captive insurance times
The primary source of global captive insurance news and analysis
August 2023 - Issue 258

Integrity meets talent

Frances Jones speaks to Strickland Hardee's emerging talent Audrey Cook

Take back cyber control

CIT explores the potential for captives to provide cyber coverage gaps

Captive and carrier cohabitation

Diana Hardy, Adam Miholic and Mike Meehan discuss hybrid insurance programmes

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BMS Re acquires Brazilian reinsurer KNW

BMS Re has acquired Sao Paulo-headquartered reinsurance broker KNW Brokers Corretora de Resseguros (KNW).

KNW provides tailored reinsurance solutions for traditional and specialty segments such as energy, property, construction, marine, clinical trials and fine arts.

As part of the mandate, the firm will partner with BMS Re's existing Brazil office. KNW's CEO Márcio Ribeiro and his executive team will work alongside Jose Leão, CEO of BMS Re Brazil.

The acquisition follows the promotion of Juan Carlos Gomez. He was promoted to CEO of BMS Re Latin America and Caribbean earlier this year.

It also follows BMS Re's acquisitions of Mexico City-based specialist reinsurance broker Calomex and PWS Mexico in 2022 and 2021, respectively.

Leão comments: "The acquisition of KNW aligns with BMS' vision of growth. As we expand, we are prioritising strategic acquisitions. KNW team's excellent reputation in Brazil will complement our existing team."

DEME appoints SRS Luxembourg as its captive manager

DEME has appointed Strategic Risk Solutions (SRS) Luxembourg as its captive manager.

Based in Brussels, DEME is a contractor for offshore energy, environmental remediation, dredging and marine infrastructure.

SRS Luxembourg will provide the DEME captive with all-inclusive management and consulting services.

Maxime Schons, SRS Luxembourg's managing director, comments: "Deme Reinsurance is the typical captive we love to work with. [DEME's captive's] key concepts are well captured: risk diversification, long-term captive optimisation, and risk financing planning, use of technology, overseen by talented people."

CICA calls for presentations

Captive Insurance Companies Association (CICA) has called for members and non-members to submit proposals for an educational session.

The CICA 2024 International Conference will be held in Scottsdale, Arizona in the US on 10 to 12 March. It will focus on 'Captives: Innovation Solutions to Complex Problems'.

The association has invited submissions for presentations based on captive innovations and other emerging topics or issues facing the industry.

Intelligent AI and Konsileo adopts Doorda's UK data sets to achieve enhanced client profiling

Insurance clients Intelligent AI and Konsileo have adopted Doorda's UK data sets to achieve enhanced client profiling.

Konsileo is a commercial insurance broker, providing negotiation services for small to medium enterprises.

Intelligent AI is a data company that indicates risks across commercial property portfolios for property owners and the insurance sector.

The two companies will use Doorda data to feed the construct of detailed client profiles, including asset and legal entity information.

This will enable Konsileo and Intelligent AI's brokers to select the most appropriate insurance while preparing for queries and countering negative objections from underwriters, according to Doorda.

Intelligent AI will also use Doorda to collect harmonised and structured data to provide better service to insurer clients.

Whether you are a broker, an underwriting platform, or a tier one insurance policy provider, changing risk profiles, controlling levels of risk exposure and analysing huge volumes of insurance data are a constant challenge, says Doorda.

The company cites figures that indicate insurers have been using less than 10 per cent of available data when making underwriting decisions.

Underlying all ecosystem business is the need to fully understand client profiles to sell or negotiate insurance or measure a complete risk picture, Doorda adds.

Commenting on the initiative, Meric Stanley, lead developer at Konsileo, comments: "Finding trustworthy data, reliably available when needed, is a huge priority. Our insurance discussions are based on detailed information about specific circumstances, rather than generic scores. Doorda excels in providing the detailed, raw data that is so key to our business."

Vermont's DFR allows external adjusters for P&C insurance carriers following severe flooding

Following heavy rains and flooding in the state of Vermont, the Commissioner of the Vermont Department of Financial Regulation (DFR) is preemptively allowing property and casualty insurance carriers to use individual adjusters not licensed in Vermont.

This means that the DFR can permit insurers to use appraisers and adjusters who are not licensed in Vermont as the flooding is expected to lead to widespread damage.

Such insurance adjusters and appraisers must be licensed in their state of residence or another state if or when the resident state does not issue such a licence. Non-resident adjusters are not allowed to designate Vermont as a home state.

Vermont defines a public adjuster as "any person who investigates claims and negotiates settlement of claims arising under policies of insurance".

The insurer must also provide the names, addresses and licence information for everyone who will be adjusting or appraising.

Within 90 days from the date of a claim denial, a Vermont licensed adjuster will review the denial to ensure the claim was properly adjusted.

The insurer must notify the department via email of its intention to use catastrophe adjusters or appraisers and provide a list of the names, addresses and licence information for individuals who will be adjusting or appraising.

The DFR has said it is not appropriate for insurers to re-rate, cancel, nonrenew or refuse to provide insurance coverage solely due to an individual's status as a victim or evacuee of this disaster.

The department has also said it is not reasonable to change policyholders' rating classifications or increase their rates solely because they are a victim or evacuee of this disaster.

On 11 July, President Biden approved an emergency declaration for Vermont.

WTW launches parametric insurance solution to protect Sri Lanka against weather risks

Global advisory, broking and solutions company Willis Towers Watson (WTW) has launched Asia's first four-peril parametric insurance to protect Sri Lanka's shrimp farms against weather risks.

The solution was designed for Taprobane Seafood Group, Sri Lanka's largest seafood company, through a US$15 million financing project by Dutch bank FMO.

Shrimp farming is associated with a diverse range of risks and uncertainties, most prominently the exposure to weather risks across coastal regions where farms are traditionally located.

To safeguard Taprobane against such vulnerabilities, WTW's solution covers four key weather risks: earthquake, typhoon, excess rainfall and heat stress.

As Sri Lanka's largest seafood business, Taprobane will use the funding from FMO to rehabilitate abandoned farms, invest in new farms as well as circular tanks, hatcheries and a new processing facility.

With the parametric insurance solution, Taprobane will be able to develop sustainable shrimp farming and provide gainful employment to vulnerable communities locally, in turn enabling the growth of aquaculture in Asia and easing ongoing food security concerns.

FMO's funding will also help to support the employment of local employees that are predominantly made up of underprivileged women, including war widows throughout the northern and northwestern provinces of the country.

In addition to financial support, FMO has provided technical assistance to help Taprobane achieve the Aquaculture Stewardship Council (ASC) certification, which recognises companies for their responsible seafood farming practices.

Labuan IBFC
International Business and Financial Centre, Malaysia

LABUAN IBFC
ASIA'S PREMIER INTERNATIONAL FINANCIAL HUB

Labuan International Business and Financial Centre (Labuan IBFC), located off the North West coast of Borneo, offers global investors and businesses the benefits of being in a well-regulated jurisdiction that provides fiscal, legal and currency neutrality, in addition to being an ideal location for cost-efficient substance creation.

Labuan IBFC is a wholesale financial, risk and wealth management intermediation centre that also boasts a wide range of business structures including solutions for fintech or digital businesses. It is also home to the world's first sukuk and is acknowledged as an Islamic financial hub.

Well-supported by a robust, internationally recognised yet business-friendly legal framework, Labuan IBFC operates within comprehensive legal provisions and guidelines, enforced by a single regulator, Labuan Financial Services Authority - a statutory body under the Ministry of Finance, Malaysia.

Labuan, also known as the 'Pearl of Borneo', offers a myriad of business and leisure opportunities. It is also a hub for financial tourism as its excellent location and compact structure offer easy connectivity between the financial district, and nature offerings.

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The maintenance of a sustainable food system has also been challenged by the war in Ukraine and increasing extreme weather events in recent years.

In 2022, around 258 million people across 58 countries and territories faced acute food insecurity at crisis or worse levels.

Marc Paasch, global head of alternative risk transfer solutions at WTW, says: “In the face of climate change, the growing susceptibility to natural catastrophes across many Asian markets could mean that food producers based in at-risk locations can suffer adverse impact, affecting entire societies. This signifies an urgent need for innovative insurance and financing tools to better protect businesses.”

Net-Zero Insurance Alliance drops requirements for members’ GHG emissions publication

The Net-Zero Insurance Alliance (NZIA) has abandoned its requirement for members to set or publish their greenhouse gas emission targets. The UN initiative, NZIA, is a consortium of the world’s largest insurers and reinsurers who have committed to transition their insurance and reinsurance underwriting portfolios to net-zero greenhouse gas (GHG) emissions by 2050.

A statement, released on 5 July, from the UN Environment Programme on the NZIA says: “Going forward, NZIA member companies have no obligation to set or publish targets.

“[Instead], individual member companies will be responsible and publicly accountable for any targets they set, the methodologies used to set them, the timeline on which they decide to publish any targets, and the progress they are making.”

This change in ruling follows a vast number of large insurers leaving the alliance, including the group’s former chair AXA, Allianz, Scor, Japan’s Sompo Holdings and Lloyd’s of London. The alliance has 12 remaining members, according to the NZIA website.

The release, reiterating NZIA’s ongoing commitment to net-zero, says: “As before, NZIA members who publish their own decarbonisation targets and timelines do so unilaterally and independently.”

Audrey Cook
Associate
Strickland Hardee PLLC

Integrity meets talent

Frances Jones talks to Strickland Hardee's Audrey Cook to find out how her role as an associate relates to captives, and what lies ahead for the company

How has your previous experience prepared you for your current role as associate and what's your favourite aspect of working in the captive industry?

I was fortunate enough to be hired before I graduated. I've worked at Strickland Hardee since I graduated in December 2020, and I've been here ever since.

When I started I didn't really know a lot about the captive industry. My classes were focused more on accounting and auditing processes.

My role is exciting and a huge learning curve. My experience of captives beforehand was limited but working with our partner TJ, and Strickland Hardee has been really helpful and helped me to grow in my career.

I've enjoyed being welcomed into the captive industry and becoming part of it. I've been part of it for nearly three years now.

What are the key benefits of captives in the current climate?

Personalisation — when going to the traditional market for coverage, it can be very expensive for insurance companies, and sometimes these coverages contain aspects that don't even apply to you and your business.

I like that, with a captive, the parent company can construct and tailor the company to meet its needs. This allows the company to mitigate expenses that don't benefit the parent company — this can't be done, at least not to the same extent, in the traditional market.

Another key benefit is that the captive insurer aims to increase its parent's control. Against the backdrop of overheads becoming more expensive every year, captive insurance allows its parent to offer lower operating costs.

In this economic climate, you don't want to be overpaying for a claim and you want to ensure that it's legitimate. I think having more control over where your money goes over a claim is always in the parents' best interest.

Finally, captive insurers allocate investment income to support losses. That's another key benefit a captive offers that the traditional market does not.

What does Strickland Hardee offer its clients that differs from similar firms in the industry?

Again, personalisation! We're a smaller firm that's committed to meeting the needs of every client, big or small. Whatever our clients need, that's what we're here for. At Strickland Hardee, I really like that everyone is just as important. Our motto is 'where integrity meets trust', that's what all of us aim to satisfy.

One of the ways we serve our clients is staying up-to-date with current and upcoming changes to accounting policies. We provide a variety of services from financial statements to outsourced chief financial officer services. Our focus is always on the client.

From your experience, what would you say are the main benefits of domiciling a captive in North Carolina?

North Carolina is a huge domicile which is great, it's the fourth-largest in the US. I think the reason it's grown so rapidly as a captive domicile is because of its desirable premium tax rate. It goes without saying that everyone is looking at the dollar value and how much tax people are paying when considering the desirability of a domicile. The tax rate is attractive in North Carolina in comparison to other states. Captives in the state are exempt from the North Carolina Department of Insurance's fees, with the exception of application fees.

North Carolina has a large selection of captive managers. This will enable you to find a captive manager who meets your needs. There's a wide selection of captives; it's not a monopoly and I really think that's great.

Another benefit is the state's capital requirements — they're directly associated with the company's risk profile. This favours both big and small companies.

