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ISSUE026
10.07.2013 WEDNESDAY
captiveinsurancetimes.com

New Jersey's Crosby Sherman leaves for pastures home

Vermont native Crosby Sherman has returned to the state to take up the role of deputy commissioner of the insurance division at the Vermont Department of Financial Regulation (DFR).

He began his career here at DFR in the 1980s, where he worked as an insurance examiner of property and casualty, life and captive insurance companies. He also oversaw domestic and captive examinations and played a key regulatory role during the initial stages of Vermont's captive insurance market.

Sherman has left his role as chief of captive insurance at the New Jersey Department of Banking and Insurance after 10 years to join the DFR.

Despite reports that Sherman has been recruited by the DFR in a captive insurance capacity, current deputy commissioner of the captive insurance division David Provost explained that Sherman has been hired for his expertise in traditional insurance regulation.

"We'll certainly be working together on some projects, and picking each other's brains, but we both have plenty to do with our regular roles. Sherman is a Vermonter, and we're happy to welcome him home," added Provost.

Susan Donegan, commissioner of the DFR, said: "We are excited to welcome Sherman back home to DFR and look forward to utilising his vast expertise in the insurance field."

"He has extensive experience in all aspects of the insurance regulatory process particularly solvency regulation which is DFR's highest priority for consumer protection."

Sherman took up his new role at the DFR on 8 July.

Replacing Sherman at the DFR is assistant chief of captive insurance, John Talley.

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Guy Carpenter focuses on mutual insurance companies

Guy Carpenter & Company has launched a mutual company specialty practice that will focus solely on the unique needs of mutual insurance companies.

Mutual insurance companies are currently faced with competitive pressures, limitations on raising capital, changes in rating agency capital models, the implementation of new regulatory and compliance guidelines, and increased demands for actuarial services and technology-enabled modelling, according to Guy Carpenter.

As a result, mutual insurers are seeking superior strategic insight into profitable underwriting, portfolio management, access to capital markets, as well as predictive and risk modeLling that will enhance their competitive position.

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Uncertain economy inspires unusual firms to opt for captives

Growing uncertainties in the global economy and frequent rises in commercial insurance costs have encouraged companies from diverse industries to set up their own captive.

The Captive Insurance Market: 2020 Analysis, Trends and Developments report from online data, analysis and advisory services provider Timetric claims these firms are being exposed to various risks and unforeseen circumstances. It adds that it is often not feasible for them to obtain insurance cover for these risks due to high premiums in the commercial market and the non-availability of insurance cover for some industry specific risks.

Companies operating in the fields of financial services, healthcare, retail and consumer products, and infrastructure, have been increasingly adopting the captive insurance model.

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New Jersey's Crosby Sherman leaves for pastures home

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Gregg Sgambati, president of the New Jersey Captive Insurance Association, said: "To use a human analogy, Sherman, with Talley's help, slapped the New Jersey captive insurance industry to life and after a year or so of belly breaths it is now breathing from its chest."

"It was clearly evident in Talley's speech at the 'Exploring the Current Captive Insurance Landscape' [event] in Newport, New Jersey ... that he will be the right kind of leader for New Jersey captive regulation. One of our strategic advisory board members characterised Talley as 'smart as heck, [and having] unquestionable ethics'."

Guy Carpenter focuses on mutual insurance companies

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Guy Carpenter's new practice will offer clients exclusive sources of stable capital, including the firm's own Umbrella and Property Facultative facilities, as well as the Regional Accounts Program that allows small to medium-sized ceding insurers to purchase reinsurance at competitive terms, conditions, and prices.

The practice will also partner with Guy Carpenter's rating advisory team to deliver integrated guidance and solutions that address all A.M. Best's capital adequacy ratio matters.

"Mutual insurance companies are encountering a more competitive marketplace while they seek to expand their businesses," said Andrew Marcell, managing director and CEO of US operations at Guy Carpenter.

John Haldeman II, executive vice president of the mutual company specialty practice at Guy Carpenter, added: "The new practice provides solutions for all these concerns and demonstrates Guy Carpenter's long-term commitment to this distinctive market."

"The members of our practice will provide an unparalleled depth and breadth of knowledge about the market and deliver Guy Carpenter's full suite of state-of-the-art products and solutions to clients who are seeking new avenues of growth and profitability."

Uncertain economy inspires unusual firms to opt for captives

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It also states that the risk management competencies of these institutions and the requirement of meeting European Basel II/III standards have been driving them towards the increased use of captives.

The number of captives set up by healthcare entities is also expected to increase significantly, with many driven by the Patient Protection and Affordable Care Act passed by the US government in 2010.

Stable outlook for América Móvil's captive, says Moody's

Moody's Investor Services has affirmed Rivoli Reinsurance Company's (Rivoli Re) global local currency "A2" insurance financial strength (IFS) rating.

