RRG underwriting and risk selection personnel knowing the players in a specialised industry, and [having] the potential ability to benefit from their own good experience through dividend provisions."

"Another advantage is that RRG member-insureds have the potential — depending on the RRG's structure — to share in any positive trends in loss experience via a dividend or other sharing arrangement."

RRGs also benefit from risk sharing, which, similar to any group captive, allows members to participate in levels of coverage they would be unable to reach on their own.

Hodson says that RRG-member-insureds have a "commonality of purpose, understanding, and on a fundamental level, the risk exposure that they're both retaining net and insuring with the RRG."

"In most cases, the businesses insured by RRGs are in a relatively small, specialised universe. The RRG's underwriters are intimately familiar with the nuances of the risk exposures inherent in the business the RRG was formed to write.

"So, again, there is a certain amount of self-policing that occurs within the underwriting function of most RRGs that enhances the effectiveness of risk sharing," he adds.

RRGs can face the same challenges as the commercial insurance marketplace, but their flexibility allows for more manoeuvring compared to other self-insurance structures.

RRGs can be rapidly formed to meet market needs and can also become operational quickly due to their unique regulatory provisions — they only need to inform regulatory authorities where they issue a policy, instead of going through a formal licensing and approval process before they can issue a policy.

Education, education, education

RRGs can be hamstrung by a lack of knowledge and education in the industries they service. Hodson says that education around what an RRG is and how it works is "critically important to everyone involved as a member-insured, employee, service provider, regulator or reinsurer of RRGs."

Hodson notes: "Most regulators in captive domiciles are knowledgeable about RRGs and do a good job of regulating them, so there's no real issue from that perspective."

But he says that he has run into a lack of knowledge on the front side of RRGs, the primary producer and member-insured side, and the reinsurance side.

RH CPAs PLLC

Contact us at (336) 248-8281
for more information
or visit rh-accounting.com

Hodson contends: "On the front end, an RRG's stability is always potentially threatened by producers not knowing exactly what an RRG is and how it works. They are simply motivated to place the risk and collect a commission. There's nothing wrong with that — that's just how the mechanism works. But if the critical information of how an RRG differs from a traditional insurance company isn't being properly conveyed to the insured(s), then problems can arise from coverage disputes, policy provision disputes, capital and subscription agreement disputes and so on."

He adds: "On the back end, I find a surprising number of reinsurers active in writing reinsurance for RRGs do not completely understand some of the intricacies of RRG structures, regulation and operational dynamics. Most of the time, these knowledge gaps are clarified prior to the reinsurance programme's inception. However, if they are not, the reinsurer's lack of knowledge may lead to a coverage dispute or denial of coverage, which could completely destabilise the RRG and threaten its ongoing operation."

There is also the issue of a lack of understanding of RRGs within the wider insurance industry, which leads to RRGs relying on the traditional broker network for businesses that do not receive many applications that fit their risk profile.

This isn't just an issue facing RRGs, it is encompassing the entire captive insurance industry, where the wider insurance industry is not entirely aware of its niche counterparts. However, much work is being done to change this.

The hard market

RRG formations, along with other forms of alternative risk financing, tend to follow the ebb and flow of the soft and hard market. Hodson says that "every time capacity or coverage is restricted in a hardening or hard market, we see an uptick in captive and RRG formations. Hardening conditions in the insurance marketplace over the past couple of years have sparked an increase in RRG formations, and the trend is continuing."

But while RRGs follow this curve, they typically sit behind other types of captive structures in terms of new formations.

Despite this, Hodson expects there will be "continued interest in not only supporting existing RRGs, but in new RRG formations" going forward.

> ***"Every time capacity or coverage is restricted in a hardening or hard market, we see an uptick in captive and RRG formations"***
>
> **Bill Hodson, Gulfstream Risk Advisors**

He adds: "I think that the surge in RRGs will also be fuelled by the necessity of creative, bespoke coverages for emerging risks, and the speed-to-market advantages that RRG's have over traditional insurers — think cyber, internet of things and artificial intelligence, utility infrastructure, supply chains and more."

He also notes that, going into 2023 and 2024, the trend of formations focused on transportation, healthcare solutions, cyber liability and security and construction will continue.