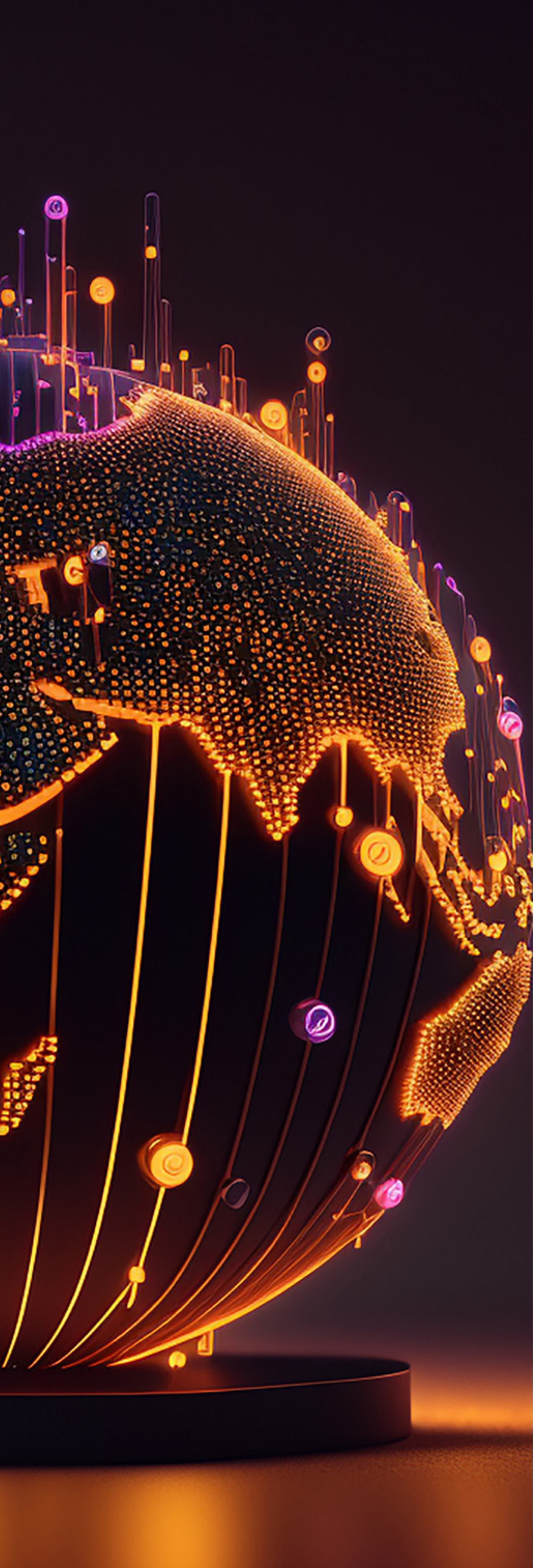
What can our readers expect from Strickland Hardee over the next 12 months?

We have a lot coming up. We're growing. We've had two new directors join us, Daniel Milan and Nicholas Wicker. Milan is director of insurance services and Wicker is the director of non-profit and governmental services.

Our focus will continue to be our clients. We're looking to expand to serve more clientele and reach more people.

Take back cyber control

Frances Jones explores how captives can provide cyber coverage gaps after last year's hard market conditions



Adding cyber coverage to a captive is a recurring and common conversation at insurance conferences. Cyber has been trending in captives for a couple of years now.

Discussion has increased as a result of last year's hard market conditions in cyber — this was characterised by steep pricing increases and tighter terms and conditions. This left companies seeking coverage during that period with limited options.

This year, the hard market for cyber appears to have eased. Marsh's, 'US Cyber Purchasing Trends' report published in May 2023, finds that cyber insurance pricing increases moderated for the fifth consecutive quarter. Its figures show cyber premiums rising 11 per cent on average in the US in the first quarter of 2023, compared to 28 per cent in the prior quarter.

Notable to this industry, the report also finds: "The number of Marsh-managed captive insurers writing cyber coverage increased 75 per cent from 2020 to 2022." Captive insurers writing cyber coverage is reflective of Marsh clients seeking to "regain a sense of control".

Cleo Curl, group insurance director at Landsec, explains her line of thought when considering using a captive for her group's cyber coverage.

"The captive exists to support the strategy of the parent. At the beginning of 2022, we were looking at obtaining some cyber coverage. It was probably the worst time to be looking at cyber insurance as there wasn't much capacity in the market. So we started to look at how we could add cyber to the captive, to help us access the markets out there and any other options such as using it for a deductible infill."

Cyber in conception

Aon's managing director Paul Sykes considers the stage of infancy that cyber coverage is in when considering the lifecycle of the wider insurance industry.

"Cyber is a real problem child within the industry. I think we may have gotten beyond the terrible twos, but cyber is not quite a stroppy teenager yet. It is very much a new and evolving risk."

The rate at which captives are taking up cyber risks is reflective of its level of risk maturity — low in comparison to the volume of discussion witnessed by the industry.

images by oleggganko/stock.adobe.com

Speaking at Airmic, Sykes says a large data set showed the figure of captives up-taking cyber was 'as small as eight per cent penetration'. He makes an educated guess that that number will have risen to '15 per cent globally by the end of the year'.

AXA XL's Owen Williams affirms: "It's a frequently occurring topic, but I will say you can discuss it, but putting it into practice is a whole other story.

"Our take-up rates around putting cyber into captives have been highest in the US and Europe, and I predict it will be followed by the UK."

Sykes concurs: "Recently, I've seen a real velocity of cyber uptake into captives, Guernsey have witnessed lots of strong, stable captives that have cyber in them."

Confronting cyberattacks — in the context of the ongoing Russian invasion of Ukraine — was recently a big debate at Lloyd's of London. War coverage requires contract certainty for coverage of state-sponsored cyber operations. Lloyd's Tom Allebone Webb reflects on the cyber developments in the market.

"A while ago, when cyber at Lloyd's was written as part of property, it got to a stage of maturity where we effectively had to say: 'No, you've got to model it, you've got to price it differently and cover it under a separate policy."

"We think that the time is right for cyber war and we've asked for that to be excluded from standard cyber policies and to price the model differently."

Primary or excess?

Primary coverage in cyber liability is a type of policy that insures against cybercrime and attacks on computers, networks and data. The volume of cyber attacks led Lloyd's of London to mandate new cyber war exclusion wording — effectively, language to manage systemic loss.

Recurring events such as ransomware attacks — where a subject's data is held for ransom — leads most other cyber risk, alongside other technology breaches including hacking.

Excess liability is insurance coverage that is activated once the limits of your primary coverage have been exhausted.

Captives writing excess cyber coverage is more typical than the former.

When evaluating the type of cyber coverage Landsec needed, Curl notes: "With the primary on cyber, we wanted to have instant access to all the technical support that we needed.

"We looked at trying to build a tower so that we found there was more capacity at the top end of the market, over US$20 million. Following that, we thought about acquiring a primary and filling it in in the middle and buying the excess layers at the top."

Williams elaborates: "Writing primary cyber is not just about providing capacity. It's about all the services that go with it, such as post-loss crisis management. However, I would argue that's easily managed, you just need a fronting partner who can perform those services as part of the financing services. There's actually no reason why that should stop captives writing primary coverage.

"A captive coming in on layers is particularly common in cyberspace. We're seeing that cyber rates on an excess basis are starting to ease quite a lot now. Nonetheless, the primary rates are holding much firmer, this would suggest more bang for your buck in moving your captive onto the primary rather than the excess."

Data-driven

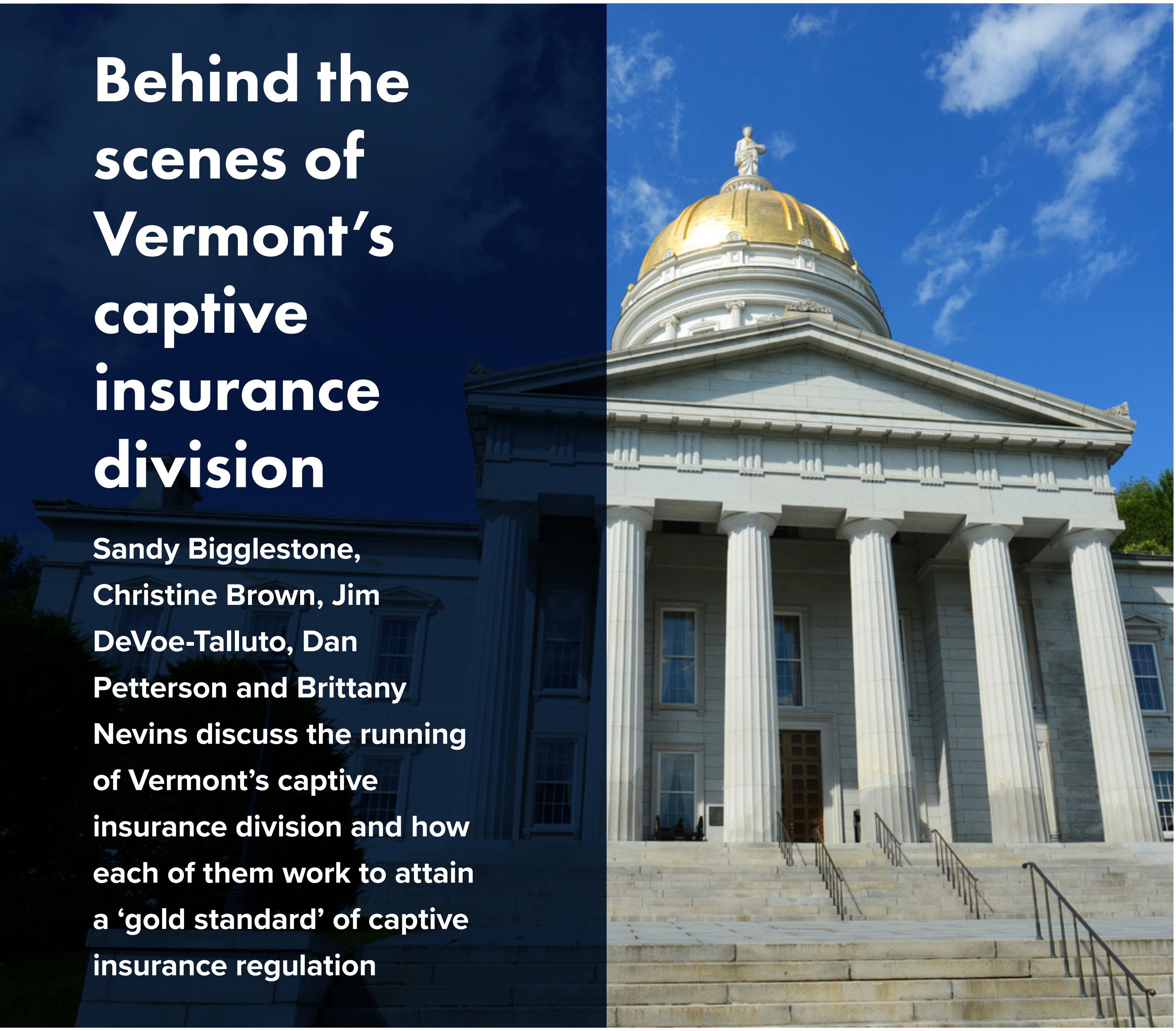
Data is the lifeblood of insurers. As technology proliferates, the amount of data companies are amassing is only increasing.

With the rise of AI platforms, and the threat of them being used for criminal purposes, it appears that the demand for cyber insurance to protect data will only increase. There is potential for captives to provide this coverage along with it.

In the executive summary of its 'Cyber Summit' Lloyd's of London predicts that the cyber market is going to treble in size from £13 billion ($16.8 billion) in 2022 to £35 billion ($45.3 billion) in 2030.

Curl says: "Is there a place for cyber captives using a captive as an incubator? Insurers are always talking about good quality data.

"You actually create your own data, then bring it out to the market. I've heard people using it on that basis. Once you've got it in your captive, you can access other markets, and that initiative might be a more attractive proposition than the traditional insurance market."



Behind the scenes of Vermont's captive insurance division

Sandy Bigglestone, Christine Brown, Jim DeVoe-Talluto, Dan Petterson and Brittany Nevins discuss the running of Vermont's captive insurance division and how each of them work to attain a 'gold standard' of captive insurance regulation

How long have you been with the Vermont Department of Financial Regulation (DFR)'s captive insurance division and what is your current role as deputy commissioner?

