# captive insurance times

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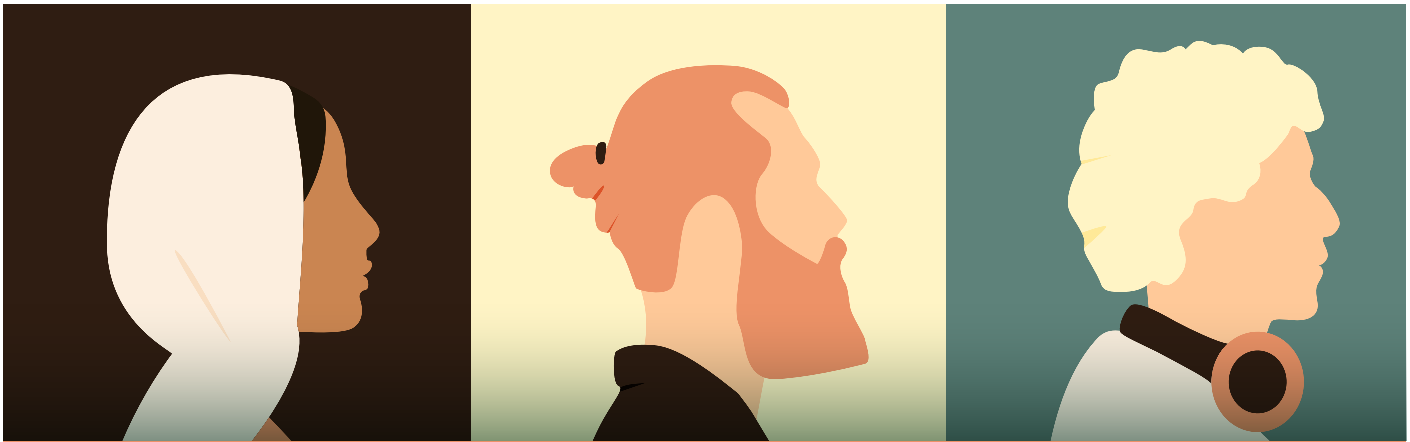
November 2023 - Issue 261

# Captives for inclusion

## How EB captives can support DEI

### Great expectations

Industry participants discuss their hopes for captives in Latin America

### The customer comes first

Ian-Edward Stafrace on customer-centric captives

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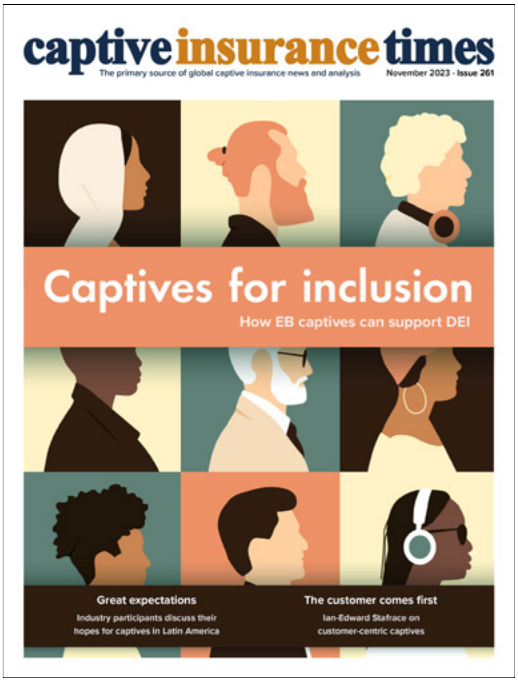

# Contents


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### Boost launches Boost Re offering Captive-as-a-Service offering

Boost Insurance has launched Boost Re, a new risk transfer platform, as the latest component of its insurance-as-a-service stack.

Boost Re is structured as a US-domiciled protected cell captive insurance company and wholly-owned subsidiary of Boost.

The captive enables Boost to establish and capitalise dedicated and segregated risk-transfer vehicles for a diverse group of risk capital providers to deploy reinsurance capacity across Boost-powered insurance programmes.

For managing general agents (MGAs), insurtech and embedded insurers Boost Re's turnkey captive-as-a-service solution can offer a "cost-effective" path to build and scale their full-stack insurance operations.