Rivoli Re—based in Burlington, Vermont—is the captive insurer of Mexico-based telecommunications company, América Móvil.

Rivoli Re's IFS rating is based on the explicit support provided by its parent company, América Móvil.

As well as the implicit support and integration with its parent "Rivoli Re is América Móvil's captive reinsurance company and an integral component of the group's insurance risk management programme," said Moody's analyst José Montaño.

"Rivoli Re assumes only América Móvil's proprietary property and business interruption risk."

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The company covers up to $50 million of losses per event, which is supported by a guarantee provided by América Móvil that is in line with the reinsurer's risk retention limit on property risks.

Rivoli Re's IFS rating could be delinked from América Móvil's rating and downgraded if there is a decline in parental support, including an increase in Rivoli Re's property risk retention level without a corresponding increase in the guarantee, or should Rivoli Re begin to assume non-group related risk exposures.

Flood insurance to be more accessible within two years

The Association of British Insurers (ABI) and the UK government have agreed a memorandum of understanding on the development of a not-for-profit insurance scheme, called Flood Re, that would ensure flood insurance remains widely affordable and available.

Otto Thoresen, the ABI's director general, said: "Flood Re would be a major undertaking for UK insurers and the work insurers have undertaken to get here reflects the industry's desire to cover flood risk at an affordable price in the face of the increasing flood threat in the UK. The hard work now begins for both sides if we are to make this vision a reality."

Environment secretary Owen Paterson added: "Flooding is terrible for anyone affected by it. We have worked extremely hard with the industry to reach an agreement on the future of flood insurance. There are still areas to work through but this announcement means that people no longer need to live in fear of being uninsurable and that those at most risk can get protection, now and in the future."

Commenting on the plan to establish Flood Re, Robert Rogers, head of UK reinsurance at Willis Re, said: "Willis Re understands that should the capital of the pool be insufficient to pay claims in the start-up years, up until the pool is self-sufficient, then the government will be liable for and guarantee any excess liabilities should the event exceed the one in 200 year return period level, with the industry retaining losses below this threshold in this eventuality."

"The key point is that flood coverage will be widely available and affordable for the vast majority of households. Willis Re also believes that the proposed pool will not impose a significant administrative burden on insurance businesses nor undermine the commercial environment, which will therefore continue to compete to best underwrite the flood risk."

Providing that operational issues, including governance and regulatory approval, are resolved, the aim is for Flood Re to be up and running by the summer of 2015.

Firms fear managing risk, says State Street

A recent State Street survey on the insurance industry, conducted by The Economist Intelligence Unit, has shown that more than a quarter of insurance firms globally are experiencing difficulties in managing risk.

Twenty-nine percent of insurance executives globally also say their companies have divested lines of business since the start of the financial crisis due to new capital requirements or risk management considerations.

A quarter of EMEA respondents said they have difficulty in hiring knowledgeable, qualified risk management staff. This was considerably higher than the 16 percent cited from respondents in the Americas.

The corresponding percentages for Europe, the Middle East and Africa were higher at 39 percent.

David Suetens, executive vice president and international chief risk officer at State Street, said: "The changing environment in the insurance industry is transformational: enhanced product design, changes in the distribution channels, regulatory demands and their investment practices."

"Consequently, the EIU survey highlights risk management as one of the most pressing areas of challenge for industry leaders. This new landscape places a laser focus on risk. When adjusting their business models, firms must confront the resulting risk challenges to successfully adapt to this exciting new environment."

Transportation P&C is on the map

A.M Best has upgraded the financial strength rating to "A (Excellent)" from "A- (Excellent)" and issuer credit rating to "a" from "a-" of Transportation Property and Casualty Company (TPCC).

The outlook for both ratings has been revised to stable from positive.

The rating upgrades reflect TPCC's excellent risk-adjusted capitalisation and operating performance, its strong enterprise risk management programme and experienced management team.

"Also inuring to the benefit of the ratings is the captive's favourable profile as part of the South Coast British Columbia Transportation Authority (TransLink)," said the rating firm in a release.

Partially offsetting these positive rating factors are TPCC's relatively small scale of operations and high exposures.

Factors that could lead to a negative outlook or a downgrading of TPCC's ratings are a material loss of capital from either claims or investments, a reduced level of capital that does not support the ratings, or an increase in net retention.

TPCC is a pure captive insurance company that provides automobile physical damage, general liability and property insurance coverage solely to TransLink.

Bermudian mutual insurer gets rated

Associated Electric & Gas Insurance Services (AEGIS) has been assigned the financial strength rating of "A- (Excellent)" and issuer credit rating of "a-" by A.M. Best.