Sandy Bigglestone: I have been with the division for 26 years. My current role, as deputy commissioner, involves overseeing a staff of approximately 30 people. Together, we licence and regulate captive insurance companies and risk retention groups (RRGs) domiciled in Vermont. I represent Vermont at the National Association of Insurance Commissioners to stay abreast of varying requirements and changes, including any impact on captive insurance regulation, and to recommend best practices with respect to RRGs. I also represent Vermont at various industry events, including education and next generation initiatives. Reporting to the commissioner of the DFR, my role may involve broader administrative activities on behalf of the department or State of Vermont.

Can you explain your responsibilities in the administration and regulation of captive insurance companies?

My responsibilities include legislative initiatives and testimony. I am also in charge of the captive insurance division's annual budget. I am involved in discussions with division staff on administrative, technical, or process improvement projects, and discussions with the industry on regulatory issues, business plan changes and prospective company applicants. I perform the final review of company applications for licensing, approve company plan of operations changes, and review final examination reports.

What led you to pursue a career in captive insurance regulation, and what aspects of your experience have been most valuable in your current role?

Before joining the division as an examiner, I was in public accounting. One of the firm's partners had audit clients that were Vermont-domiciled captive insurance companies. I had audit engagements involving public entity risk pools and governmental entity risk pools and therefore I had familiarity with group risk sharing and insurance operations. When an examiner position opened up, I was encouraged to apply and talk to Len Crouse, who was the division's leader at the time.

My background as a certified public accountant, with auditing experience, was beneficial to adding value at the entry level, and in each of the positions I grew into at the division.

Aside from my professional and technical background and development, I attribute a great deal of value in my current role to the knowledge and experience I gained from each of the various positions I occupied in the division, along with what I learned from my interactions with colleagues, other regulators and the many industry experts I have come to admire.

As a CPA and CFE, how do your qualifications contribute to your work in overseeing captive insurance companies?

The efforts involved in obtaining the designations prepared me for the technical qualifications of the work involved in understanding insurance operations. I maintain the designations by engaging in professional education every year, keeping up to date with the insurance, accounting, financial examination and analysis requirements. Access to technical resources and training through various professional organisations has allowed me to be prepared for any challenge we might be faced with — or at least feel confident in researching issues that may come up.

What goals or initiatives do you have for the captive insurance division under your leadership as deputy commissioner?

Continue to support the Vermont economy in a responsible way by upholding the mission of the division and employing the best standards for captive insurance regulation.

I want to enhance Vermont's position as a global leader for captive insurance and support a robust marketplace by continuing to grow, while attracting talent to the various job opportunities in the industry.

I want our division to continue to provide the type of regulatory environment, responsiveness and friendly customer service our industry values. Internally, I want to maintain a healthy work culture for my staff, to ensure they know how valuable they are and how important the work they do is to the success of our domicile, building upon its character and reputation.

As a leader, I want to be the reason staff feel welcomed, seen, heard, valued and supported. In turn, I want Vermont to be the reason companies also feel this way. ■

Sandy Bigglestone
Deputy commissioner of captive insurance
Vermont Department of Financial Regulation

What is your role as director of captive insurance and how long have you been with the division?

Christine Brown: I started my career with the captive insurance division in 2003 as an insurance examiner and spent 13 years on the examination team in various roles, participating in all aspects of statutory exams and analysis. In 2016, I was promoted from an assistant chief examiner to the assistant director of captive insurance, where my focus shifted to captive licensing, legislative initiatives and industry outreach.

In 2022, I was promoted to director of captive insurance to directly support deputy commissioner Sandy Bigglestone in the supervision of our more than 650 active licensed captives. In my role as director, I oversee new captive licensing, assist in the review of requests for business plan changes, help develop changes to laws, regulations, bulletins and guidance, supervise the analysis of non-RRG captive insurance companies, and participate in educational sessions and industry outreach.

I am lucky to work with an expert team of approximately 30 captive insurance professionals, who work diligently to maintain high standards in licensing and solvency monitoring.

Could you elaborate on the responsibilities involved in managing Vermont's captive regulatory operations?

Upholding Vermont's regulation comes with great responsibility. Our team is responsible for licensing quality captives that meet our stringent regulatory requirements and expectations; monitoring compliance with relevant laws, regulations and guidelines; conducting risk assessments and performing analysis for financial solvency. This robust regulatory framework ensures that captive owners are better prepared to weather adverse market conditions and inevitable setbacks that sometimes come with owning and operating an insurance company.

In addition, we are involved in rule-making and policy development to ensure effective regulation in a rapidly changing

market. We frequently participate in industry outreach and education to raise awareness about captive insurance and regulatory requirements.

We take pride that we have gained the trust and confidence of domestic and international businesses and captive insurance regulators from many other jurisdictions. An essential key to our regulatory approach is to stay responsive to captive owners and the changing market dynamics while upholding our commitment to the highest of standards.

How has your background in public accounting, particularly in the captive insurance field, influenced your work in the division?

I was lucky enough to get my start in the captive industry as an auditor with Johnson Lambert, learning from some of the industry's brightest people like John Prescott and Magali Welch. This experience gave me a strong foundation and deep understanding of the operations and financial statements of captive insurance companies. Regulators and auditors think alike and have very similar objectives. Today, I rely on our approved auditors to provide independent and objective opinions on the financial statements of captives domiciled in our state. Their work empowers me and my team to make informed decisions and helps us maintain the stability of our regulatory system.

What are the key factors or indicators you consider when monitoring the financial condition of captive insurers domiciled in Vermont?

No two captive insurance companies are the same, so we find that taking a balanced and deliberate approach works best. When looking at solvency ratios and financial results, we consider each captive's unique approved business plan, its retained risk, fronting and reinsurance partners, sources of funding, and the financial strength of its parent or owner(s) and their ability or intent to support the captive.

Can you highlight any notable achievements or developments during your tenure as director of captive insurance?

When I first moved from the examination team to support the director and deputy commissioner in 2016, I used my knowledge in risk focused exams and analysis to enhance our licensing process to provide information to our examination team that assists in focusing our resources in areas we consider to be higher risk at the time of licensing. This approach and working together as a team promotes effectiveness and efficiency in regulation. ■

Christine Brown
Director of captive insurance
Vermont Department of Financial Regulation

What is your role as assistant director of captive insurance and how long have you been a part of the captive division?

Jim DeVoe-Talluto: I was hired as a captive examiner and analyst in 2004. Later that year, I was promoted to examiner-in-charge (EIC), a position I held through 2008, at which time I left the division and embarked on a one-year sabbatical in Central America with my family. I was re-hired in late 2009 and continued in my role as EIC until September 2022, when I accepted the assistant director position. In total, I have been with the captive division for more than 18 years.

Could you provide insights into the specific tasks and responsibilities you handle in supporting Vermont's captive regulatory operations?

As assistant director of captive insurance, I provide direct support to Christine Brown, director of captive insurance, and Sandy Bigglestone, deputy commissioner.

One of my primary responsibilities is conducting reviews of captive applications that we receive throughout the year.

In these reviews, we assess the strength of the parent or sponsor, analyse the captive projections and other financial information included with the application, as well as evaluate corporate governance and prospective insurance policies and other agreements.

I also participate in introductory meetings with prospective captive applicants and their Vermont business partners. In these meetings, we discuss the proposed business plan, initial capitalisation and key partners in the programme.

Other responsibilities include support and oversight of the annual analysis process for pure captives and participation in industry conferences along with our partners at VCIA and the Vermont Department of Economic Development.

How does your prior experience in public accounting and captive management contribute to your work in the captive division?

In public accounting, I worked in the audit and tax space for mid-sized businesses, so while these companies were not captive-specific, I gained perspective on both auditing standards and corporate tax issues.

As a captive manager, I developed a deeper understanding of the captive accounting and reporting requirements, and I was on the other side of the examination process in support of our captive clients.

What are the key challenges or considerations involved in monitoring the financial condition of captive insurers?

For pure captives, the captive is often only as strong as its parent company, so we look closely at the financial condition of the parent as well as the leadership and governance that occurs at the parent level. A strong culture of risk management is also critical. Specific to the captive entity, we look to key solvency ratios, such as premiums to surplus or reserves to surplus, to determine the health of the entity.

At formation, statutory minimum capital levels are typically a starting point and additional capital is often warranted based on the risks and limits written.

From your perspective, what advantages does Vermont offer as a domicile for captive insurance companies and how does the captive division contribute to maintaining that reputation?

The captive division has an unrivalled depth of experience among its staff.

A majority of our staff members have similar backgrounds and experience, with 10 or more years of regulatory experience, combined with previous tenures in captive audit or management.

We rely on this depth of knowledge to inform future decisions and support innovation in the captive industry. When we take a prospective applicant's call, there is frequently more than 60 years of combined regulatory experience that will inform our decision-making. ■

Jim DeVoe-Talluto
Assistant director of captive insurance
Vermont Department of Financial Regulation

Can you describe your role as the director of captive examinations and the main responsibilities of your team in the captive division?

Dan Petterson: As the director of captive examinations, my role is to oversee the monitoring function of our Vermont captive industry, with an ultimate goal of ensuring the solvency and health of our captive insurers and their respective stakeholders. Solvency monitoring essentially encompasses two primary components, examinations and analyses, and operates in a cyclical nature whereby ongoing analyses roll into exams and back into analyses. Operationally, my role entails strategising, organising and directing our team of 25 examiners and analysts in the ongoing completion of up to 125 captive exams per year, annual analyses of 85 risk retention groups, and various analyses on our more than 500 other captives.

How does your background in public accounting and experience in regulating traditional insurance companies contribute to your work in overseeing Vermont captive insurance companies?

My background in auditing captive insurers and experience in regulating traditional insurance companies is initially what led to the opportunity to regulate captive insurers. That experience was invaluable in preparing me for the role I am currently in, but things are rapidly changing.

Our jobs require us to be knowledgeable about laws and regulations, financial examinations, financial analysis, auditing, accounting, risk management, actuarial standards, traditional insurance, and captive insurance as well as others. My background provided a great foundation, but there is something new to learn every day. All of this keeps the jobs interesting and it keeps us on our toes.

What are some of the key factors or criteria your team considers when examining and ensuring the responsible operation of Vermont captive insurance companies?

Our monitoring procedures are all risk-focused. We put an emphasis on those areas of the companies that we assess as providing for the greatest risk to solvency. These risks could be numerous for a captive, or they could be few. Much of our assessment will depend on the size, sophistication and complexity of the companies we are reviewing. For most captives, we look to see if the parent or sponsor is healthy.

A large parent with a small captive programme may pose little risk in the larger picture, but if that parent is having financial difficulties, it could have an impact on the captive. It is nice to know that a parent or sponsor has resources if a captive gets into trouble, but if there are fewer resources at that level, we must ensure that the captive has the ability to weather some variability.

We also always look to see if capital is sufficient for the business being written. It is important to note that sufficient capital is typically not the same as — and is generally more than — our statutory minimum capital requirements. We look to see that pricing and reserving are adequate, that governance and controls are effective, and that the company is in compliance with its business plan and Vermont laws and regulations. It is important to note that we look at the risks that could impact a captive's ability to continue to operate in a healthy and solvent manner moving forward. We are interested in where a captive has been and how they look today, but we are also where theyare going and whether they have the ability to get there.

How do you stay updated on the latest rules, regulations and industry best practices to effectively carry out your role in the captive division?

Communication is key! We are fortunate to be part of such a large and diverse team that is constantly communicating and learning from one another.

To some degree, we stay updated because of our willingness to share what we are all hearing and learning daily as part of our job.

We talk to captive managers, attorneys, accountants, actuaries and other service providers. We have discussions with management, directors and other key captive contacts where possible.

Our team is active in conferences from a presenting and training aspect, as well as a networking aspect, and at various industry training sessions.

We are active on NAIC working groups and disseminate information that we receive as part of that relationship. We have a very active advocacy group, the VCIA, which also provides training and a great deal of information to our team.

We are readers, listeners, and often contributors to all the various publications and broadcasts covering our industry and disciplines. We also monitor and interact on social media.

There is so much information to stay current on and so many resources that it can be quite overwhelming for one or even a few individuals to keep track of.