Hodson says: "I've found that capital providers, when faced with options as to where and how to deploy their capital, are more focused on standing up new RRG, captive and insurtech projects than in previous years.

"I believe that most of the RRGs currently operational will remain stable, or perhaps manage modest growth given the current liability market conditions. Doing this in a period of rising monetary inflation, run-away deficits and unchecked social inflation will be challenging, but I remain positive about the RRG marketplace."

Hodson concludes: "I've always firmly believed that the key to RRG stability and longevity is rock-solid corporate governance. An RRG is a licensed commercial insurance company, and it must be run as such. A strong understanding of and adherence to the RRG's core mission, constant education of its member-insureds, and the cultivation of a network of committed service providers and other business contacts, is vitally important." ■

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

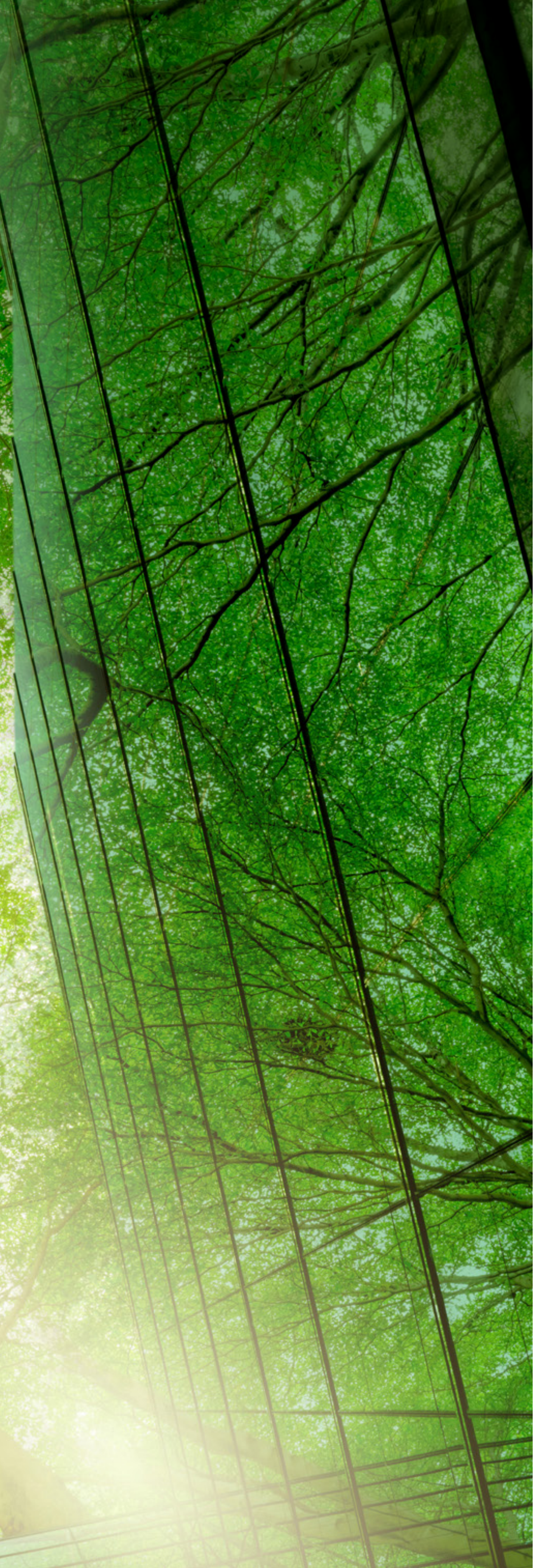
Barbara Aubry
Senior Vice President
212-303-4164
barbara.aubry@truist.com

Truist.com

TRUIST

Promoting sustainable business through captive solutions

Captives are playing an increasing role in ESG risk strategies, providing ways to align C-suite concerns, risk management demands and HR priorities. David Benyon reports



Environment, Social, Governance (ESG) has risen to prominence in recent years. The concept groups together several strands of corporate risks and responsibilities – from responding to the climate emergency, to launching diversity and inclusion (D&I) drives, while demonstrating a culture of transparency and sustainability.