The rating affirmations recognise AEGIS's solid risk-adjusted capitalisation, which is appropriate for its current investment and insurance risks and a favourable long-term financial performance.

Partially offsetting these positive rating factors are the volatility inherent in its underwriting results, given the high severity risk profile and concentration risk of the energy market it serves.

"Due to the long-tail nature of its business and as a mutual insurer, AEGIS typically relies on investment earnings to support overall net income where underwriting results are managed toward the break-even level, reflective of low profitability," said A.M. Best in a recent statement.

AEGIS' outlook could be revised if external market conditions weaken significantly, resulting in weakened free cash flow, a decline in liquidity levels, an increase in underwriting leverage and/or outsized catastrophe or investment losses in conjunction with a significant decline in risk-adjusted capitalisation.

NC captive legislation becomes official

North Carolina governor Pat McCrory has signed the North Carolina Captive Insurance Act into law. The bill—supported by the NC Captive Insurance Association (NCCIA)—received unanimous support in all committees and both legislative chambers on all three readings.

Thomas Adams, president and CEO of the NCCIA, said: "This legislation was seen as an economic development tool by the legislature … when you read the legislation it is easy to see that this is designed to make NC a friendly domicile for captives."

Alex Webb, chairman of the NCCIA, added: "[Everyone] understood that captive insurance companies are a key tool to free capital for both small and large business."

"It's now up to those of us who are instrumental in providing assistance to companies starting captives to step up and get the word out that NC is open to this business. When you read the law you will see that North Carolina is also making it easy for companies to re-domicile in [the state]."

Funding for the new law is contained in the state budget bill, which is expected to pass in the next several weeks.

Madison Insurance withdraws from the rating game

A.M. Best has downgraded the financial strength rating (FSR) to "B- (Fair)" from "A- (Excellent)" and the issuer credit rating (ICR) to "bb-" from "a-" of Madison Insurance Company.

At the same time, A.M. Best has withdrawn both ratings due to Madison's request to no longer participate in the rating process.

The rating downgrades reflect a sizeable commutation of reserves from Madison's primary reinsurer and the negative impact on its best capital adequacy ratio.

Simultaneously, A.M. Best has affirmed the FSR of "A- (Excellent)" and ICR of "a-" of Accident Insurance Company. Both companies are domiciled in Columbia, South Carolina.

Accident Insurance writes risks with low severity and frequency while attending to strict underwriting standards and controls, aggressive claims management practices, conservative investment policies and objectives, high quality infrastructure and technology-based services. The ratings reflect Accident Insurance's strong balance sheets and liquidities as well as its conservative operating strategies. The ratings also recognise the company's experienced management team, favourable operating results and ratemaking and reserving practices.

"Partially offsetting these positive rating factors is the company's dependence on reinsurance and its low retentions," said A.M. Best in a recent statement.

R&Q acquires MPPA Insurance

Randall & Quilter (R&Q) Investment Holdings has acquired MPPA Insurance. R&Q will receive by way of novation all contracts underwritten by MPPA.

The contracts have been novated to cells in the R&Q-owned Bermuda rent-a-captive facility, R&Q Quest SAC. This required agreement of the two front companies, Travelers Indemnity Company and National Union Fire Insurance Company of Pittsburgh (part of AIG).

MPPA was formed in 1992 as a Class 2 Bermudian captive insurer of the Michigan Plastic Processors Association and has been in run-off since 2008. The captive wrote excess workers' compensation protecting the Michigan Plastic Processors Association's self-insured fund.

Transferred assets in the novations amounted to $4.9 million, for which R&Q paid a transaction fee of $3.4 million. Transferring liabilities were estimated at $500,000 as of 28 February 2013.

Ken Randall, CEO of R&Q, said: "We are delighted to have completed this transaction which is our first for the Bermuda captive market. Having seen success in other domiciles in the last 12 months, notably Guernsey, we are pleased to now see increasing activity from Bermuda captives looking for exit or restructuring solutions. Whether acquisition, novation or loss portfolio transfers, [R&Q] has a suite of versatile solutions for the captive sector."

A.M. Best Europe rates German captive

A.M. Best Europe has affirmed the financial strength rating of "A (Excellent)" and issuer credit rating of "a" of Delvag Luftfahrtversicherungs-AG (Delvag) and its subsidiary, Delvag Rueckversicherungs-AG (Delvag Rueck)—both domiciled in Germany.

The ratings of Delvag reflect its solid risk-adjusted capitalisation and consistently strong operating performance. The ratings also consider Delvag's role as the insurance captive of its ultimate parent, Deutsche Lufthansa-AG.

The ratings of Delvag Rueck benefit from full rating enhancement to the level of Delvag's ratings, reflecting Delvag Rueck's strategic im-

portance to the Delvag group, integration into Delvag in terms of business strategy and management, as well as the profit and loss absorption agreement provided by Delvag.