Collectively, however, we are able to funnel the important stuff into our processes and into the hands of those that need to know and the decision makers.

What strategies or initiatives has your team implemented to promote compliance and maintain the integrity of the captive insurance market in Vermont?

Many of the more recent initiatives revolve around being as efficient and effective as possible in all that we do. We strive to provide a value-added environment by interacting with our companies, by allocating resources to areas that pose greater risks, and by being consistent in our regulatory efforts.

We have also fostered a very collaborative working relationship with various captive service providers that typically serves as our first line of defence in monitoring our companies.

The tone throughout industry is very upbeat and the message is clear — we want to be the regulator of choice when it comes to captives, we want to be the first place you look to or call when you have a question, and we want to continue to deliver as well as or better than we ever have. ■

Dan Petterson
Director of examinations:
Vermont Department of Financial Regulation

As captive insurance economic development director, what are your primary responsibilities in promoting Vermont's captive insurance industry?

Brittany Nevins: My primary responsibility is to market Vermont globally as a captive insurance domicile and to engage with businesses that may be interested in forming a captive insurance company and are considering Vermont as a domicile. How this looks in practice is managing our website, social media, content creation, and the coordination of our various sponsorships, article opportunities and events we participate in. A significant part of my role is ensuring that Vermont is represented authentically and that our information is clear and accessible.

How do you collaborate with the DFR and Vermont Captive Insurance Association (VCIA) to enhance the state's reputation as a premier captive insurance domicile?

While I am in the Vermont Department of Economic Development in the agency of commerce and community development, and I am intentionally separate from the regulatory aspects of the captive insurance programme, I work very closely with my colleagues at the DFR captive insurance division. I also work closely with the VCIA in the facilitation of educational information and collaborating around various association events and activities. For me to do my job well, I need to be able to lean on our regulators and their expertise to provide thought leadership and give input into the various marketing initiatives I am undertaking. Their input is extremely valuable to my work — it allows me to fairly represent the work of the division and the expert regulation they provide. We have a regular standing meeting with the division and the president of the VCIA, where we can brainstorm and collaborate on the projects I am working on and where they can also provide ideas for future projects. Finally, I attend various conferences throughout the year and work closely with my colleagues at the DFR and VCIA to speak with businesses and on panels.

Could you elaborate on your role in advising Vermont's governor and secretary of commerce on captive insurance legislation and policy recommendations?

I send a weekly report to the secretary of the agency of commerce and community development and the governor's office that includes updates on the captive insurance programme, such as articles published, points of collaboration, and any information I feel is important for the leadership to be aware of. During the legislative session, I will include updates in the legislative process and will request a meeting with the leadership when necessary. The legislative process is very smooth as the captive bill is drafted every year with input from the VCIA and proposals are carefully vetted — so typically, I do not need to engage with leadership beyond regularly updating them. They are very supportive of the captive insurance industry in Vermont and want to see its continued success.

What specific strategies or initiatives have you implemented to attract the expansion and relocation of businesses within Vermont's captive insurance industry?

I focus much of my time on maintaining Vermont's strong reputation as the "gold standard" of captive insurance regulation in the world. Vermont has a particular brand of accessibility to regulators, efficiency and quality regulation.

Because this is authentically who we are and we have decades of work supporting this reputation, I really focus much of my energy on storytelling and thought leadership.

Those who are interested in forming a captive, and professionals in the industry, want to hear from our expert regulatory team and service providers in Vermont and I spend quite a bit of my time facilitating this sharing of knowledge and "putting a face" to this robust industry.

This also has the added benefit of raising awareness about captive insurance as a potential career path in Vermont, which is an area of focus we have identified.

I also work with the VCIA in the consideration of future road shows and international trade missions where we can raise awareness about captive insurance as a possible tool for companies and organisations.

Lastly, conferences and events are important for us as we meet quite a few businesses that are interested in forming a captive insurance company. I work to ensure that we have appealing resources and information available at our conference booth for companies at these various events.

I love coordinating the purchase of locally made maple syrup to have at our booth and supporting local businesses in our conference giveaways.

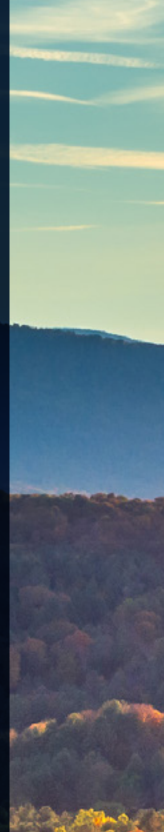
How do you engage with Vermont's congressional delegation to monitor policy related to captive insurance regulation and financial services industries?

In my time in this role, I've had to engage with the congressional delegation very little. There is tremendous support for the captive insurance industry at all levels of government and it is rare for a concern to rise to the level of the congressional delegation's attention.

Occasionally, they will have questions they send my way that I will field to the appropriate regulator and schedule a meeting when necessary.

The industry in Vermont is tremendously stable, so there is little need to engage with the congressional delegation — which is a good thing! Whenever we have needed to engage, they have been eager to learn and support in any way they can, recognising the tremendous benefits to the Vermont economy. ■

Brittany Nevins
Captive insurance economic development director
Vermont Department of Financial Regulation



Further insight into Vermont's captive market

Sandy Bigglestone, deputy commissioner of captive insurance, provides more insight into the current state of the Vermont captive market and how the division intends to adapt to regulatory changes

How would you describe the current state of the Vermont captive market in terms of growth and development?

Vermont's captive market is thriving. In 2023, we are experiencing a similar positive growth pattern as we have over the last few years, pointing to a real need for organisations to manage their risk using a captive insurance company.

What factors have contributed to Vermont's continued success as a leading domicile for captive insurance companies?

It is a culmination of years of a consistent regulatory approach, a stable political environment and dedication to the industry. While efforts are spent developing the domicile, we find it equally important to continue to have a wealth of talent and expertise so we remain engaged with efforts to grow the workforce to support the industry. Another factor is the Vermont infrastructure, which is a model of excellence.

Are there any emerging trends or patterns within the Vermont captive market that you have observed recently?

Most notably, we are seeing a continuation of the challenging commercial marketplace prompting growth for captive insurance in all the typical commercial lines of business.

Can you provide an overview of the types of industries or sectors that are predominantly utilising captive insurance in Vermont?

All industries and sectors. In terms of new licences, the majority comes from the following industry sectors: healthcare, construction, real estate, insurance, manufacturing, retail, agriculture, entertainment, professional services, transportation, energy, nonprofits and technology.

How does the captive division adapt to changes in the regulatory landscape to ensure the competitiveness and attractiveness of the Vermont captive market?

The division stays engaged with industry and attends various industry events. We also attend the National Association of Insurance Commissioners (NAIC) meetings and participate in NAIC activities, which enables us to engage with other regulators.

Internally, we exercise our critical thinking skills by constantly looking at what we do and ways in which we can improve our regulatory processes.

Further, we gather feedback from our stakeholders about what we are doing right and areas we might improve.

"Companies tell us they choose Vermont because we have quality regulation and an experienced infrastructure of service providers, plus a stable political environment"

What initiatives or strategies has the captive division implemented to promote the growth and expansion of the Vermont captive market in recent years?

We have increased our visibility, which seems to have had a positive effect on promoting ourselves and showcasing our talent. Companies tell us they choose Vermont because we have quality regulation and an experienced infrastructure of service providers, plus a stable political environment. We are being intentional about ways in which we can focus on our strengths.

Upholding the same regulatory approach, focusing on culture and talent acquisition, are great ways to solidify our success. ■

Sandy Bigglestone
Deputy commissioner of captive insurance
Vermont Department of Financial Regulation

Captive and carrier cohabitation

Leading experts Diana Hardy, Adam Miholic, and Mike Meehan unravel the intricacies of hybrid insurance programmes

From a regulatory perspective, what challenges or considerations arise when a captive insurance company and an admitted carrier co-exist within the same insurance programme?

A key area is assessing how the captive looks to the admitted carrier on its books, if the carrier is retaining some of the risk in a captive.

There are different rules for Statutory Accounting Principles (STAT) primarily SSAP 97 and Generally Accepted Accounting Principles (GAAP) which under Financial Accounting Standards Board Accounting Codification Topic 810 may require consolidation where STAT really never requires consolidation.

Another major concern is the collateral necessary. STAT accounting principles establish a Credit for Reinsurance, known as Schedule F penalties for property and casualty carriers, and Schedule S for life and health carriers.

Therefore, under STAT accounting principles do not allow for a credit for reinsurance unless the reinsurer is "authorised" or there is collateral sometimes in the form of a letter of credit, investments/cash posted, and sometimes a trust for the benefit of the admitted carrier.

How does the presence of a captive insurance company impact the financial reporting and taxation requirements for the overall insurance programme?

It depends. The taxation typically does not have much of an impact, there are certain elections to have consolidated tax filings or not and life carriers have much more complexity.

Financial reporting is significantly different from admitted carriers who report on STAT versus GAAP. STAT under SSAP 97 records the value of the investment into a captive, assuming it is an insurance entity which is a subsidiary, controlled affiliate is measured at STAT equity, even though the captive would report to the regulatory authority on a GAAP basis.

Diana Hardy

"There are significant differences between GAAP and STAT ranging from reserving methodology to the manner in which deferred acquisition costs are recorded to the carrying value of investments, to deferred income taxes"

There are significant differences between GAAP and STAT ranging from reserving methodology to the manner in which deferred acquisition costs are recorded to the carrying value of investments, to deferred income taxes.

A careful evaluation of the impact should be conducted anytime there is a captive arrangement with an admitted carrier.

Can you discuss any potential conflicts or areas of overlap between the accounting practices of a captive insurance company and an admitted carrier?

The conflicts are abound, to properly account for these types of transactions, it can be simple as in a traditional fronting carrier to significant differences with multiple types of books STAT/GAAP/Tax, you will likely have a few sets of books, which is a bit of a pain.

For instance, a captive may have consolidated reporting on a GAAP basis, but there are no consolidations on a STAT basis. ■

Diana Hardy, CPA, CFE
Audit partner
RH CPAs

Adam Miholic

What are the practical implications of integrating a captive insurance company with an admitted carrier in terms of policy administration, claims handling and risk management?

Any situation where a captive insurance company is participating in a programme with an admitted carrier, communication and clear delineation of expectations and responsibilities is paramount. Considering many captive insurance companies are non-rated and operating on a non-admitted basis there are numerous situations where this partnership is not only efficient but also contractually or regulatorily required.

In these situations it is important that the captive manager, captive shareholders and carrier representatives are all aligned on the programme details. Oftentimes, this also includes other service providers such as third-party administrators, loss control operations, brokers and legal.

While these situations often add additional layers of complexity in both operations and logistical terms, a strong partnership between a captive insurance company and their admitted carrier partners will frequently lead to increased captive utilisation for the shareholders as well as improved financial, strategic and operational benefits for both parties.

How does the interaction between a captive insurance company and an admitted carrier affect the allocation of premiums and claims within the insurance programme?

The allocation of premiums and claims should not be altered from the sheer fact that a captive insurance company interacts with an admitted fronting carrier. For example, a captive that takes a deductible reimbursement position does not have any bearing on the admitted companies rates, premiums, or claims responsibilities. In this situation, the captive is purely acting as a financial mechanism by which the insured is electing to accrue for their deductible or retention responsibilities. If, however, the captive insurance company is participating with the admitted carrier in the risk transfer of any liability then the allocation of both premium and claims must be properly accounted for in the actuarial study setting both measures.

To give an example, if the captive insurance company is participating as a 20 per cent quota share reinsurance company

"Any situation where a captive insurance company is participating in a programme with an admitted carrier, communication and clear delineation of expectations and responsibilities is paramount"

with the admitted carrier, then both the written premium and anticipated claims must take into account this allocation.

Could you provide insights into the governance structure and decision-making processes when both a captive and admitted carrier are involved in the same programme?

In most cases, governance-related items and decision-making processes are distinctly outlined in the contract between the captive insurance company and the admitted carrier. As previously discussed, clear and concise communication around roles and responsibilities in this relationship are key to its short- and long-term success.