ESG investment has become mainstream in the past decade. ESG investors have fuelled board-level engagement, human resources (HR) departments now think in ESG terms to appeal to the Millennial and Gen Z workforces, and risk professionals are grappling with ESG in risk mitigation and risk transfer terms. As the perception of ESG issues has grown from many sides, so has interest in captive solutions.

"We are living in a decade of cascading global risks, which can greatly impact coverage capacity and increase insurance rates in the traditional risk transfer market," says Adriana Scherzinger, head of captives, sales and execution at Zurich North America. "Given those cascading risks and the harder market for many types of risks, we are seeing more risk managers adding or expanding the use of captives."

Capital E

"Across the three pillars of ESG, environmental, social, and governance, the biggest risk transfer area and the deepest concern globally is environmental risk and, more specifically, climate risk," says Lorraine Stack, managing director at Marsh Captive Solutions, International.

In part, this has been driven by a rise in the volatility of extreme weather events, with severe floods, droughts and wildfires growing more frequent, and companies not being successfully insured against all of these risks through traditional markets.

Captives can be used to provide coverage for these environmental risks or to supplement the coverage provided by traditional insurers," says Scherzinger. "While many companies turned to captives simply for efficiency in years past, now it is increasingly for foundational business resilience."

The transition to a low-carbon future is also impacting the appetite of commercial insurers to underwrite the dirtier, carbon-emitting environmental risks. Most of the biggest insurers are committed to net-zero underwriting and investment by 2050 and to significant reductions by 2030.

"This has an impact on insurers' capacity and appetite for carbon intensive risks, and insurers will reward good behaviour," says Stack.

"Captives have always been the go-to mechanism for firms whose risk financing needs are not being met by commercial insurance markets and, in the past few years, we have been in challenging insurance markets."

Captives can provide an alternative to traditional insurance and reinsurance when capacity in the market is limited or exclusions are insisted upon, thereby creating coverage gaps — as evidenced with recent renewals.

"In the past two years we created 200 new captives, which is roughly double what we would have done in a normal year, prior to challenging market conditions on property and casualty insurance (P&C) side," says Stack.

"Globally, the premium within the 1500 captives that we manage has increased from US$60 billion to US$68 billion in the past year."

Captives can provide more control over premiums by smoothing market volatility caused by the poor loss experience of others, notes Emma Sansom, group head of captives at Zurich Insurance.

They can also provide cover for emerging risks with limited loss experience, where there is limited or no appetite either in P&C markets.

"Initially, loss experiences can be poor for new technologies — for example with fire risks for solar panels and lithium batteries — but as understanding of those technologies evolves over time, leading for example to improved manufacturing methods and risk management approaches, then in theory claims experience will also improve," says Sansom.

"In addition, the captive can collect data on these risks, which can then be taken to the traditional markets to supplement the captive's capacity," she adds.

Smaller companies are now looking to enter into captives than historically, Stack observes, citing Marsh data. Currently, 77 per cent of new formations are captives with under US$5m of gross premium under management against a historical average of 50 per cent. More than a third of the parent companies setting them up have revenues below US$500m, she observes.

"There's a general shift in the size of company, which makes sense because of the challenging market and pricing increases," she says.

"Smaller companies face insurance pricing that has risen dramatically. Even if the size of price increases is reducing, the bar is set so much higher than it was four years ago. These smaller companies are being forced to retain more risk and so they are going to turn to captives."

The types of risk going into captives is also expanding, with ESG risks in the forefront.

"Traditionally, captives were utilised for high-frequency, low-severity risks. But that is evolving. A captive can be used to insure almost any of its parent's insurable exposures, from traditional property and casualty coverages to employee benefit programmes," says Scherzinger.

"I am seeing property, product liability and international employee benefits being put into single-parent captives. Lately, there is also increased interest in putting cyber, medical stop loss and directors' and officers' liability (D&O) into captives," she adds.

The Social in ESG

The 'social' component has historically received the least focus of the three parts of ESG. However, there is a new focus on captives for the social component, for employee benefits, and issues such as employee wellbeing and D&I objectives.

"More companies recognise that ESG issues are a bottom-line issue and it is not just risk managers who recognise this," Scherzinger says. "C-suite and HR leaders are increasingly asking about how captives can help companies address their ESG goals and responsibilities."