In a statement, the rating firm said: "Negative ratings actions could occur if there were a material decrease in risk-adjusted capitalisation, and/or a significant deterioration in the operating performance of either Delvag and/or Delvag Rueck. Additionally, any deterioration in the credit rating of Lufthansa could lead to negative rating actions for Delvag and Delvag Rueck."

First protected cell captive established in Jersey

Vantage Limited has formed the first protected cell captive insurance company in Jersey. Black Pearl Insurance 1 PC will insure the professional liability risks for a financial services business.

This is the first cell of an insurance protected cell company to receive regulatory approval from the Jersey Financial Services Commission.

The captive is a cell of Vantage's own in-house protected cell company, Black Pearl Insurance (Jersey) PCC. It has been set up for the Polygon Group and will act as a captive insurance company for some of its professional indemnity and directors and officers' risks.

Richard Packman, managing director of Vantage Limited, commented: "We are delighted to have been appointed to establish and manage Jersey's first insurance protected cell."

"Protected cell companies have been widely used by the other financial service sectors in Jersey since the legislation was passed in 2006. This is an exciting development for ourselves and indeed Jersey's insurance business as a whole and is the first of what I hope will be numerous other captive insurance cells set up here."

High court approves R&Q move

The High Court of England and Wales has approved the scheme of arrangement between Randall & Quilter Investment Holdings to redomicile its holding company from the UK to Bermuda.

The scheme has been finalised under sections 895 to 899 of the Companies Act 2006 at the scheme sanction hearing.

Pursuant to the scheme, 70,966,335 old R&Q shares have been cancelled, and trading of such shares on the AIM market of the London Stock Exchange ceased at 8am on 5 July.

Scheme shareholders have received one new R&Q share of two pence each for every one old R&Q share held by them.

Old R&Q has been re-registered as a private company limited by shares and is now wholly owned by the new Bermuda based holding company.

Low P&C rates cause reinsurers to take defensive action

Reinsurers are taking robust defensive measures to maintain market positions recently eroded by new capital markets entrants, according to Willis Re's 1 July renewal report.

The report, entitled Supply Chases Demand, finds that despite the impact of the $30 billion Superstorm Sandy loss, the key battleground in the US property catastrophe where capital markets have been most active so far.

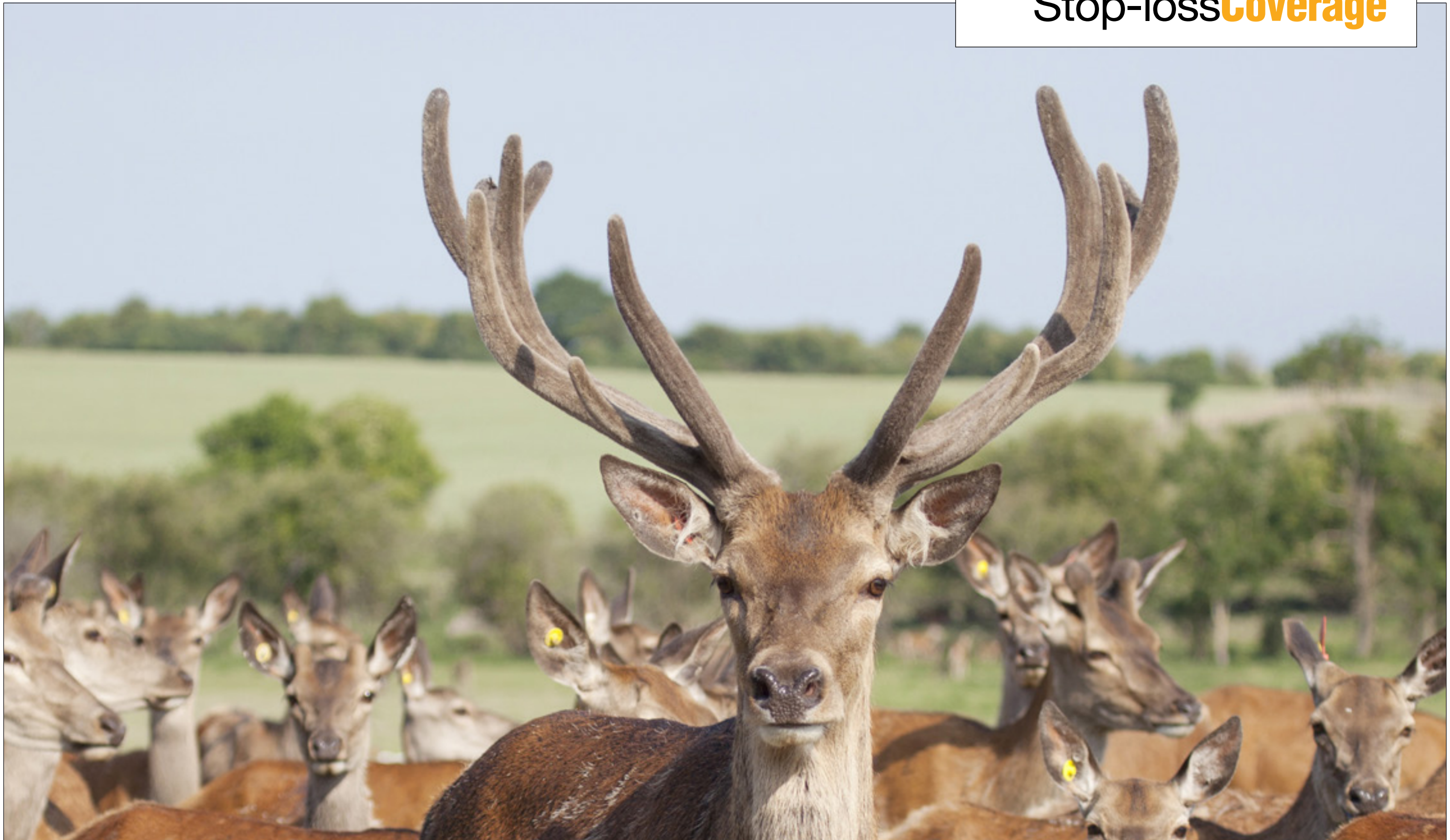
John Cavanagh, Global CEO of Willis Re, said: "Traditional reinsurers' defensive actions include offering price reductions, larger line sizes and, in some cases, broadening of cover by offering options such as multi-year agreements, extended hours clauses and additional reinstatements."