The contract between the parties should clearly outline each of their respective responsibilities, scope of authority, liabilities and rights. In these situations it is always my recommendation that each party have their respective legal representatives thoroughly review all contract and governance documents to ensure alignment and agreement. While every effort should be taken to ensure fair and equitable conditions, I often defer to whichever party assumes more risk and liabilities as the primary participant. ■

"In these situations it is important that the captive manager, captive shareholders and carrier representatives are all aligned on the programme details"

Adam Miholic
Senior consultant, Global Captive Solutions
Hylant Global Captive Solutions

Mike Meehan

What considerations should be taken into account when assessing the risk profile of a hybrid insurance programme involving both a captive and admitted carrier?

Hybrid insurance programmes have proven to be a successful model for financing the risks of both individual organisations and for group programmes.

When a captive and a traditional carrier work together to provide the coverage needed by the parent organisation it may mean that the traditional carrier and the captive insure separate lines of coverage. It could also mean that the traditional carrier fronts the insurance policies and reinsures all or a part of the risk to the captive, or the traditional carrier may provide reinsurance coverage to the captive.

When assessing the value of hybrid risk financing models, there are several considerations. First and foremost, is the financial strength of each organisation involved in the programme. In hybrid models, both the captive and the carrier need to be confident that the other party will be able to meet its financial obligations under the terms of the insurance contracts. In certain situations, where one party is not able to, the other party could be responsible.

Secondly, is the experience of the carrier in the specific market. Other considerations would include the alignment of risk appetite and philosophy of the organisations as well as the evaluation of any operations issues, such as the systems and technology.

From the perspective of a captive, it is important for the carrier partner to have relevant experience to ensure proper underwriting. For fronted insurance programmes, the captive should also consider the fees and collateral requirements of its fronting partner.

How does the interplay between captive insurance and admitted carriers impact the actuarial modelling and calculations of expected losses and reserves?

The terms of the insurance contracts are key in the development of an actuarial model. That would include understanding the reporting provisions of claims, how loss adjustment expenses are treated, and the application of any reinsurance which could be on an excess of loss or quota share basis.

In addition, the captive and carrier have flexibility with respect to the administering of the hybrid programme through

"Hybrid insurance programmes have proven to be a successful model for financing the risks of both individual organisations and for group programmes"

the unbundling of services, including claims handling. The programme could elect to have claims administered by the carrier, an outside third-party administrator, or, in certain cases, internally by the captive's parent organisation.

Claims handling techniques and procedures can impact the closure rates and settlement costs which in turn can materially impact the loss forecasts and reserve estimates calculated by the actuary.

Therefore, it is critical that the party responsible for handling claims has the necessary level of expertise in the specific lines of coveragey.

Can you explain the implications of having a captive insurance company alongside an admitted carrier for the determination of appropriate insurance rates?

In hybrid insurance programmes, the captive will often refer to the carrier as its "reinsurance partner" or "fronting partner". That partnership can lead to a more open discussion and information exchange about the risks of the captive's parent organisation.

While carriers will generally have more experience in a particular line of coverage, the parent company will likely have a more detailed understanding of its own specific risk, which can be beneficial when determining the appropriate rates.

Ultimately, when determining the appropriate rates of a specific insurance programme, it is important to consider the risks being insured, the cost of any reinsurance, including the profit provisions of the carrier as well as other factors, such as claims handling. ■

Mike Meehan
Principal
Milliman

All change

Agile Premium Finance talks to John Savage about the recent disruptions to the captive industry and the different types of financing options that are available

With all the recent changes and disruption in the banking industry, how have you been affected?

We believe that banking problems can create opportunities for innovation in the financial sector.

We have always strived to foster innovation and encourage the development and adoption of financing as a funding option for captives.

With our proposed innovative funding solutions, we can streamline the funding process, reduce opportunity costs, and enhance captive owner experiences. Our focus is to make financing more accessible and efficient.

How can you lessen the burden of rising interest rates?

Navigating the current interest rate landscape can pose challenges for firms seeking cost-effective borrowing options. However, our affiliation with a bank allows us to explore innovative solutions that help mitigate the impact of elevated borrowing costs.

As a result, our borrowing index tends to be lower compared to conventional captive lenders. Our primary focus is streamlining the financing process to minimise the time and effort required to secure funds.

What are the different types of financing options available in the captive space?

There are several types of funding options available for a captive owner. We provide an alternative funding source by customising financing options that include collateral financing, premium financing and alternative loan backs and the formation of Private Premium Finance Company.

How can these alternative financing options reduce dependency on traditional banks and make funding more accessible for businesses and individuals?

Our funding solutions are tailored specifically to the unique requirements of captive insurance programmes. Unlike traditional

banks, we have a deep understanding of the intricate needs of captives. This expertise allows us to design and deliver targeted solutions that address captive-specific challenges.

While we recognise that captive owners may still require access to funds from traditional banks for other areas where they feel more at ease, rest assured, our solutions are designed to co-exist harmoniously with traditional banking relationships — ensuring that the captive owners' borrowing capabilities remain intact in their preferred lenders.

What are the potential benefits of diversifying funding options for captive insurance companies?

Diversifying funding options for captive insurance companies offers significant advantages in adapting to market changes.

By accessing specialised lenders that cater to captive financing, captives can optimise their capital structure and funding strategies while preserving their borrowing capacity for other types of loans with traditional banks.

Moreover, diversified funding options unlock strategic growth opportunities for captive insurance companies. The availability of additional capital empowers captives to embark on expansion initiatives, enter new markets, or introduce innovative product offerings.

This strategic approach allows captives to strengthen their competitive position, maximise growth potential, and seize promising prospects in the evolving insurance landscape.

How does premium financing help with cash flow management in a captive insurance programme?

By opting for premium financing, the company can preserve its cash flow and maintain liquidity by making smaller regular payments over the policy period, instead of paying a large premium amount upfront. Companies can agree to customised financing terms according to the repayment period, frequency of instalments, and even structure the financing to align with their revenue cycles.

This flexibility helps to optimise cash flow and align it with the company's operational requirements. By utilising premium financing, companies can redirect their available cash into other investment opportunities that may yield higher returns.

Instead of tying up their capital in a lump sum premium payment, they can invest in projects, acquisitions, or growth opportunities that can generate additional revenue or improve their financial position.

What are the key considerations when deciding whether financing is a viable option for a captive insurance programme?

These considerations should include; cost of financing, cash flow analysis, long-term financial strategy and risk management. Determine the cost of borrowing the funds needed for premium financing by assessing the interest rates, fees and other charges associated with the financing arrangement. Compare these costs with the benefits and cash flow advantages the financing provides.

Evaluate the company's cash flow situation by understanding the timing of cash inflows and outflows, including revenue cycles, operational expenses and other financial obligations. Assess whether financing the insurance premiums aligns well with the company's cash flow patterns and whether it will help improve liquidity and cash flow management.

Identify whether financing the captive insurance premiums aligns with the company's broader financial objectives. Assess the impact of premium financing on the company's financial stability, debt capacity and ability to pursue other investments or growth opportunities.

Evaluate the historical performance of the captive, claims experience and underwriting practices. A stable and well-managed insurance programme is more likely to be suitable for financing, as it provides confidence in the premium calculations and the long-term sustainability of the captive.

Ensure that the financing arrangement complies with applicable laws, regulations and accounting standards. Consider consulting legal and tax professionals with expertise in captive insurance and premium financing to ensure compliance and mitigate any potential risks.

Seek guidance from insurance professionals, captive insurance specialists, financial advisors and legal experts with experience in captive insurance programmes and premium financing.

These professionals can provide valuable insights, evaluate the specific circumstances of the company and offer tailored advice to make an informed decision.

Why would a company seek financing for their captive insurance programme?

While the captive owner may have the resources to fund the captive, doing so could necessitate liquidating working assets, potentially undermining their overall financial strategy.

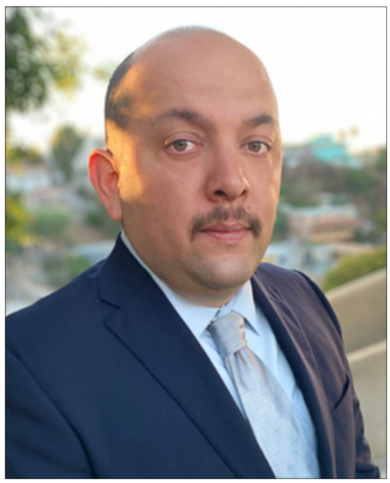
Raising funds through private investors often involves demanding a significant fixed return on investment and acquiring an equity position in the captive. Opting for financing provides a viable solution to steer clear of such scenarios.

Ultimately, the decision to seek financing for a captive insurance programme depends on the company's specific circumstances, risk profile and financial objectives.

It is advisable for companies to assess their captive's financial needs and consult with captive experts, risk advisors, and financial professionals to determine the most appropriate financing approach for their unique situation. Captive owners can feel confident that there are creative funding and premium finance solutions at their disposal in today's marketplace. ■

Dan Duncan
Captive specialist
Agile Premium Finance - Captive Specialists

Michael Vincent
Captive specialist
Agile Premium Finance - Captive Specialists



Francisco Tamayo
Sales and marketing coordinator
Agile Premium Finance - Captive Specialists

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

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Tens across the captive board

Carter Lawrence, commissioner of the Tennessee Department of Commerce and Insurance, talks to John Savage about attracting and retaining captive insurance companies in Tennessee

Congratulations on the recent licensing of the 1000th risk-bearing entity by the TDCI's Captive Insurance Section. What does this milestone signify for the captive insurance market in Tennessee?

We're very proud of hitting that important milestone. The 1000th risk bearing entity milestone indicates our success and the growth we have experienced in the last 12 years.

It shows the captive insurance world that Tennessee's captive insurance model is thriving.

It's proof that Tennessee has had and continues to have real traction among companies who are continuing to explore their best options for risk management. It also shows that many companies are specifically thinking about captive insurance as an option.

Tennessee is one of the oldest domiciles for captives in the US. However, it wasn't until our captive insurance statute was modernised in 2011 that there was a 'rebirth' of the captive insurance market in the state.

Once our statute was modernised, it took the hard work and leadership of our governors — both past and present — to make our captive insurance industry as successful as it is now.

We must also thank the leaders in our legislative body and the General Assembly.

Could you provide an overview of the current state of the captive insurance market in Tennessee and its importance to the state's economy? In addition, what key factors have contributed to Tennessee's position as the ninth largest captive domicile in the US?

The state is also the 13th largest domicile in the world, according to Allianz's global 2022 rankings. To put that in perspective, Tennessee businesses paid a total of US$2.4 billion in premiums in 2022.

We have an award-winning, highly-trained captive insurance team that is laser-focused on customer service. Our insurance department is dedicated to serving all risk management needs and all types of captives.

Tennessee's legislation for captives is state-of-the-art — we remain committed to working with the industry to improve our legislature and to build upon what already works for our statutory construction.

The leadership from our governor, the Tennessee General Assembly and our legislative body are key facets to our success.

All those factors have afforded us the success that we've experienced.In addition, we've been very intentional about our marketing of Tennessee. Michael Schultz is the Tennessee Department of Commerce & Insurance business development director, a newly created role.

He is broadly responsible for marketing Tennessee's risk management capabilities with a specific focus on captives. He has been appointed in an effort to make sure that we don't overlook local growth that we could have in Tennessee.

We recognise that Tennessee has developed enough as a captive domicile to be able to provide the complex regulation that the state needs.

We were really proud that the International Paper Co. moved its captive insurance company to Tennessee from Vermont.

It recognised that Tennessee had developed enough as a captive domicile to be able to provide the complex regulation that they needed.

And I think IP is just the start of continued redomestications on the horizon that we are really excited about.

Tennessee has grown in population and we've grown in companies, and we want to make sure that that growth happens in Tennessee as well.

In what ways does the TDCI's Captive Insurance Section contribute to the overall success and effective regulation of Tennessee's captive insurance industry?

As the regulator, we hope we are doing a good job of fostering success and providing effective regulation. Tennessee consistently works to allow captives to be able to build on their capital of success, while maintaining a reasonable, sensible regulatory environment that does not hinder that ability. We are continuously evaluating our rules and our statutes to keep up-to-date with the industry, while at the same time not sacrificing the robust regulatory structure that we must maintain.