For alternative risk capital providers, Boost Re can provide a passage to deploy reinsurance capacity across Boost-powered insurance programmes through dedicated captive cells.

Boost Re is now available to risk capital providers looking for a channel to access the insurance asset class and to all MGAs. ■

### HDI Global to open new branch in Portugal

HDI Global SE is to open a new branch in Lisbon, Portugal. The expansion will complement the company's existing customer and broker platform in Iberia.

HDI Global's portfolio of solutions will be replicated in Portugal and will include insurance for property damage and business interruption, casualty, energy and construction, marine, cyber, and specialty lines. It will also bring access to HDI Global´s international programme network and its captive fronting and alternative risk transfer capabilities to the country.

Nuno Antunes, current head of client strategy for Iberia and Portugal country manager, will lead the new branch as managing director. Antunes is an insurance senior executive with a career spanning more than two decades.

The firm plans to start its activity locally at the beginning of 2024 and is currently assembling its local team.

Commenting on the opening, David Hullin, member of the HDI Global board of management, says: "We have been operating successfully in Portugal for more than 20 years [under freedom of services]. Opening a branch office in Lisbon is the logical progression of our successful business development."


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

## Pool Re renews Guy Carpenter reinsurance broking contract

Pool Re has renewed its reinsurance broking contract with Guy Carpenter for three years, with an option to run to five.

Guy Carpenter will support Pool Re in returning risk and premium to the private sector.

This will help distance UK taxpayers from the risks that Pool Re mutualises on their behalf.

The renewal comes as Pool Re seeks to modernise treaty arrangements, which it says represents “the most fundamental structural shift” it has seen during its 30-year lifespan.

Pool Re’s reinsurance is estimated to underpin around 90 per cent of the commercial property terrorism cover in the UK.

Tom Clementi, CEO of Pool Re, comments: “The reinsurance that Pool Re buys is a fundamental part of our effort to find proactive ways to return risk to the market which is, in turn, a precondition of the unlimited financial support we continue to receive from the HM Treasury.” ■

## Delaware launches D&O guidance and new captive regulation improvements

Delaware insurance commissioner Trinidad Navarro and the Delaware Captive Insurance Association (DCIA) have launched a series of process and regulatory improvements.

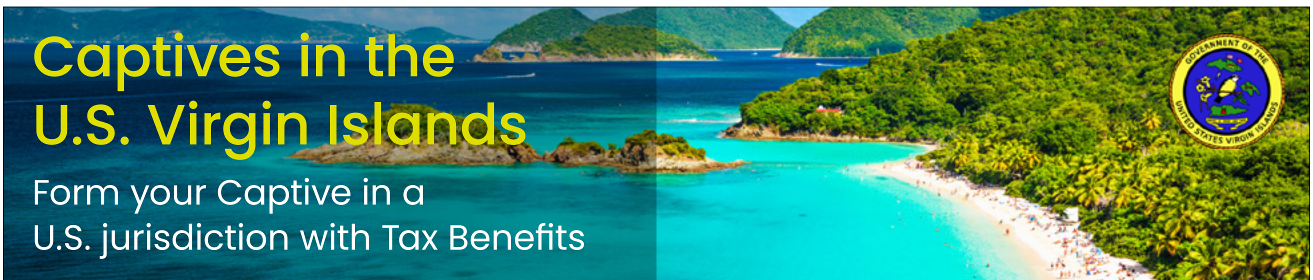
These improvements aim to ensure Delaware remains a “top domicile for businesses seeking to form captive insurance companies,” says the State.

Delaware is the world’s fifth largest and the third largest US captive domicile.

As part of the initiative, the department issued Captive Bulletin No. 14, which outlines the Bureau of Captive & Financial Insurance Products’ requirements for captives formed to write corporate “Side A” directors’ and officers’ (D&O) coverage for Delaware corporations.

This progress was made possible by the passage of SB 203 (2022). It is expected that this will help companies access more affordable coverage and increase Side A D&O capacity.

The department also issued revised Captive Bulletin No. 12 — adopting a more

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flexible approach for certain captive applicant's capitalisation requirements, including the use of brokerage accounts in certain circumstances.

Additionally, capital and surplus requirements have been reworked to place more emphasis on consulting actuaries' adverse case projections.