"Capacity for aggregate cover is also more widely available. As most programmes are well over-placed, buyers are facing the challenge of signing down reinsurers' shares."

The offering from collateralised markets has also continued to evolve, offering primary buyers increasingly flexible cover and minimising their basis risk.

Peter Hearn, chairman of Willis Re, commented: "The trend for traditional reinsurers to set up sidecar-type structures, providing third-party capital access to the risk they are accepting, continues to expand. Similarly, the catastrophe bond market continues to grow rapidly and is on track to surpass the previous record high issuance in 2007 of $7.2 billion. With the strong inflow of new funds, the challenge for Insurance-Linked Securities (ILS) fund managers is how to source enough demand to satisfy investor demand for ILS products."

The report finds that this is proving challenging, as growth in the US catastrophe market remains modest, despite the increasing competitiveness of price as compared to traditional reinsurance products.



Stronger in a group

The VCIA brought together a panel of experts to discuss the current situation with medical stop-loss insurance and how group captive programmes could be the solution to capital woes. CIT tuned in

JENNA JONES REPORTS

The latest Vermont Captive Insurance Association (VCIA) webinar, entitled Placing Medical Stop-Loss Coverage in your Captive, brought together some of Vermont's experts to discuss an issue that has become increasingly prominent in today's captive insurance landscape in the US.

The panel, moderated by Derick White of Strategic Risk Solutions in Vermont, included David Provost, deputy commissioner of captive insurance at the Vermont Department of Financial Regulation; Tris Felix, vice president for risk management at IMA; Ellen Eldridge, manager of health benefits services for Adventist Risk Management; and Laura Zehm, CFO at the Community Hospital of the Monterey Peninsula.

Provost said that medical stop-loss insurance, which protects against catastrophic or unpredictable losses and is purchased by the employer for the employee, is considered to be a form of third-party business in Vermont.

"We consider it third party business in a captive like most other employee benefits … like other types of reinsurance, if the stop-loss insurer can't pay; the insured, that is the employer, is still on the hook."

To clarify coverage terms, Provost defined the difference between specific and aggregate excess. He explained that specific (individual) excess provides coverage for large dollar claims of an individual, addressing severity concerns. Aggregate excess on the other hand provides protection for an accumulation of claims and protects against greater than expected claim frequency.

According to Provost, a typical captive stop-loss structure would consist of an employer providing healthcare benefits to employees through a self-insured plan, with both the employer and the employees paying into the plan via a trust.

Provost went on to outline the Employee Retirement Income Security Act (ERISA) of 1974, which he described as "a federal law that has had a major impact on the current environment of medical stop-loss coverage".

"As its name implies, it focuses on retirement plans but it also impacted healthcare benefits. A very key issue of ERISA is that it pre-empts certain state laws relating to employer-sponsored employee health plans, particularly when the employer self insures or self funds the plan."

Provost added that if an employer opts for self insurance, it would become exempt from many state laws relating to healthcare coverage. However, states can still regulate insurance carriers if an employer purchases insurance through them.