Drivers for the expansion of employee benefits include fallout from the pandemic and changing employee expectations. The unforgiving economic outlook in 2023 also makes corporate employee benefits programmes of greater interest, as governments have less funds for state-run social security, she explains.

Employee benefits captives can be more challenging than those with a P&C focus, Laidler suggests, largely because of different stakeholders pertinent to ESG risks.

"The difference is that there are more stakeholders to align with," he says.

"The HR side is focused on employee benefits. However, there is also risk management and the difficulty has been in getting those parties to align for employee benefits captives. However, a growing focus on the social part of ESG is helping them to come together."

When captives are seen as a cold, financial tool — the domain of risk professionals — HR can be sceptical, Laidler emphasises. However, when captives can be used as a tool for employee benefits, HR sees value.

"When they view it through a lens of delivering value for employees and helping them, they take a more positive view of captives," he says.

"In the past, captives have been risk management-led and focused on cost savings. Now we are seeing employee benefits captives that are much more sophisticated and geared to other objectives."

There are three strands to using a captive for the social component, Laidler argues. The first of these is quality, he suggests, whereby a captive is used to ensure a baseline minimum access to employee benefits coverage around the world.

"A captive can be used to enhance and waive exclusions to employee benefits covers to ensure equal access to healthcare benefits, such as disability and life products. Where there are exclusions in local markets, you can achieve enhancements by moving employee benefits into captives that could not be achieved in a local market context," he says.

Second, there are D&I opportunities, he suggests. "One component could be companies wanting to offer the same benefits for married couples and single sex relationships, for exclusion for death coverage due to HIV and AIDS. In certain less developed markets we still see exclusions. Captives allow you to extend eligibility wordings, providing extra levers to address shortfalls in coverage," Laidler says.

A third consideration is wellbeing. Some of the more advanced employee benefits captives are using underwriting services to fund wellbeing initiatives. For example, an organisation might implement an employee assistance programme, such as access to mental health services, with the cost taken up by the captive. Use of captives leads to better data and management information, through which you can deliver more targeted wellbeing strategies," he adds.

All of this means that using captives for the social part of ESG has a tendency to bring together the skillsets of HR and risk management — bringing their interests into closer alignment.

"It is when those parties do not understand each other that you have the friction," Laidler says, noting the different cultures, taxonomies and language that exist between these different corporate roles and the world of P&C insurance in particular.

"Captives are not just a tool for cost saving or financial benefit, but of broader value for employees," Laidler says. "That helps promote the collaboration between HR and risk management on captive financing strategies. Once you get HR and risk working hand in hand and understanding each other, it is a far more successful initiative. The more mature captives are recognising that and we are starting to see different objectives of captives."

A virtuous circle

Surplus generated by captives can also be allocated to fund ESG activities.

You can leverage and use your surplus in the captive to fund different risk management strategies," says Anne Marie Towle, CEO, Global Captive Solutions, Hylant. "This could contribute to your enterprise-wide strategy by supporting ESG initiatives. If you have underwriting profit, why not leverage and build your ESG philosophy?"

This is happening at group captive level, notes Scherzinger.

"This possibility was a consideration as our Group Captives team created a sustainability-focused group captive late last year," she says. "This captive is intended to bring together companies from diverse industries that share a common interest in advancing sustainable business practices, as well as optimising their risk management programmes.

"We are working with Innovative Captive Strategies to vet companies for this group captive. Any surplus could be used to help fund ESG activities that the Sustainability Committee and the rest of the membership identify as priorities. This is just one example of the ways that captives can contribute to ESG progress for companies around the world," she concludes. ■

The French Connection

Legislation introduced by the government in late 2022 is set to bring a new dawn for captives in France. Ned Holmes talks to SRS’ Maxime Schons about the seminal period for the French captive industry

The French captive insurance market is waking up after decades of slumber. However, hopes for this new dawn appeared to be hanging by a thread back in October when Bruno Le Maire, France's minister for economy and finance, voiced a strong stance against captive insurance structures and the prospect of new legislation being included in the 2023 Budget.

Nevertheless, a remarkable U-turn saw French Prime Minister Elisabeth Borne push the introduction of a new regulatory regime for captive insurance companies in the 2023 Budget.