Could you share any initiatives or programmes aimed at attracting and retaining captive insurance companies in Tennessee, as well as any that ensure a favourable business environment?

We always invest in our people to better serve our customers. Most of our team come to us as CPAs, but if they don't have captive experience when they start, we give them the chance to obtain the relevant designation. For example, the Associate in Captive Insurance designation allows them to further their captive insurance education. They work closely with senior members of the department's captive leadership, the captive managers and also the owners to decide what options best suit the client that they might be assigned to.

Our HR department also carried out a total compensation study in which it monitored what state employees earn compared to the private sector. It resulted in the vast majority of our commerce and insurance employees recieving a pay increase. HR's action increased the total rewards for our team which has helped us with talent retention and recruiting the best possible people to our team.

Additionally, if employees receive designations relevant for their work we have approval from HR to give those employees an increase in salary. That allows someone to begin a role, receive training and get rewarded for the training. It makes our recruitment more attractive and our retention rate increases because the employee can mature their regulatory career with us. If they wish, they can begin and end their career at the state of Tennessee, we certainly want to make that a possibility.

Looking ahead, what is your vision for the future of the captive insurance market in Tennessee, and what steps do you plan to take to further enhance its growth and success?

We want captive insurance to be seen as a component of risk management. Tennessee has taken the relatively unique step of breeding a captive for the management of certain lines of risk and we've domiciled in the state — the relationship that we've had with the Treasury Department in which the captive is located, has been phenomenal.

They've been really pleased with the regulation that we provided.

Our overall vision is to continue to grow captive insurance in Tennessee by providing the highest quality customer care.

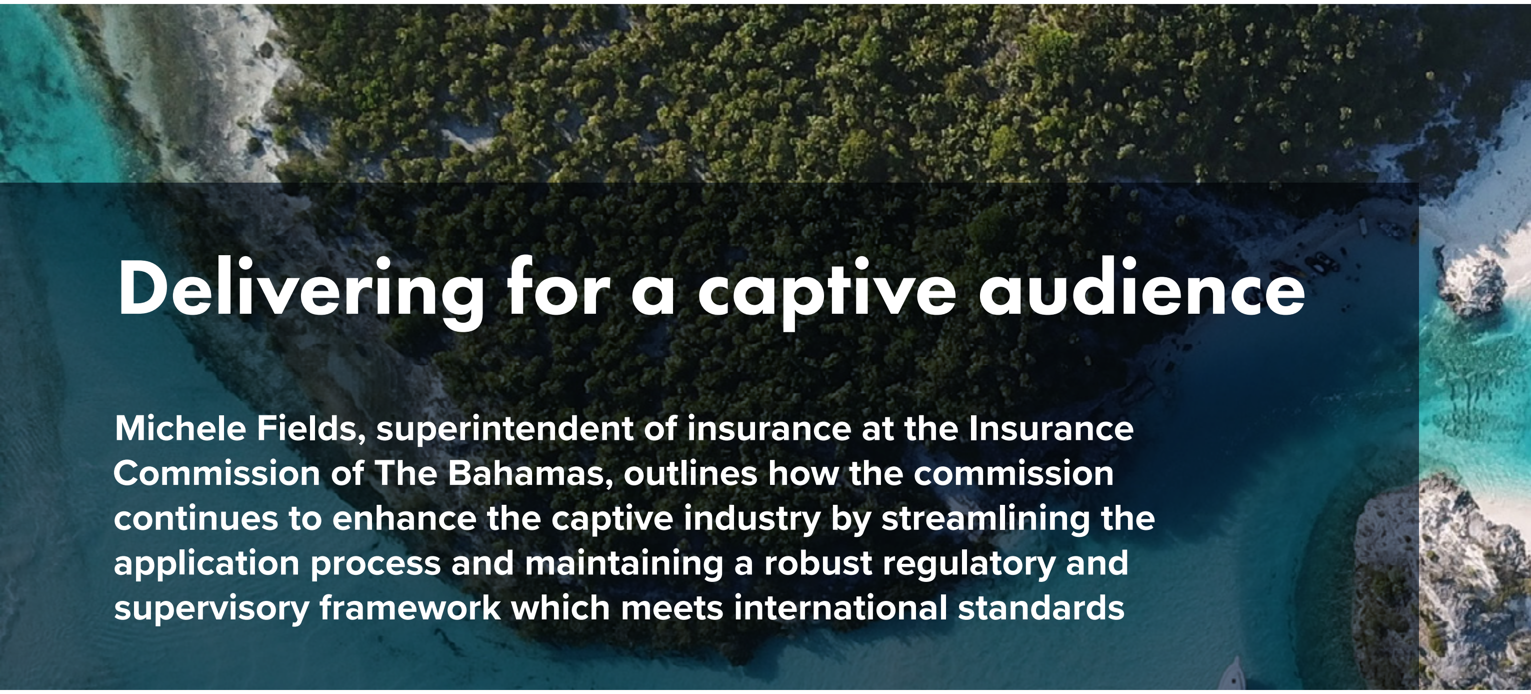
We want captive owners and support vendors to have unfettered access to their analysts. In this world of more virtual work, we want our customers to reach out to us so that we can better understand their needs.

We will continue to work with our governor and our General Assembly to make sure that we are well positioned for future growth. I'm sure the support that we've enjoyed from the governor will only continue. This will allow us to build a strong captive insurance industry. With the help of our team leaders and legislative staff, we'll never miss an opportunity to improve upon our existing legislation to ensure greater attraction to Tennessee.

Tennessee has beautiful scenery, a wonderful climate and is world-renowned for its music. It's an amazing place to live and work. ■

"We always invest in our people to better serve our customers. Most of our team come to us as CPAs, but if they don't have captive experience when they start, we give them the chance to obtain the relevant designation"

Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance



Delivering for a captive audience

Michele Fields, superintendent of insurance at the Insurance Commission of The Bahamas, outlines how the commission continues to enhance the captive industry by streamlining the application process and maintaining a robust regulatory and supervisory framework which meets international standards

The Bahamas' participation in the captive insurance industry dates back to the 1960s. Given the islands' rich history in this niche industry, The Bahamas Government has taken steps in recent years to ensure that the business of captive insurance actively contributes to the overall growth of the financial services sector.

Local insurance managers and other financial intermediaries are still finding ways to promote both their own services and the jurisdiction in the captive market. The Bahamas Financial Services Board (BFSB) has helped them do so, highlighting the jurisdiction as a competent and competitive international financial centre that promotes synergies between the industries of the financial services sector.

The history

Over the last 10 years, the number of licensed captive insurance entities registered in The Bahamas has grown – at first very rapidly and, in the last five years, steadily. As a result, growth has occurred in overall net premium volume along with the expansion in the number of parent company regions throughout the US and Europe.

The growth in The Bahamas' captive market is largely attributed to small-to-medium sized entities (SMEs) seeking to set up their own segregated accounts. This option has proven to be cost-effective for those SMEs, especially since they can and do outsource administrative and operational oversight to locally registered insurance managers, financial and corporate service providers, and other financial service professionals such as lawyers and accountants.

In 2021, as part of its strategic plan to amalgamate legislation, the commission began a review of the jurisdiction's two principal insurance laws – the Insurance Act, 2005 and the External Insurance Act, 2009. The purpose of the review, which is still in progress, is to streamline regulatory and supervisory requirements and to enhance legislation to help insurance structures.

The Commission's intent to amalgamate those two pieces of legislation is to introduce categories of licences that emphasise the type of insurance business that the entity will be conducting and the structure of the entity, rather than where the policyholders are located.

Currently the amalgamation is well underway, and it is anticipated that the draft legislation will be issued for consultation in Q3 2023.

Following any feedback and proposed amendments from the consultation period, we would then seek to get the amended bill passed through parliament.

Amalgamating the legislation appropriately corresponds with our risk-based supervisory framework whereby as a jurisdiction we eliminate the perception of varying our supervisory oversight based on the current demarcation of international business versus domestic business.

We have a very robust domestic insurance market in The Bahamas. External insurers will have a similar level of supervision based on their risk profile.

As such, our risk based supervisory framework considers the size, nature and complexity of the institution which determines the regulatory measures that we take; no matter whether the policyholders are in The Bahamas or abroad.

Looking ahead

Given the current hard market conditions, entities with a firm understanding of their risk and loss history may be seeking alternate ways to finance their cost of insurance coverage. Such conditions act as a catalyst for captive formations.

The captive, as an alternative risk transfer mechanism, is always going to be a consideration for company owners, because they are looking at containing costs.

In this regard, The Bahamas is a competitive, cost-effective jurisdiction given the local and international expertise and resources present within the financial services sector. The robust nature of our regulatory framework is such that we can oversee any type of international insurance business. Also, The Bahamas as a jurisdiction can boast of its professionally trained and highly skilled service providers. This includes accountants, lawyers, and insurance managers; and should the need arise for outsourcing specific services this can be achieved with relative ease.

Key factors such as fair regulatory costs, highly-skilled and varied professionals and the way that we employ a risk-based approach to our supervisory oversight of the industry, continue to be attractive considerations for international and captive insurance businesses. ■

"The Bahamas is a competitive, cost effective jurisdiction given the local and international expertise and resources present within the financial services sector"

Michele Fields
Superintendent of insurance
Insurance Commission of The Bahamas

Missouri mention

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

Speaking to Captive Insurance Times in March, Sam Komo, captive insurance manager at the Missouri Department of Commerce & Insurance, predicted 2023 would be the year that the department would accelerate its communication with stakeholders and would look for ways to amplify its support for a global industry.

It also promised to continue providing innovative ideas that encourage ongoing growth, while also protecting success.

On approaching the fall, Komo told us: “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.”

He adds: “The captive insurance community we serve goes well beyond the Missouri border and encompasses multiple industries, but the key concept that unites everyone is the need for oversight that protects success.

“With ongoing federal requirements, companies want to know if they are on solid ground. Our Missouri team understands this, and works hard to provide the necessary oversight and services to ensure the captive insurance community is protected.”

While providing these protections is a vital aspect of operations, encouraging growth is equally as important, Komo highlights. “That’s why we believe in regulation, but not over-regulation.

“This is accomplished through a dedicated team with experience in maintaining this balance — a team that conducts everything from applications to examinations in-house, and an administration that supports the overall business community, which includes the ability to utilise captive insurance as an option in managing potential risk.”

This commitment is evident in the department’s support of 54 active captive companies — with US $3.5 billion in gross written premiums.

To this, Komo says: “Their ability to grow and be successful confirms our strength as a domicile. Regardless of future challenges, we are here to help. ‘Encouraging captive growth while protecting success’ isn’t just our Missouri motto, it has been our vision for more than 16 years.” ■

"The captive insurance community we serve goes well beyond the Missouri border and encompasses multiple industries, but the key concept that unites everyone is the need for oversight that protects success"

Sam Komo
Captive insurance manager
Missouri Department of Commerce & Insurance

Exemplary examination

Efficiency and effectiveness: conducting captive examinations in South Carolina

Joseph McDonald talks to John Savage about the examination requirements for captives in South Carolina, the full process surrounding the inspection, and what captives can expect during an examination

What are the examination requirements for captives in South Carolina?

Examination requirements for captives in South Carolina are, intentionally, quite straightforward. As captive regulators, we take a nuanced approach to regulation in general, as we believe regulation should be based on the nature, scale and complexity of the risk in any captive programme.

Examinations are an essential part of regulation on both the captive and traditional sides, but with unique differences. All captive insurance companies are required to be examined,

This topic delves into the frequency of captive examinations required by the South Carolina Department of Insurance.

It distinguishes the examination schedules for different types of captives, emphasising the timeline for examination within three years of licensure and subsequent examinations as needed.

It highlights the specific examination schedule for risk retention groups.

though the frequency varies based on the type. This flexibility affords us the discretion needed to appropriately examine captive programmes without employing a 'one-size-fits-all' mindset.

How frequently are captives subject to examination by the South Carolina Department of Insurance (SCDOI)?

The frequency of examinations in South Carolina depends on the type of captive. We follow the National Association of Insurance Commissioners' (NAIC) guidance on exams for risk retention groups (RRGs), which requires that these entities be examined at least once every five years. Due to the nature of the risk written in RRG's, and the fact that RRG's specifically impact our NAIC accreditation, it is imperative that we keep a close eye on these companies, but without being burdensome when unnecessary. As for non-RRG's, our statute requires examinations once within the first three years of licensure.