Clamping down

While rules have clearly been put in place to define a legitimate captive stop-loss structure, Provost explained that "regulators at many levels have concerns".

Regulatory worries include cash flow, adverse selection, small employers' resources, avoidance of state-mandated health benefits, and lasering—the practice of carving out expensive employees from the excess coverage, leaving the employer responsible.

The question of whether the policy is actually classed as stop-loss is top of regulators' lists. "If the attachment points are so low that it's not really beyond what is normal then it really is acting like insurance," said Provost.

"I've read in some extreme cases that the attachment point attaches at one dollar and that clearly isn't stop-loss coverage. So at some points it's not stop-loss, it is primary cover and therefore should be subject to insurance regulations."

To regulate medical stop-loss, the National Association of Insurance Commissioners (NAIC) developed a Stop-Loss Insurance Model Act in 1995 for its state regulator members. It was later amended in 1999.

The main provisions of the act include: preventing insurers from gaming the system by selling at very low attachment points; making self-insured plans retain significant risk; and establishing minimum attachment points.

Safety in numbers

Building on Provost's outline, Felix explained how the industry has arrived at this point in terms of medical stop-loss and the use of captive insurance companies.

Felix highlighted that over a 10-year period between 1999 and 2009, workers' contributions to family coverage rose by 128 percent. This is a percentage increase that Felix felt "is way above collateral protection insurance and inflation wages, so it's not sustainable".

"This is why employers—particularly smaller and middle-market employers—are looking, desperately in some cases, for solutions and strategies to get costs under control."

"What is driving the interest for employers around the country is that you have a large expansion of health insurance coverage, but from the employers' perspective, very little has been done to control costs, the quality of care provided to their employees, or the dependence on the plans."

He added: "So we're seeing even more of a dramatic increase in interest from employers around the country in these types of strategies … The predominant trend we're seeing is fronted group captive programmes for the stop-loss piece."

According to Felix, for a group programme to work, each plan sponsor must adopt its own self-funded plan. Each of the plan sponsors must then acquire a medical stop-loss policy before finally participating in a captive insurance company to facilitate the acquisition of the stop-loss insurance.

Once in place, a group captive will then share the risk of loss for large claims that no single member could afford on its own, and also leverage group economies of scale to purchase higher levels of stop-loss insurance.

Felix added that a group captive can facilitate self funding by funding the layers in between the employer claim fund/self-insured retention and the stop-loss insurance excess.

"In that group captive where you've built up some scale, say 2000, 3000 or more employees. Claimers between 25,000 and 250,000 become a lot more predictable and capable of being self-funded in a way that no single employer could do on its own. And so the captive is the funding mechanism that allows smaller employers to self-fund. That is the key to these programmes."

Finally, from an employer's perspective, Felix explained the cash flow benefits of the scheme. Essentially, what employers don't spend, they keep.

He also highlighted the ongoing cash reduction associated with a self funded programme and the control that employer's hold over medical administration, transparency and costs.

Looking to the future for regulation of stop-loss in the US, Provost said that only three states, including Vermont, have currently adopted the Stop-Loss Insurance Model Act. Thirty-seven states have taken no action at all and 16 states have taken some form of related activity, but they have so far not adopted the model in a uniform and substantially similar manner.

But for Provost the "primary concern is being careful with small employer groups getting involved in captives and stop-loss and perhaps getting in a little over their heads." CIT

The flighty type

Domiciling in the British Virgin Islands could be the answer to many parent companies' problems in the US—just don't expect a direct flight to your destination. CIT finds out more

JENNA JONES REPORTS

The British Virgin Islands (BVI), a quaint group of islands located in the Caribbean, is currently home to 153 captives of all shapes and sizes. Despite the motto 'be vigilant', the British overseas territory has been a welcoming host of alternative risk transfer vehicles for nearly 20 years.

According to Matthew Gilbert, an associate at Maples and Calder, captive insurers have always been attracted to the BVI for its familiar legal principles, administrative simplicity and the ability to ring-fence liabilities.

To sustain the development and progression of captives BVI passed the Insurance Act 1994, together with the Insurance Regulations, 1995. BVI is also tax neutral, as it doesn't add extra layers of taxation to the taxes that a parent company pays in its home country.

Gilbert says: "As a result of the risk-based regulatory approach taken by the BVI Financial Services Commission (BVIFSC), BVI captive insurance companies can be extremely flexible in their structure and handling."

"The BVIFSC recognises that the range of captives commonly used includes pure captives, group and/or association captives, rental captives, and diversified captives, and so it applies the requirements of BVI's regulatory code on a case-by-case basis, depending on the risk profile of the particular captive."

Conor Jennings, managing director of Captiva Insurance Managers, describes BVI's modern legislation as the "gold standard in the region".