It was a landmark moment for those working in the industry and a result of two years of lobbying by Association pour le Management des Risques et des Assurances (AMRAE), the French risk management association.

"It was a great moment for us last year, because we thought we would never see it," explains Maxime Schons, managing director at Strategic Risk Solutions (SRS).

"For years, the situation has been slowly moving from a bad situation to a good one. It has been accelerated since the Macron government came into power in 2017, but our opportunity came when it was raised last year.

"I was expecting to have the legislation live from 1 January 2024, rather than this year, but the speed at which things have moved has been great for us."

SRS announced the establishment of a Paris office in November as it continues to expand across Europe in response to growing demand for captive insurance services.

"Our intention is to offer a French team, based in France and available to assist clients whenever they want," notes Schons. "We are independent, so do not provide any brokerage solutions. We are a pure captive manager, so we are not interested in selling any other products. We are just providing the best in-class captive insurance services to these captives for the long-term."

New life

The planned introduction of captive specific legislation has breathed new life into the industry in France, though the domicile was not completely hostile to reinsurance structures.

Hundreds of French companies are thought to own captives, but until recently, only five were legally based in the domicile.

The first formation in more than 20 years came in 2019 when the total grew to six. At least five more have been formed since 2020 — the most recent of which, Sorelac, belongs to dairy multi-national Lactalis and is managed by SRS.

The demand has only increased, with a new-found focus on developing proper regulation and a proper captive industry in the country.

The French Government wants to find solutions for risks that are not currently covered and offer a boost to the insurance industry.

“My feeling is that the Macron government is keen on growth in the country, on relocating new industries, and being creative,” adds Schons.

Schons adds that the government’s stance has changed toward countries such as Luxembourg, which were previously seen as a tax haven and are now viewed differently after Solvency II implementation.

An illustration of this shift can be seen in potential French captive legislation, which is expected to mirror Luxembourg captive legislation with a few minor differences.

While the developments of the past six months have been monumental, the specifics of the new legislation are yet to be officially outlined, though they are expected to be announced soon via a government decree.

Schons explains: “What we are all waiting for is a decree that will set out the rules of this provision. The rules are threefold. The first element is the limitation of the profits deferred to the balance sheet — 90 per cent. Second, is the time of use of these deferred taxations, which will be 15 years.

“And finally, the amount of capital — 10 times the minimum capital requirement, as calculated by actuaries will dictate how captives can be used in France.”

Legislation

Legislation and regulation are vital anywhere, but the current combination in France will make it attractive to companies considering the domicile. “They have replicated the best legislation,” Schons explains. “I wouldn’t say it is a copy-and-paste of the mechanism in Luxembourg. However, it’s really close to it. Having a provision to offset the profit limited to 90 per cent, when in Luxembourg it is 100 per cent, makes the gap particularly close. 90 per cent compared to 100 per cent is absolutely great for business, and many people are now considering relocating companies — mainly French captives with licences in Luxembourg, or new players willing to set up captives.”

Schons continues: “It is a good moment to enter the market, as the regulation is softer than in other domiciles and there are lower constraints. Due to the Solvency II Directive, roughly 80 per cent of the regulation will be the same across the EU, but what we are going to see from the other domiciles is that the other 20 per cent is getting heavier. It burdens the clients to have all this governance and substance. However, the French regulator will undoubtedly be a little more relaxed in these first few years, ultimately to attract new players, or allow relocation, to create more initial captives in the domicile.”

A regulator in its infancy may bring a potential lack of capacity for new captive formations, which may limit the initial growth of the market. On this point, Schons adds: “There are clearly educational steps that need to be taken. Next month, I am conducting an educational session, together with PwC and the regulator (the ACPR). The first big challenge is to make the captive industry better known.”

Another challenge facing the French captive industry is the uncertainty surrounding relocation. Schons believes that the government is keen for French companies with captives domiciled abroad to relocate, now that the option is available.