After that, exams are at the discretion of the director. In the past, the foresight of the captive industry in South Carolina, including the SCDOI and the South Carolina Legislature, laid the groundwork for us; they were fair and flexible, but also firm when needed. Over the years, this balanced approach to regulation, based on the risks in a given captive, has proven beneficial to all stakeholders involved, from owners to service providers, and to us as regulators.

Another type of captive with distinct examination requirements detailed in statute are Special Purpose Financial Captives (SPFCs). These entities are not as prevalent in South Carolina as they once were due to changes in the marketplace and other domiciles taking similar statutory approaches with these entities. However, we do still have several in our portfolio of captive companies.

Per statute, SPFC's are required to be examined at least once every five years, and whenever the director determines it prudent.

Could you explain the examination schedule for captives in South Carolina within the first three years of licensure?

We usually schedule non-RRG exams based on the date we issue the licence, taking into account the availability of our team members who are assigned to the examination. We have several captive analysts on staff who have their Certified Financial Examiner designations. This allows individuals who are not only qualified to conduct examinations but who are also intimately familiar with our portfolio of captive companies to complete the examinations.

What is the rationale behind conducting examinations within this timeframe?

It establishes a specific timeframe, so that companies are aware of them and can be prepared for examinations. It allows our captive team to assess a company in a reasonable timeframe from its inception. Additionally, it allows us to check the pulse of the company relatively early on to make sure it is following through on its business plan and complying with all statutory and licensing requirements. This initial 'check-up' is a good practice to ensure the captive has started off and is operating in a healthy way which supports both the financial health and wellbeing of the captive and the overall industry.

Examinations ultimately help to identify issues; such as adverse loss development or poor governance and oversight of risk management procedures. These issues could all lead to insolvency. Examinations also highlight the good aspects of well-run captives so that owners and board members can feel confident in the way their captive is operating.

After the initial examination within the first three years, how often are captives examined by the SCDOI?

This applies to non-RRG's, which make up most of our captive portfolio. After the initial examination within the first three years, companies are examined at the discretion of the director. It's said that discretion is the greatest virtue.

The discretion given to the director to conduct additional examinations is helpful to owners, service providers and regulators.

It gives the director the ability to focus on companies that need additional oversight and scrutiny without applying the same rigour to companies that are operating smoothly.

It is noteworthy that the director only requires additional examinations for those companies that are proving problematic, which happens, of course, but is very rare in South Carolina.

How are captive examinations conducted in South Carolina? Can you explain the process and what captives can expect during an examination?

For RRGs, examinations are conducted in collaboration between the captive and the examination team, which is made up of the company's assigned analyst and supervisor who are both directly familiar with the captive and an examiner.

These exams, as you may anticipate, are conducted in accordance with the NAIC's Examiner Handbook.

For non-RRGs, the process is similar but follows an internal process that is less stringent, but still risk-focused.

We do not accept the stereotypical caricature of government employees. We strive to be good partners and service providers. We do not consider examinations as ways to 'mousetrap' a company, we use them to help companies, stay on course, and remain successful.

How does the SCDOI ensure that captive examinations are conducted efficiently and effectively while minimising disruptions to the captive's operations?

We work with the captive manager as much as possible, and when necessary make inquiries, or hold meetings with specific representatives of the captive who can shed light on any questions we have.

Efficient and effective examinations that avoid unnecessary disruptions to the captive's operations are always based on good communication and common goals — these are simultaneously, the health of the captive and the industry, and the reputation of the domicile. ■

"We follow the National Association of Insurance Commissioners' guidance on exams for risk retention groups, which requires that these entities be examined at least once every five years"

Joseph McDonald
Director of captives
South Carolina Department of Insurance

Labuan captive:
A preferred solution in managing risks

The Labuan International Business and Financial Centre is home to a captive-centric ecosystem that provides end-to-end support and management. Datuk Iskandar Mohd Nuli, executive chairman cum CEO explains more

Labuan International Business and Financial Centre (Labuan IBFC) was established by the Malaysian government in 1990. The centre is regulated by a single authority, Labuan Financial Services Authority (Labuan FSA), which is governed by Malaysia's Ministry of Finance.

Labuan IBFC Incorporated Sdn Bhd (Labuan IBFC Inc), a wholly-owned subsidiary of Labuan FSA, serves as the official promotional and marketing agency for the centre. Strategically located in APAC, Labuan IBFC is well positioned to tap into one of the fastest-growing regions in the world, per the jurisdiction's tagline — 'Asia's premier international financial hub'.

Labuan IBFC offers global investors and businesses an internationally recognised yet business-friendly legal framework. It also adheres to international standards and best practices with access to Malaysia's double taxation agreement available to 70 countries.

It also offers fiscal neutrality and certainty while adhering to guidelines set by international bodies, such as the Organisation for Economic Co-operation and Development, Asia/Pacific Group on Money Laundering and Financial Action Task Force.

Labuan IBFC also ensures that regulatory requirements are continuously reviewed and met, with International Association of Insurance Supervisors core principles and captive guidance duly observed. Additionally, it adheres to global standards to preserve a business-friendly market environment in an effort to transform into a risk-discerning market.

Captive structures

The wide variety of captive structures serve to underline the centre's position as a captive hub. A captive insurance entity in Labuan IBFC may include, but is not limited to, the following forms:

- pure/single captive
- group/association captive
- multi-owner captive
- master rent-a-captive
- subsidiary rent-a-captive
- captive using protected cell company (PCC)

This broad range of solutions enables businesses that establish their operations in the centre maximum flexibility. This has resulted in the formation of Labuan-based cell captives for global businesses, including several European- and Australian-headquartered organisations. The jurisdiction is also home to the world's first Shariah-compliant captive. Given that it is still a hard market with increased premiums, the centre's ability to provide a cost-efficient operating base is another reason why users choose to set up captive(s) in the Labuan jurisdiction. In addition, captives can also be used as risk vehicles in underserved risk categories such as cyber and agriculture.

The Labuan IBFC Strategic Roadmap 2022-2026

The Labuan IBFC Strategic Roadmap 2022-2026 aims to grow the Labuan insurance sector by underwriting specialised risks and developing an industry-wide retention policy as well as rationalising the existing captive framework, diversifying the available PCC structures, and upscaling the role and professionalism of insurance intermediation.

By 2026, Labuan IBFC expects to see increased presence of top brands and for captive premiums to expand beyond their current market share.

The hub has also introduced wide-ranging captive legislation to accelerate expansion of this key segment. Initiatives include formulating omnibus captive policies to ensure comprehensive business offerings, intensifying market growth of Labuan captives through targeted initiatives, and fostering collaboration with other international insurance markets.

These ongoing initiatives and a holistic captive ecosystem have contributed to the centre's captive growth, whereby 67 captives with total gross premiums of US $571 million were registered with the centre as of year-end 2022.

More than 62 per cent of the premiums were generated from the international insurance business, according to Labuan IBFC's 2022 Market Report.

Looking ahead

Labuan IBFC, in collaboration with Labuan International Insurance Association, will be organising the sixth Asian Captive Conference (ACC). The conference will be held on 7 September 2023 at the Sime Darby Convention Centre, Malaysia.

Themed 'The Connected Risk Journey in Self-Insurance', the one-day and in-person conference is expected to host captive sector movers and shakers comprising regulators, service providers and users.

The conference will feature captive industry highlights, challenges and leading trends including International Financial Reporting Standards (IFRS) 17 and its related impact on self-insurance.

It will also explore key considerations and strategies related to various self-insurance models.Additionally, there will be discussions about how captives can be used to serve the ESG agenda.

Looking at 2024 and beyond, Labuan IBFC's digital services and offerings have resulted in an influx of digital financial services providers.

Among these are insurtech providers, which have revolutionised the conventional forms of financial offerings in the centre, including the possibility of setting up purely digital captives.

The centre is poised to further strengthen its position as a leading captive hub. ■

"At the Asian Captive Conference, there will be discussions about key considerations and strategies related to various self-insurance models, as well as talks on how captives can be used to serve the ESG agenda"

Datuk Iskandar Mohd Nuli
Executive chairman cum CEO
Labuan IBFC Incorporated Sdn Bhd

A regulator’s perspective

The NCDOI has spent the past few months working closely with captive managers to determine the coverages that would be best placed in a captive. The department’s Lori Gorman and Joseph Rosenberger explain more

The North Carolina Department of Insurance (NCDOI) has developed a user-friendly and interactive online filing system for use by the Captive Insurance Companies Division and approved captive managers.

This secure tool walks the user through the information and various documents required for a complete application. Once an application is submitted online, it is assigned to a captive analyst within the Captive Insurance Companies Division.

Important factors

North Carolina’s Captive Insurance Act, passed in 2013, allows for both a modern and flexible approach to captive regulation and formations. Our analysts review each application filing to make sure it complies with applicable North Carolina law, depending on the type of captive being formed. We review important factors; including the nexus between the insured and the captive owner, the experience of the captive insurance company’s officers and directors and the proposed initial capitalisation.

Our staff of credentialed actuaries assist in the review of feasibility studies together with business plans and financial projections to

help determine an appropriate level of capitalisation for the entity being formed.

Factors such as coverages and coverage limits, claims management processes, rating and pricing guidelines as well as the captive's reinsurance programme are important considerations.

North Carolina has grown as a respected captive domicile since our captive law passed in 2013. While maintaining the commitment to low-cost formation of captive insurers in our state, we have seen continuous developments in our policies. We've also made refinements to our multi-step application review procedures to address the evolving needs of the captive industry.

Our internal processes for approval include collaboration to ensure thoughtful regulatory oversight is applied consistently to North Carolina-domiciled captives. This approach also allows us to pivot as necessary when considering emerging trends in the industry.

The application process usually takes about two to three weeks, varying on how thoroughly the application is filled in. This timing can vary based on the quality and completeness of information provided in the application and responsiveness to any NCDOI's inquiries for further information.

The NCDOI works closely with the service providers who operate in North Carolina to review and approve applications in a timely manner.

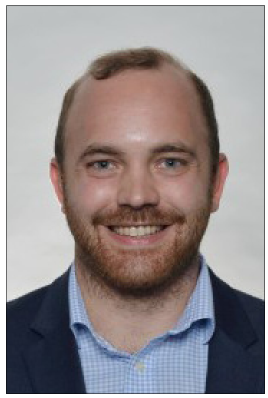
Our promise

NCDOI is committed to providing excellent customer service in an open and accessible regulatory environment throughout the application process.

Careful review during the initial application process permits analysts to address concerns before significant ongoing issues can arise.

Effective communication throughout the formation and lifecycle of a captive empowers us as regulators to partner with captive owners so that they fully realise the benefits of a captive insurance company. ■

Joseph Rosenberger
Senior financial analyst - captive insurance division
North Carolina Department of Insurance



Lori Gorman
Deputy commissioner
North Carolina Department of Insurance

Bracing Bermuda

As the Bermuda Captive Conference draws closer, the conference's team has provided CIT with a sneak preview of what attendees can expect from this year's event

Can you tell us about the history and mission of the Bermuda Captive Conference? How has it evolved since its inception in 2004?

Leslie Robinson: The Bermuda Captive Conference was established with the primary objective of bringing together professionals and stakeholders from the captive insurance industry.

Bermuda has long been a leading domicile for captive insurance companies due to its favourable regulatory environment, robust infrastructure and expertise in the (re)insurance sectors.

The conference aims to showcase Bermuda's position as a global hub for captive insurance and provide a platform for networking, knowledge-sharing and collaboration among industry participants.

The mission of the Bermuda Captive Conference is multi-faceted, focused on promoting Bermuda as a leading captive domicile, educating industry participants and showcasing innovation.

Since its inception, the Bermuda Captive Conference has witnessed an increase in the number of attendees and participants from different parts of the world, reflecting the event's rising prominence in the global captive insurance community.

The content has diversified to cover a broader range of topics relevant to the captive insurance industry. Initially focusing on the basics of captive insurance, the event now delves into advanced subjects, risk management strategies, emerging trends and regulatory updates.

With the rapid advancement of technology, the conference has incorporated discussions on the impact of technological advancements, business innovation and digital transformation within the captive insurance industry.