"[BVI's] regulatory environment is prudent and pragmatic. The regulator is approachable to discuss plans and problems, and is keen to work closely with its clients to the benefit of all parties."

Earlier in its history, BVI was known somewhat for its acceptance of micro captives or 831(b) electives, a niche which Jennings feels somewhat restricts the islands' potential audience.

He says: "Although BVI does have a number of micro captives which have taken the 831(b) election, it also has many other larger and older captives on its books. The 831(b) market is very price driven, and will tend to go to the most cost-effective jurisdiction. BVI was popular a number of years ago before the US onshore jurisdictions became established."

"BVI has been a popular offshore financial services centre for many years, and over that time has built up a good and steady book of small to medium sized captives long before the micro captives became popular."

Gilbert says that the pure captive formation is the cornerstone to the islands' success. "BVI is open for business to all types of captives but it should be noted that pure captives are most likely to be in a position to benefit from the risk based emphasis of the BVI regime. Captives that write unrelated party business or that write third party liability risk would be considered as much closer to full service insurers."

According to Jennings, Captiva manages the captives of parents based all over the world, with annual premiums ranging from $500,000 to $100 million. "These companies insure mostly property and casualty risks with some doing unit linked life."

"Based on its huge success as a global centre for corporate services, with close to 60,000 new companies being incorporated there every year, BVI is well known and respected as a centre for financial services around the world, and particularly in Asia. Prospective clients take comfort from this fact."

Gilbert also notes that unlike other domiciles, a single BVI company's assets and liabilities can be segregated among various portfolios in a way that binds third parties as a matter of BVI law.

"This structure has proved very advantageous and flexible in the structuring of captives. Notwithstanding the segregation of assets and liabilities within portfolios, the segregated portfolio company is a single legal entity and only one insurance licence is required. This structure creates flexibility for an insurer as it enables a segregated portfolio company to maintain complete segregation between different classes of business if they are written for and on behalf of a segregated portfolio."

"In such instances, each applicant benefits through economies of scale as there is a central management function but the assets and liabilities (underwriting profit and loss) accounted for at the level of each segregated portfolio are separated and may only be used to meet liabilities due to the creditors of that segregated portfolio."

However in BVI's 2010 total number of captives declined, with an industry estimate claiming that the islands lost 66 captives over a 12-month period.

According to Gilbert, the decline was due in part to regulatory changes.

He says: "2010 saw the introduction of the Insurance Act, 2008 and the Insurance Regulations, 2009, which modernised the insurance regime in the BVI. A number of other updates to the regulatory and compliance laws of the BVI also took effect around that time."

"The current regulatory regime has now had time to bed down, and 11 new captives were incorporated between Q1 2012 and Q1 2013."

Jennings on the other hand feels the fall in numbers could be attributed to promoters moving their books of micro captives from BVI to alternative domiciles with lower costs.

As for Jennings, he jokes that the main drawback is the lack of direct flights between the US and BVI!

"This means that getting to BVI takes times and can be expensive. However, as the BVIFSC does not insist on board meetings being held in its territory, the travel is more an inconvenience than a problem. The BVIFSC visits the US on a regular basis to attend conferences, and is happy to meet its clients then."

From a BVI law and practice perspective, Gilbert feels that there are no particular downsides, "given the robustness of the legal and regulatory regime and the strength in depth of local service providers who are experts in the insurance field".

"As ever, tax and regulatory advice must be taken in the operating jurisdiction(s) before committing to incorporate a captive in any domicile." CIT

VCIA's 28th Annual Conference

Location: Vermont
Date: 13-15 August 2013
www.vcia.com

The event will feature nearly 60 panelists, many of whom are captive owners, sharing case studies and personal experience. There will be lots of education and great opportunities to mix and mingle with all the key players in Burlington, Vermont.

Ferma Risk Management Forum 2013

Location: Netherlands
Date: 29 Sep-2 Oct 2013
www.ferma.eu

The FERMA Forum is the only event that brings together risk managers from across the whole of Europe. Its theme this year is to inspire, educate and influence in a riskier world. The event will be attended by 1500 European risk professionals.

SIIA 2013 Educational Conference & Expo

Location: Illinois
Date: 21-23 Oct 2013
www.siia.org

The SIIA National Conference & Expo is the world's largest event focused exclusively on the self-insurance/alternative risk transfer marketplace, typically attracting more than 1700 attendees from throughout the US and from a growing number of countries around the world.

ASHRM Annual Conference & Exhibition

Location: Texas
Date: 27-30 Oct 2013
www.ashrm.org

Year after year, the American Society for Healthcare Risk Management's Annual Conference & Exhibition continues to be the optimal learning, networking and career-building experience. This year's theme, 'Everyone is a Risk Manager', emphasises the role that all healthcare workers hold as guardians of patient safety. Attend ASHRM 2013 and experience this theme first-hand.