Challenges ahead

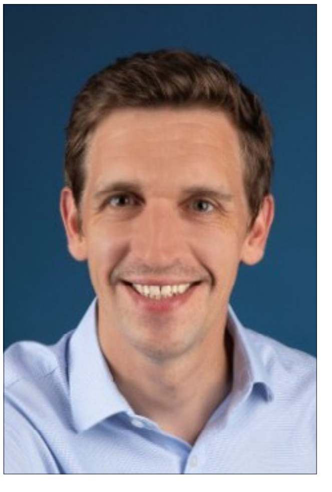
Challenges are natural when new ground is being covered but, despite this, the overarching feeling right now is excitement.

“It is the first chapter of the story, and we don’t know how chapter two or three will play out, but I am just amazed at how many groups are interested in this movement in France,” says Schons.

He adds: “The demand is really high. We have only been prospecting for a few months, but we have been in contact with 15 clients that are curious to figure out how a captive scenario would work in the current insurance scheme. It would be reasonable to estimate that the number of existing captives in France will double in a year to 18 months. However, that is dependent on the capacity of the regulator to assess applications.”

He concludes: “There is clearly a will from the French Government to have as many captives in France as possible.” ■

> ***“It is the first chapter of the story, and we don’t know how chapter two or three will play out, but I am just amazed at how many groups are interested in this movement in France”***



Maxime Schons
Managing director, Europe finance and compliance
Strategic Risk Solutions

Going global

The appointment of Jason Tyng as lead of US captive solutions represents a major move from HDI Global to solidify its presence in the region. As Ned Holmes found out, the company has a unique offering and its senior team are looking forward to long-term success

What are HDI Global's origins? And how long have you been active in the captive market?

Dr Thomas Kuhnt: HDI Global (HDI) was formed 120 years ago by the German iron and steel industry. It started as a mutual group captive, so, in a way, captives are its heritage, just like some of the US carriers.

HDI began with conducting US-based programmes for German companies and their subsidiaries. It is now expanding into the local markets. Its group – the Talanx AG – is ranked number six in Europe for premiums, with roughly €54 billion (as of February 2023). Hannover Re, the third largest reinsurer in the world, is also part of this group.

Jelto Borgmann: HDI is not an insurer acting on the short-term. It has more than 100 years' experience in the insurance industry and market, and entering the US market will be a great experience. HDI has the backing and we have the commitment — it is here to stay.

What is your offering for captives?

Kuhnt: Currently the largest captive provider in Germany, HDI acts as a one-stop shop, offering its clients the full range of insurance products and captive services.

It offers international fronting, claims handling, a strong risk engineering department, classic reinsurance quota share and excess of loss and risk financing solutions. In certain areas it partners with Hannover Re, as the latter is very advanced with risk financing solutions. In some regions it runs asset management solutions, driven by its captive investment manager.

HDI brings the full spectrum of solutions, which are tailored to the needs of our clients. We see ourselves as full-service providers; we are not in it to opportunistically front one day and then give it up due to cost pressures the next.

We are looking for long-term relationships with our partners.

If you choose HDI, you will have access to its very broad and long-established network. It has network partners that cover 175 countries, and owns operations in 39.

We cover some of the very 'hard-to-do' business in countries and regions where other companies are not present.

We have a lot of experience, given that we manage around 5000 international programmes.

The company's scale allows us to see a lot of trends and innovation in different geographies, from which we can garner new ideas to maximise our captives.

Our expertise across professional fields means we can provide more comprehensive advice. Our staff bring the right experts to the table, which makes it easier to navigate the complex environments that captive and risk managers face.

Local proximity is really important to the company — we will always value local people, known to the local market, who can bring local expertise.

From your experience, what are the key factors to making a captive a long-term success?

Borgmann: Long-term thinking from the parent is vital. Captives should not work or be used opportunistically, you need long-term buy-in from the management on all sides.

It's also important to use the captive in the risk management practices within the company. You can learn so much from the data that you collect. If you use that right, within the company's processes, you will directly see the benefits and improve your risk quality.

Adequate capital is another key factor. To avoid going bankrupt or having to stop operations, you need enough capital. You don't want to have to go back to the chief financial officer to ask for a capital injection — they're unlikely to be amused!

To really make use of a captive tool, you have to look at different lines and diversify your portfolio. You have to do this with sufficient resources and you need strong partners to help the set-up and operation processes.

What differentiates HDI Global from other established players. What is your USP in the US market?