Several process changes have been made, which are anticipated to improve approval timelines and speed to market.

The news was shared at DCIA's Fall Forum.

**White Mountains to acquire a majority stake in Bamboo**

White Mountains Insurance Group has entered into an agreement to acquire a majority stake in Bamboo Ide8 Insurance Services, LLC (Bamboo).

The transaction is expected to close in the first quarter of 2024, subject to regulatory approvals.

Bamboo is primarily a managing general agent (MGA) focused on the California homeowners insurance market. It also operates as a captive reinsurer participating in a small share of the underwriting risk of Bamboo's MGA programmes and a retail agency offering ancillary products on behalf of third parties.

As part of the mandate, White Mountains expects to invest approximately US$285 million, including primary capital to support Bamboo's growth. In addition, it expects to acquire approximately 70 per cent of Bamboo basic shares outstanding.

Chris Delehanty, head of mergers and acquisitions at White Mountains, comments: "We are pleased to make this investment alongside John [Chu, CEO] and the Bamboo management team."

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**First two students receive GIIA course qualifications**

The first two students to achieve the new Guernsey Certificate in International Insurance Management have received their qualifications.

Nicola Shakerley, of Willis Tower Watson Guernsey, and Rutendo Rumano, of Artex Guernsey, were presented with their certificates at an event to celebrate the Guernsey International Insurance Association's (GIIA's) 40th anniversary. The new qualification has been developed by Sagacious Group, an alumni of experienced insurance professionals, with the GIIA and the Graduate Teaching Assistant University Centre.

The six-month course aims to give candidates practical knowledge of the Guernsey insurance international industry.

The topics it covers range from governing laws, governance and basic principles to the specifics of captive insurance and index linked securities.

GIIA chair Adele Gale comments: "Providing relevant and quality training opportunities to our members has become a key focus for GIIA in the last five years, starting with the creation of the Insurance Development Forum, and now the rewrite of the late John Parkinson's textbook, as well as the creation of the certificate and diploma." ■


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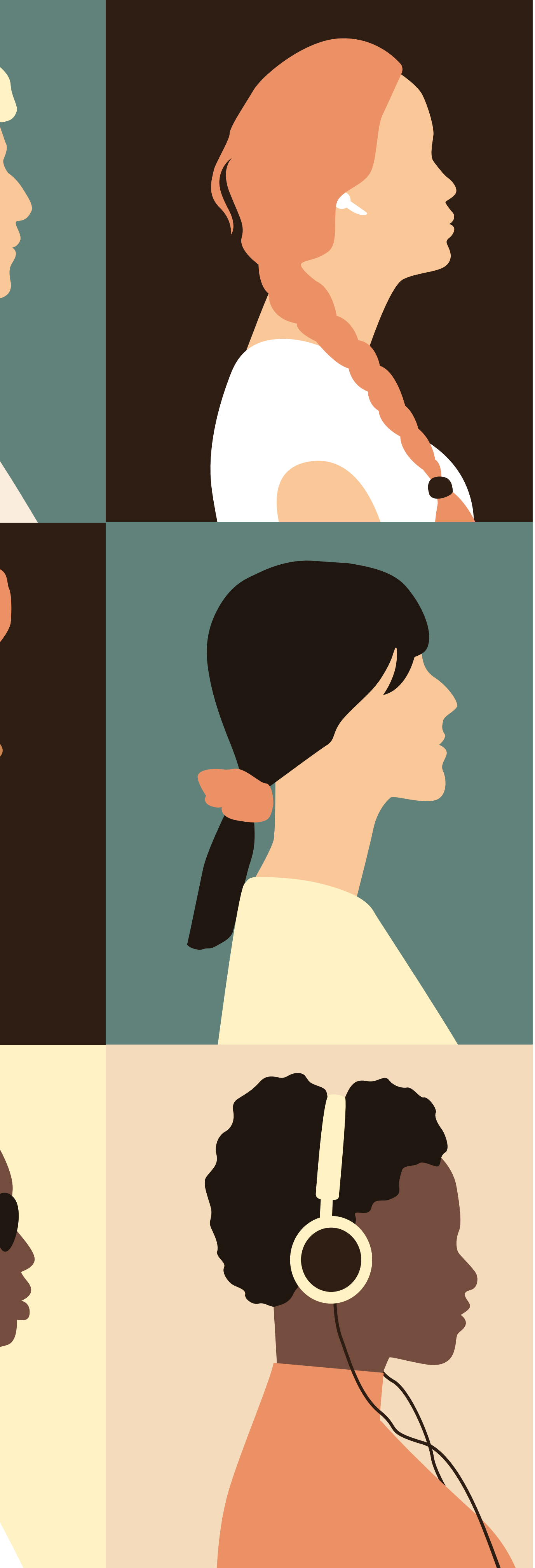
# Captives for inclusion