Industry appointments

The International Underwriting Association (IUA) has elected **Malcolm Newman** as its new chairman. Newman is managing director of SCOR's London hub.

Newman's predecessor, **Stephen Riley**, is departing from the IUA after seven years leading of the association.

The IUA elected Newman at the association's annual general meeting at the London Underwriting Centre on 26 June. He has been a member of the IUA board for four years.

In a statement, Newman explained how the IUA plays a vital role in representing the interested of the London company market.

He said: "In recent years [the IUA] has facilitated major improvements in business processing and argued forcefully on the international stage to help open up opportunities in international markets for its members. On a day-to-day basis it also provides essential support for the underwriting and claims operations of its members."

"I am keen to build on these successes and utilise the association's communal voice to further promote and enhance the business environment for reinsurance companies operating in London."

SPARTA Insurance Company has promoted **Tom Colosi** to chief underwriting officer.

Colosi previously held the role of senior vice president of underwriting. Before joining SPARTA he led the Hartford's countrywide group captive programme business.

Brian First, SPARTA's president and COO, said: "It is a testament to the depth of our expertise that SPARTA is able to promote from within by naming Colosi as chief underwriting officer."

"Colosi's successful background leading underwriting teams and managing sophisticated insurance programme structures and client relationships makes him well qualified to assume these additional responsibilities."

The Dublin Insurance & Management Association (DIMA) has elected five directors to its board at its annual general meeting.

Stephen Devine, **Ann O'Keeffe** and **David Stafford** have been re-elected after retiring from DIMA's three-year rotation of directors.

Devine, managing director of SCOR Global Life Reinsurance, continues in his role as DIMA chairman, while O'Keeffe, CFO of Aon Insurance Managers, has been appointed chairman of DIMA's captive sub-committee.

Stafford, who is CEO of ALD Re, will continue as chairman of DIMA's conference sub-committee.

Stephen Hodgins of Marsh Management Services has been elected to the DIMA board for the first time, alongside Viviana Pascoletti of Berkshire Hathaway Reinsurance.

Pascoletti has been appointed chairman of DIMA's life reinsurance sub-committee, succeeding Debbie O'Hare who has been appointed vice chairman of DIMA.

DIMA CEO Sarah Goddard said: "I am delighted to welcome both our new and re-elected directors to the DIMA board. [The association] has had a busy and very successful year—due in no short measures to the support and enthusiasm of [its] directors and members."

The Federation of European Risk Management Associations (FERMA) elected four members to serve on its board for the next three years at the general assembly on 20 June.

FERMA president **Jorge Luzzi** and **Julia Graham** were re-elected following the end of their previous terms. **Anders Esbjörnsson** and **Edwin Meyer** also joined the board as new members.

Isabel Martinez—who joined the board in 2012 to fill a vacancy—was also confirmed as a full board member.

Luzzi is managing director of Pirelli Insurance and Reinsurance Company and a member of the Italian association ANRA.

Graham is chief risk officer of the law firm DLA Piper, and a member of Airmic.

Esbjörnsson is a member of the Swedish risk management association SWERMA, risk manager for the construction group NCC and managing director of the company captive, NCC Insurance.

Meyer is general manager of risk and insurance management for ArcelorMittal Group. He is also on the board of the German association DVS.

Pro Insurance Solutions has opened its first office in continental Europe. The new Zurich office reinforces Pro's aim to expand its global consultancy service offering.

Petra Wildemann, Pro's global practice leader for actuarial consultancy, will lead the new office.

Prior to joining Pro, Wildemann was executive manager for actuarial consulting services for life insurance at SunGard.

Commenting on her new appointment, she said: "It's a great honour to be based in the new Zurich office. Today's insurance market is a rapidly changing one, requiring innovation and entrepreneurship to enable our customers to be market leaders for their ultimate customers."

Willis Group Holdings has appointed **Todd Jones** as CEO of Willis North America, the company's largest business segment.

Jones will report to group CEO, Dominic Casserley, and will represent Willis North America on the Willis Group operating committee.

Vic Krauze, who joined Willis in 1997, has served as chairman and CEO of Willis North America since 2010 and will retain his current role as Chairman.

Krauze will work closely with Jones in his new leadership position to strengthen and grow the business segment.

Prior to joining Willis, Jones held various leadership roles in the insurance brokerage industry. Before entering the industry, Jones was a financial analyst and corporate banker for First Union National Bank, focusing on the telecommunications and healthcare industries. **CIT**

CIT CAPTIVEINSURANCETIMES

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Published by Black Knight Media Ltd
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Company reg: 0719464