Borgmann: We harbour all the advantages of the Talanx group, which gives us a superior rating. In addition, with Hannover Re as part of our family we really can be a one-stop shop.

A lot of US companies have international operations in Mexico or Canada, and we can write a policy in these locations. That means clients can avoid writing it on a non-admitted basis, which meets compliance and saves a lot of tax. We have around 200 employees in the US — it's not a small operation. They're experienced people, able to provide the best service and best programme structures for captives.

Why is HDI Global's in-house claims handling something for prospective clients to get excited about?

Kuhnt: A lot of the third-party administrators in the market are very good at frequency claims, but there aren't many out there who can help with the very complex, large settlements and lawsuits that might end up in litigation. That's our strength. In the large participation business, a lot of HDI's competitors are comfortable

"Currently the largest captive provider in Germany, HDI acts as a one-stop shop, offering its clients the full range of products and services"

Dr Thomas Kuhnt
Member of the executive board (COO)
HDI Global

Jason Tyng (pictured below) will be responsible for the strategic and operational plans of the US captive team.

He brings more than 15 years of sales and leadership experience to the role and joins HDI Global from Amazon, where he most recently served as head of construction risk, handling placements of both international and domestic programmes.

Jason Tyng
Lead of US captive solutions
HDI Global

following on large programmes that we lead, because they really trust our claims management expertise.

Borgmann: We have specific lawyers that are very familiar with the systems that look into the results and outcomes from the trials, so they know exactly when best to settle the loss or go down the route of litigation.

"The US is the largest captive market – we have been monitoring it for a while but wanted to make sure that we were ready, as it is demanding and competitive. We believe we are ready now"

Jason Tyng's appointment marks a move to build your presence in the US. Why now, and why Jason?

Kuhnt: His appointment is part of a wider service strategy as HDI expands its service offerings in multiple markets. The US is the largest captive market – we have been monitoring it for a while but wanted to make sure that we were ready, as it is demanding and competitive. We believe we are ready now.

We were also encouraged to enter the US markets by some of our clients. On a domestic, local-fronting level there are plenty of options. Companies are looking for alternatives in the US – especially ones that are assertive decision-makers, reliable and bring high-quality services. We know we can consistently deliver that.

Why Jason? We believe we need local talent and people who know how local markets work. We need those that have the network, broker relationships and the experience. We wanted a credible, proven, senior expert with experience: Jason has what it takes.

What are your targets for the US market over the next 12 months and beyond?

Borgmann: It's important that we're a Tier One fronting partner in the US. When people think about an international fronting partner, they need to have HDI in mind.

We have a strong footprint in the US energy sector and are known to all the big brokers, but they don't always associate HDI with captive fronting — we want that to change.

We want to be recognised as a trusted partner with a good service offering and for them to send us their submissions.

Hopefully, that will come with significant growth of our captive book. Our global captive portfolio has grown quite significantly, and we feel our US offering can contribute to further growth in the future.

Ultimately, we want the clients to be happy with our solutions. In one to two years, we want them to tell us they're glad HDI entered the market because they needed the services of a company such as ours.

"We want to grow our traditional fronting solutions, by which I mean want to see double-digit growth"

What are your targets for the wider global market over the next 12 months?

Kuhnt: We want to grow our traditional fronting solutions, by which I mean we want to see double-digit growth. We also want to drive innovation. We are moving into the affinity-fronting space, with a trend toward embedded insurance. We are also looking at our risk financing solutions — how and when we offer virtual captives, structural reinsurance protections for captives and parametric solutions." ■

"Ultimately, we want the clients to be happy with our solutions. In one to two years, we want them to tell us they're glad HDI entered the market"

Jelto Borgmann
Head of captive services
HDI Global

Alabama Department of Insurance welcomes Larry Chapman

The Alabama Department of Insurance has appointed Larry Chapman as deputy commissioner. Chapman joins the Department after serving as an agent with the Alfa Insurance Company for nearly five years. Chapman's responsibilities at the Department will include liasing with the other government entities, the Governor's office and outside entities, such as industry associations and consumer organisations.

He will also manage the Department's public outreach and media relations programme, general administration of the Department and special assignments for the commissioner, Mark Fowler.