**Frances Jones explores how EB captives can support and accelerate an organisation's DEI objectives**



Businesses have turned their attention to diversity, equity and inclusion (DEI) in recent years — a move that has been catalysed by societal movements, such as Black Lives Matter (BLM) and #MeToo. These awareness campaigns have spotlighted deep-rooted societal discrimination and prejudice, primarily against ethnic minorities, women and the LGBTQ+ community.

Companies are increasingly using employee benefit (EB) captives as a mechanism to push their DEI objectives forward. EB captives present the opportunity for a parent company to normalise plan designs across geographical boundaries, presenting an array of coverages that would otherwise be excluded or limited from certain areas.

Using an EB captive to further a company's DEI strategy has the potential to reap wide-reaching benefits for a company's culture, creativity and future profitability. But how are DEI strategies becoming such a strategic imperative for a company's long-term future?

## Changing the status quo

According to a 2021 analysis by the Washington Post, only 8 per cent of the top executives in the top 50 "most valuable" public companies were black. It also found that at least eight of these companies employed no black executives. The investigation was prompted by the 2020 BLM movements, underpinned by the brutal murder of George Floyd and the immediate protests following his death.

Alex Gedge, a senior captive consultant at Hylant, notes: "Consumers and workers increasingly demonstrate that DEI and ESG issues are critical in purchasing and employment decisions. It's unsurprising that companies are developing frameworks to bring these objectives to the fore. Since May 2020, US companies have committed about US$340 billion to fight racial injustice, according to McKinsey in 2023."

Other statistics show that men still dominate corporate boardrooms. Only 6.6 per cent of all Fortune 500 companies in 2020 had women as their CEOs — a figure that was still celebrated as an "all-time high."

No wonder then that various calls are being hollered to change the status quo. DEI initiatives call for businesses to reflect a wide range of characteristics among their workforce with various sexual orientations, ages, disabilities, genders and religions.

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The benefits of a diverse workforce, representative of an area's population, are touted for increasing productivity and being conducive to creative and innovative thinking.

Hylant's Gedge says: "There are rewards for companies that focus on DEI. A 2020 McKinsey study found that companies with executive teams in the top 25 per cent of gender diversity were more likely to have above-average profitability when compared to less diverse companies."

A 2020 LinkedIn study, 'The Rise of Diversity and Inclusion Roles Across EMEA,' found that 76 per cent of employees and job seekers said diversity was important when considering job offers. Some 80 per cent of survey respondents also said they want to work for a company that values DEI issues.

The general consensus among Gen Z and young millennials is that they want to see companies implement DEI policies, as well as expand the parameters of what they define as DEI. It's clear that companies need to remain on this path to recruit, retain staff and increase output, especially the younger talent pool.

Mirroring the findings of the LinkedIn study, Frederik Van den Eede, chief marketing, customer and corporate social responsibility at Generali Employee Benefits (GEB), says: "The main reason we hear of companies focusing on DEI is related to opening up their potential talent pool as well as retaining their current employees – thus, increasing retention and reducing turnover."

Hylant's Gedge affirms: "A 2021 CR Strategies white paper identifies that corporate social responsibility [including DEI] is one of the top three drivers of employee retention."

Since recent societal turning points, underpinned by 2020 events, many businesses have created DEI strategies while others have increased the priority of their existing strategies.

## A captive push

"More EB captives [are] in use now than ever before," according to a 2023 Willis Tower Watson (WTW) article entitled 'How can an employee benefit captive support diversity, equity and inclusion?'