In 2022, the Bermuda Captive Network (BCN) was launched. The network functions as an independent association that prioritises members and effective representation for Bermuda's more than 650 captives, owners and service providers.

The network continues to promote Bermuda as a world-class domicile in the global risk market.

It aims to deliver best-in-class thought leadership, continuous learning and opportunities to share ideas through an expansion of resources, forums, consultation, data and analytics as well as signature events.

With Bermuda being the largest global hub of captive insurance, what makes the Bermuda Captive Conference stand out from other similar events in the industry?

Grainne Richmond: Bermuda is one of the leading (re)insurance domiciles and one of the largest captive domiciles globally. This widespread insurance knowledge on the island combined with expertise in other financial markets such as trust, banking, asset management and funds, ensures that the conference attracts a diverse group of stakeholders, speakers and experts.

With a strong regulatory environment, Bermuda continues to explore new initiatives and concepts and leads the way by providing solutions to insureds, policyholders and stakeholders. This wealth of experts and knowledge will all be found at the conference as it provides a unique opportunity for all to discuss, explore and review past successes and future risk solutions.

As a jurisdiction Bermuda continues to attract new conferences, in addition to the captive industry. As a result, the experts these conferences gather enables the Bermuda captive industry to gain first-hand experience and knowledge here on island. Over the past year, we have seen life insurance, AI and climate experts all participate in separate conferences. This participation has enabled Bermuda to leverage this expertise to ensure its captive industry and the conference are always forward-thinking.

What can attendees expect in terms of networking opportunities and learning experiences?

Gemma Godfrey: The Bermuda Captive Conference provides an unparalleled platform for networking with key players in the captive insurance industry including insurance managers, brokers, reinsurers, regulators and service providers. They all offer a wealth of knowledge-sharing opportunities.

The event brings together industry professionals for thought leadership, education and connectivity, featuring educational sessions, engaging speakers, interactive discussions and opportunities to connect and network. By examining key trends in the global captive market, attendees can stay up-to-date with the latest trends, regulatory changes and best practices in captive insurance.

Delegates will have the opportunity to participate across an engaging conference alongside captive owners, captive insurance managers, brokers, service providers, corporate risk managers and owners of captive insurance companies. This year's event will take place across two days and will include thought-provoking sessions and valuable networking opportunities.

> *"The experts these conferences gather enables the Bermuda captive industry to gain first-hand experience and knowledge here on island"*
>
> **Grainne Richmond**

Bermuda is a significant hub for the captive insurance market and attending the conference will offer delegates invaluable market intelligence. They can gain insights into the current market dynamics, identify emerging opportunities, hear directly from regulators and understand regulatory changes. Attendees can also benchmark their captive insurance strategies and performance against industry peers to help them identify areas for improvement and align their practices with industry best standards.

Furthermore, the event contributes to professional development, as delegates can enhance their skills and knowledge through the educational sessions offered.

This year's event is particularly exciting with Carla Harris as the keynote speaker. Could you provide some insights into her role as a senior client advisor at Morgan Stanley and how her expertise will benefit conference attendees?

Godfrey: Carla Harris, as a senior client advisor at Morgan Stanley, brings a wealth of experience and expertise to the Bermuda Captive Conference as the keynote speaker, sponsored by the firm.

As a senior client advisor, Harris provides strategic advice and personalised financial solutions to Morgan Stanley's high-net-worth clients. Her position involves understanding clients' unique financial goals, risk tolerance, and investment preferences and then developing tailored investment strategies to help them achieve their objectives.

Her prominent role in the financial services industry and her remarkable achievements make her a highly-anticipated and valuable addition to the event.

Harris is also the founder and creator of the award-winning multicultural innovation lab at Morgan Stanley and the podcast "Access and Opportunity".

During Harris' more than 30-year career, she has had extensive industry experiences in the technology, media, retail, telecommunications, transportation, industrial and healthcare sectors. In August 2013, Harris was appointed by US President Barack Obama to chair the National Women's Business Council.

Harris's address is titled: "How to be a Powerful, Impactful Leader in Today's Environment" and will offer delegates some unique insights into her inspirational leadership and strategic thinking, focusing on themes such as leadership, diversity and career development.

She is also an advocate for diversity and inclusion in the workplace and her perspective on fostering diverse and inclusive work environments will provide valuable insights into enhancing diversity efforts within the captive insurance industry.

Attendees can expect to gain valuable insights, practical advice and inspiration from her address, contributing to a highly exciting and enriching conference experience.

As the Bermuda Captive Network (BCN) focuses on growth and innovation, could you highlight any new initiatives or offerings attendees can look forward to this year?

Andrew Vaucrosson: Since the kick-off of the BCN at last year's conference, we have enrolled more than 150 members, and we anticipate we'll be able to enrol even more going into the 2023 conference.

We have been instrumental in forging regular standing meetings between our Advocacy Pillar Committee with both the Bermuda Monetary Authority and Registrar of Companies and have participated in several round table discussions and working groups with the minister of finance, minister of economic development and labour, and with the Bermuda Business Development Agency. These interactions have allowed the network to discuss recommendations, concerns and provide praise on behalf of our members to strengthen our captive industry. This is in addition to making business in Bermuda more productive and beneficial to those seeking a premier domicile to take financial control of managing their risks.

> ***"Harris' prominent role in the financial services industry and her remarkable achievements make her a highly-anticipated and valuable addition to the event"***
>
> **Gemma Godfrey**

Through our Education Pillar Committee, we have hosted several students studying risk management from Bermuda Foundation for Insurance Studies, Bermuda College, University of Georgia, Florida State University, University of Calgary and Eastern Kentucky University.

During these hosted sessions, we crafted an interactive presentation using a subject matter expert (SME) panel of BCN members to engage the students on the historical role and origins of captives, the purpose and type of captive formations, the roles and skills involved with captive management, and the future challenges and opportunities the captive industry faces.

The Education Pillar Committee is also examining ways to better understand the talent gaps potentially impacting the captive industry in Bermuda. Our first step is to create a baseline understanding. BCN has initiated an initial survey to engage its membership base of insurance managers and service providers to find the potential gaps.

The network has also participated with several member companies to host information or training sessions and webinars around topics such as data privacy, protection and good governance. This is available to members via our dedicated member login portal.

What are the key takeaways you hope participants will gain from attending the Bermuda Captive Conference 2023, and how will it contribute to the continued growth of the captive insurance industry?

Vaucrosson: Our theme this year is 'adaptability', which is one of the core reasons Bermuda's captive industry continues to demonstrate strength and stability during these emerging risk challenges facing our current financial markets.

As a participant in this year's conference, we have ensured the event has a balance of informative sessions, as well as networking opportunities. Each session has been crafted based on the concerns raised by our network members along with the SMEs on our Conference Agenda Committee. The range of topics should stimulate thought and discussion during the networking breaks and provide access to SMEs who are participating in the session panels.

We believe attendees will come away with better understanding of:

- The key macro banking issues facing the captive arena
- Excess capacity opportunities for captives provided by Bermuda's reinsurance marketplace
- Examining legacy solutions to help resolve any aged claims liabilities
- How captives can invest their assets to deal with both regulatory challenges and market volatility
- What role AI will play in the insurance value chain
- Technical matters relating to forensic claims analysis, differentiating ISAC from SACs and accelerating DE&I progress with a captive
- Governance and regulatory matters from a Bermuda domicile perspective

Additionally, we actively encourage all delegates to join the BCN, as we expand our membership base to bring more diverse thought leadership to the table. This will allow us to host future events, enable our members to network through participating in cutting-edge panel discussions, and be exposed to a wider variety of dynamic speakers.

Leslie Robinson
Senior vice president,
Head of underwriting and claims
Willis Towers Watson

Grainne Richmond
Executive vice president, head of captives
Aon

Gemma Godfrey
Chief operations officer
Whitfield Events

Andrew Vaucrosson
Head of development and operations
Bermuda Captive Network

Chen returns to Pinnacle

Michael Chen has returned to Pinnacle Actuarial Resources (Pinnacle) as a senior consulting actuary. Based in Iowa, Chen will focus on applying predictive analytics techniques to the insurance process, performing actuarial analyses and furthering machine learning research.

From 2014 to 2020, Chen served as a consulting actuary at Pinnacle.

Chen has more than 20 years of actuarial experience. He was commercial pricing actuary for FBL Financial Group and actuarial analyst for American Republic Insurance Company.

Prior to his reinstatement at Pinnacle, Chen worked as an associate director then director at Willis Towers Watson.

Pinnacle's managing principal Joe Herbers, comments: "It gives us great satisfaction when accomplished professionals like Michael return to our organisation." ■

Jon Schriber has been named president of Arch Reinsurance.

Schriber will be based in New Jersey and will be responsible for Arch's US-based reinsurance operation's underwriting portfolio and oversight of the entity's overall strategy.

Schriber has nearly 30 years of experience in the reinsurance industry. He will join Arch from Connecticut-based PartnerRe, where he most recently served as chief underwriting officer, property and casualty Americas.

Prior to that, he held senior roles at W.R. Berkley Corporation, ACE USA and General Reinsurance Corporation.

Peder Moeller, who had served as Arch Re's CEO, will be returning to Europe by year-end in a senior role to help advance Arch Re Europe's strategic efforts.

Commenting on Schriber's hire, Maamoun Rajeh, chairman and CEO of Arch Worldwide Reinsurance Group, says: "He is well-regarded as a leader, has excellent underwriting acumen and a keen sense for cycle management."

Rajeh adds: "I [also] want to thank Peder Moeller for leading Arch Re for the last several years and the work he did shaping our overall US operations."

Specialty insurance group Canopius, has appointed Lewis Gayle as underwriter – cyber and technology.

He will report to Michael Shen, head of cyber and technology in London. Gayle's appointment brings Canopius' expanding cyber division to 36 employees, including 10 new hires since the start of the year.

Marsh appoints Pat Donnelly as Specialty CEO

Marsh has appointed Pat Donnelly as president of Marsh Specialty and Global Placement. Based in Chicago, Donnelly will report to Martin South, Marsh's president and CEO.

Donnelly will oversee Marsh Specialty's global business, which includes the specialties of aviation, construction, energy and power, financial and professional lines, marine, private equities and mergers and acquisitions.

He will also be responsible for Marsh's global placement capabilities, managing all retail and international placement hubs, portfolio solutions and insurer consulting, climate and sustainability, captive solutions.

Donnelly has more than 25 years of experience and has led Marsh's US business since January 2022.

He served as head of Marsh Specialty for US and Canada from 2019 to 2022. He was previously CEO of JLT Specialty US before it was acquired by Marsh's parent Marsh Mclennan. Marsh has also appointed Michelle Sartain as Donnelly's successor to the position of president of Marsh US.

Based in New York, Sartain will report to South and Pat Tomlinson, CEO of Marsh McLennan US and Canada.

Sartain has over 25 years of industry experience. She was most recently head of Marsh Specialty for the US and Canada.

South comments: "Pat and Michelle are exceptional leaders; their appointments are a testament to the incredible talent and expertise that exists within our organisation." ■

He brings more than five years of London market experience to Canopius, having previously held underwriting and claims adjustment roles at CFC Underwriting. Prior to this, he worked as a claims advocate at Marsh.

Gayle's appointment follows the hire of Isabel Finn as senior cyber threat intelligence analyst earlier this month.

Reinsurer Augment has appointed Charlie Love and Henry Mikrut to senior leadership roles.

Love will lead the Miami-based group's finances and operations as chief financial officer. He will continue Augment's growth trajectory while engaging with stakeholders across the business.

Love brings more than 20 years of financial experience. Prior to joining the company, Love was interim group chief financial officer at insurance distributor Abacai.

Previously, he served as group chief financial officer at Miller Insurance Services and Specialist Risk Group.

Mikrut will deepen Augment's advisory bench as rating agency advisory, helping partners improve strategy and insurance enterprise functions.

Mikrut has over 40 years' experience in advising and consulting for businesses in the (re)insurance sectors. He previously held tenure as senior advisor at the private equity firm Alvarez & Marsal.

Before that, Mikrut was executive vice president, global head of rating advisory, and co-chair of the analytics board at JLT Re, which was later acquired by Marsh & McLennan.