In 1997, Chapman joined Merck Pharmaceutical and went on to serve at Blue Cross Blue Shield of Alabama (BCBS) as part of the sales and marketing team from 2001 to 2012.

After his tenure with BCBS, Chapman formed his own insurance and consulting firm, CSS Advisors. Chapman operated the business for six years before selling it to join ALFA Insurance.

He serves on several local boards in Montgomery, Alabama, including the YMCA Metro Board, the Jimmy Hitchcock Board of Directors, the Boys and Girls Club Board and the American Cancer Society Board, where he chairs the annual Real Men Wear Pink campaign. He is also a former member of the Montgomery Area Chamber of Commerce.

Fowler says: "We are delighted to have Larry Chapman join us here at the Department of Insurance. Larry will add a great deal to the insurance professionalism at the Department and will be a key figure in helping us be successful in accomplishing our mission." ■

Nate Reznicek of International-Re (I-RE) has been elected to lead the North Carolina Captive Insurance Association (NCCIA) as chair for 2023-24.

He will take office at the annual commissioner's luncheon at the association's conference in Asheville on 9 May. Reznicek succeeds RH CPA's Diana Hardy, in the year that the association looks to celebrate its tenth anniversary in November. Reznicek serves as head of US distribution at I-RE, a specialist insurance and reinsurance underwriter. He is also president of Captives.Insure.

Reznicek maintains an active leadership position in the captive industry and sits on the Captive Insurance Companies Association (CICA) programming committee, the Self Insurance Institute of America's captive advocacy and captive committees, as well as the International Center for Captive Insurance Education (ICCIE).

The Nevada Division of Insurance (DOI) has named Scott Kipper as insurance commissioner. He replaces Barbara Richardson, who has held the position since 2016.

Kipper has 15 years of experience in the industry, and joins the DOI from the Washington State Office of the Insurance Commissioner, where he was deputy commissioner.

Prior to this, he founded private consulting firm Kipper Strategic Solutions, providing technical expertise on insurance issues.

He has served in a number of senior roles throughout his career, including CEO of the State of Louisiana Office of Group Benefits and vice president of state affairs at the Pharmaceutical Care Management

Ogier appoints Richard Sharp

Ogier has appointed Richard Sharp as a partner to its corporate, insurance and funds practice in Guernsey.

Sharp previously worked at the company from 2007 to 2012 as a senior associate.

Sharp specialises in corporate and funds matters, with specific knowledge of the Guernsey insurance and reinsurance sector.

He advises on captives matters, insurance linked securities, pension risk transfers, cellular structures and regulatory rulings.

In between his two tenures at Ogier, Sharp served at law firm Bedell Cristin.

Commenting on Sharp's reappointment, Ogier practice partner Christopher Jones, says: "Richard is a talented lawyer with many years of experience in complex, corporate transactions.

"We're delighted to welcome Richard back to Ogier, adding further strength to our corporate and funds offering in Guernsey."

Sharp adds: "Ogier has an outstanding reputation for client service and a forward-thinking approach to service delivery." ■

Association. Kipper has held the role of insurance commissioner at the Nevada DOI twice before, from 2008 to 2010 and 2011 to 2015.

Terry Reynolds, director of the DOI, comments: "With Scott's extensive experience in insurance regulation, legislative expertise, and management; along with familiarity of the insurance landscape in Nevada, he will hit the ground running. We welcome him back to the division to continue the important work of protecting consumers and ensuring the health of the insurance industry in Nevada."

Insurance brokerage firm Purves Redmond Limited (PRL) has appointed Lauren Welch as alternative risk transfer practice leader.

Welch brings more than 15 years of captive and multinational experience to the role, where she will help to support and develop captive insurance opportunities for PRL clients. Additionally, she will use her ability to navigate the complexities of fronting insurance to optimise the cost of compliance, according to PRL.

Welch joins PRL from global insurance organisation American International Group (AIG), where she was most recently global fronting and multinational regional leader for Western Canada. She first joined AIG in 2006 as assistant vice president, based in Bermuda, before taking on her most recent senior role in Vancouver, Canada.

Commenting on the appointment, national risk management leader Mark Johnstone says: "We are thrilled to have Lauren joining PRL as her expertise will reinforce our dedication to providing alternative risk management options to our domestic and multinational clients." ■