Allianz Global Benefits established its first captive programme in 2009 and has continuously enhanced it ever since. In the company's release 'Global EB Captive Solution' it says: "captives have proven to be flexible management and finance insurance programmes in the EB area; especially adding new benefits, such as diversity-oriented employee benefits."

Seeing them as a tool for DEI objectives is a more recent development, but it's gaining momentum. GEB's Van den Eede elaborates: "Since the COVID-19 pandemic, the use cases for DEI captives have greatly increased. It is now a common point on the agenda for captive managers, as the market continues to explore innovative use cases to accelerate the deployment of more inclusive benefits worldwide."

Hylant's Gedge comments: "An EB captive can allow for consistent coverage and the potential for more bespoke support, which can respond to different employee needs and requirements. For example, specific health requirements and support for employees overseas can be managed through the captive."

The authors of the WTW article, Tom Levi and Stephanie Ings, identify the major rationale behind a company using this strategy. They list the reasons as "increased control over insured risks, allowing the company to influence the risks they are covered under."

They add: "It enables the company to decide whether, or how, to price changes to the terms of benefits that are being included in the captive structure."

In addition, they say that an EB captive can personalise its DEI cover to be more inclusive to meet societal and employee demands. This is a sentiment that GEB's Van den Eede affirms.

He says: "Captives can assist a company in achieving their DEI objectives by pushing for inclusive benefits. Around the world, some benefits may not be commonly available due to the local markets. In addition, some benefits may not be expressly excluded. As the ultimate bearer of the risk, the captive can play a role in removing these exclusions or expanding the eligibility of coverage."

He adds: "When there are absolutely no local solutions available, the captive can go a step further and fund claims on an ex-gratia basis or through a global umbrella policy aimed at covering the gaps identified within the local benefits."

The larger and more widespread a company's operations are, the more susceptible its DEI strategy is to the outcome of the "postcode lottery", depending on a region's legislative environment.

For example, in Myanmar, South East Asia it is entirely voluntary for companies to provide employee benefits, such as private health insurance coverage and other saving plans, despite the absence of a sufficient social insurance system. These benefits are not regulated and are offered through internal company policies, according to law firm DLA Piper's Global Benefit & Pensions Index. Furthermore, 98 per cent of the population in Myanmar does not have adequate social protection, The International Labour Organization estimated in 2019. Theoretically, an EB captive could cover these protection gaps.

Taking a holistic view, Hylant's Gedge says: "Captive service providers, including boards and ethical investments and investors, can meet DEI objectives. This can, in turn, demonstrate to consumers and external shareholders a commitment throughout the business to meet DEI objectives. Data can be vital to demonstrate a company's commitment to meeting and exceeding DEI objectives. The captive can be a great provable example of meeting these objectives."

***"Data can be vital to demonstrate a company's commitment to meeting and exceeding DEI objectives. The captive can be a great provable example of meeting these objectives"***

**Alex Gedge, Hylant**

## Practical considerations

WTW's Levi and Ings explain how this "gap-filling" can work. "EB captive structures predominantly work with one or more captive networks — global networks of insurers that provide the structure, administration and cash transfer of the EB insurances to enable the EB captive to function," they say. "These networks work with local insurance partners to provide the insurance structure."

"To alter the terms or the eligibility of the employee benefits, the local insurance partners need to adapt their insurance contracts with the multinational's local business entirely. For instance to remove a suicide exclusion, or to expand spouse definition to include unmarried partners."

Therefore, DEI solutions in an employee captive are dictated by the company, as opposed to the local markets which can be lacking. However, there can be limitations to what an EB captive can include in its policy, due to legislative environments. For example, in Saudi Arabia, where anti-LGBTQ+ laws are in place and homosexuality is illegal, it may not be possible to define a dependent as a same-sex partner.

In Saudi Arabia, DLA Piper's Global Benefit & Pensions Index, says medical insurance is required for all employees, their male dependents under the age of 25, and their female dependents.

In this instance, it could be assumed that it may not be possible for an EB captive to define a same-sex partner as a dependent.

WTW's Levi and Ings give a case study to demonstrate how a newly implemented EB captive can practically progress its DEI objectives in two phases.

The first phase was to remove certain exclusions from all contracts that were in the captive structure. The exclusions listed included suicide, HIV and pandemics.

They achieved this through "precise communications with their captive networks", who notified their "local insurance partners to remove all state exclusions," say Levi and Ings. "The implementation of this was also checked by an internal communication."

They add that the second phase was to "expand eligibility for several benefits, including definitions of dependents under medical plans and beneficiaries under life insurance plans." This was also achieved through the same methods of communication utilising the captive networks and local business entities.

A captive can go some way to even the playing field, but, of course, there are limitations. Irrespective of location, using a captive to accelerate different strategies requires accurate communication between captive network and local business entities. A top-down approach for coordinating this action will no doubt be required for the future success of EB captives. ■

# Great expectations

**Industry participants discuss their hopes for captives in Latin America, as well as recent developments and the barriers to captive uptake in the region**

*Frances Jones reports*

“There are great expectations for Latin America (LatAm), with double-digit growth in the number of captives and volume of business negotiated by them,” says Alejandro Santos, managing director of analytics and captive solutions at Marsh Advisory for Latin America and the Caribbean.

LatAm is gaining traction in the captive industry, due to long-anticipated and increasing interest.

Geographically speaking, the region consists of the entire continent of South America, as well as Mexico, Central America and some Caribbean islands. Culturally speaking, this vibrant part of the world is best known for its dancing, varied and flavourful food, and lush tropical landscapes. At this point in time its captive landscape also has much to offer.

“LatAm’s insurance market is a fertile territory for accelerated growth and business model innovations,” says McKinsey & Company in its 2023 Global Insurance Report: Capturing growth in Latin America.’

Additionally, “it’s already the fastest-growing regional insurance markets globally — in both the life and non-life segments — and it’s amongst the most profitable markets for insurers globally,” adds McKinsey & Company.

Rapidly expanding economies, an emerging middle class and increasing awareness of the value of financial protection have led to LAtam’s thriving insurance market.

According to the MAPFRE Economic Research, ‘The Latin American Insurance Market in 2022’, LatAm witnessed increased profitability in its insurance industry by US$9.909 billion, compared to 2021.

The research also found that the “two biggest markets in the region continue to be Brazil and Mexico, followed by Puerto Rico.”

This is a noteworthy development, considering it has the smallest population of the 19 countries analysed in the study.

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### A slow start in the captive race

When comparing the size of the region against the rate of captive adoption, LatAm's insurance industry has somewhat understandably lagged far behind the US and Europe.

Despite the size of multinational companies in the LatAm region (known as 'MultiLatina' companies), "there are still very few that are exploring and capitalising on the opportunities that captives can provide for both risk and HR managers," says Maxis Global Benefits in an article entitled 'Employee benefits in Latin America'.

A 2021 Captive Insurance Times article, 'Forecasting opportunity', highlighted that LatAm's relatively slow captive growth rate is due to the fact that the region has struggled with a lack of knowledge and education on its benefits.

The McKinsey report identifies several structural challenges, such as a fragmented market and some socioeconomic factors, such as financial inequality and low technology penetration.

However, the hard commercial market has increased captive utilisation in LatAm, and subsequently captive uptake rates are increasing in the region.

Isabel Mettetal, director of SRS Cayman, says: "As market capacity diminishes, premium rates soar and terms and conditions become more stringent. With additional exclusions, companies are actively seeking alternative methods to effectively manage their risks. This growing interest in captives has prompted an uptick of captive feasibility studies in LatAm."

Marsh's Santos adds: "Contributing variables to the increase of captive formations [in LatAm] are hard market conditions — this has been the case for a few years now. Other variables include development in risk management knowledge and sophistication from our clients [at Marsh]."

### New developments

Insurance companies have been quick to spot and respond to the potential for captives in the area, with key players expanding into the region. For example, SRS appointed Luis Delgado as regional director for LatAm in July.

Delgado moved from Bermuda to Colombia to establish a physical presence for SRS in the region. "Conducting face-to-face meetings instils confidence in prospective clients and expedites the progress of captive projects," says SRS' Mettetal.

Delgado comments: "Over the past few years, we [at SRS] have seen record levels of captive formations, feasibility studies and general interest and enquiries from prospects across LatAm, so it makes sense to be closer to where our clients and prospects are located."

Affirming this sentiment, the CEO of SRS, Brady Young says: "Latin America represents an important region for SRS. We believe there are opportunities for LatAm parent organisations to make greater use of captive insurance."

SRS is seeing pure captive and cell structures owned by large corporate parents continue to dominate the region. "However, we are seeing interest in small commercial reinsurers and agency captives," notes SRS's Mettetal.

Tom Morante, attorney at law at Carlton Fields, says: "New coverages, such as employee benefits captives, have become attractive in the current macro environment. In addition, while single-parent captives have historically seen the most growth, there is a gradual interest in cell captives, which are proving particularly attractive as a captive entry-level strategy."

Marsh LatAm has also seen strong interest in the captive concept in the last few years, with many companies looking for alternatives for their more difficult placements.

Marsh's Santos agrees with Morante that this interest includes the segregated cell concept for non-traditional lines, such as cyber and D&O. However the single-parent captives still dominate, as well as traditional lines such as property.

## Challenges and barriers

Carlton Fields' Morante notes: "Captive adoption in LatAm faces many of the same challenges as in other regions, particularly in the areas of underwriting, pricing and fronting structures."

SRS' Mettetal elaborates: "In many LatAm countries, a double-fronting arrangement is mandatory when the captive is not licensed in the country where the risk is located. Typically, fronting companies must meet certain rating criteria, and the collateral requirements can become quite onerous. Finding a suitable partner willing to front for the desired coverages has proven challenging for many companies."

The geographical scattering of LatAm countries, and the corresponding differences in legislation, can pose regulatory barriers to those interested in forming a captive. These challenges are starting to be addressed in higher-performing countries, such as Mexico and Brazil. As regulatory changes continue to address these challenges, the use of captives in other LatAm countries will increase.

Marsh's Santos says: "Insurance regulation is one of the key challenges we face in the region. Although some countries are relaxing their reinsurance regulations, we still have to deal with complex structures.

"We currently have restrictive regulations in many countries such as tax reforms that become a hurdle on the use of captives. Furthermore, most countries are facing economic turmoil with high inflation rates that cause restrictions on retentions, as well as volatile currencies."

Mexican and Colombian corporations are employing captives with greater frequency, where the regulation is more conducive to captive formations.

Captive growth in Latam will need to be encouraged and supported by legislation to smooth regional differences. This will likely be enabled and aided by collaboration between regulators and parent companies, and sharing knowledge between the different countries.

> ***"In many LatAm countries, a double-fronting arrangement is mandatory when the captive is not licensed in the country where the risk is located"***
>
> **Isabel Mettetal, SRS**

Carlton Fields's Morante goes on to say: "The complexity of the regulatory environment governing captive formation and the absence of accommodating captive legislation, has hindered captive formation in the region. Although a desire to reduce premium expenses motivates larger LatAm corporates to seek risk transfer vehicles, such as captives, as legislatures in the region come to recognise the value of designing legislation to enable captive formation at home, educational campaigns will evolve."

## Laying down roots

LatAm companies embrace 'offshore' captive domiciles, which goes some way to mitigating the limitations a country's regulation has on its captives. 'Offshore' captive domiciles such as Bermuda and Cayman Islands, have "well-designed and efficient regulatory frameworks for captive formation," says Carlton Fields' Morante.

SRS' Mettetal comments: "We find LatAm captives domiciled in Bermuda, Barbados and in the Cayman Islands.

"More recently, there has been some interest from Mexico in onshore domiciles like Vermont and North Carolina. Mexico and Colombia stand out as the two primary drivers of growth in the region."

She adds that there is an opportunity for domiciles in the US to encourage LatAm captives to form there.

In March 2023, the State of Vermont and The Vermont Captive Insurance Association (VCIA) sent a delegation of industry representatives to lead a captive insurance education forum in Mexico City.

It raised awareness about Vermont as a captive insurance domicile.

Vermont had 66 companies licensed with foreign ownership from 23 different countries outside of the US, as of February 2023.

In February, Kevin Mead of the VCIA, said: "While awareness of captive insurance has been increasing, there is great opportunity in Latin America, in particular.

"We are happy to start this type of intentional education and collaboration, the first of its kind in the region."

Santos says: "Bermuda has been the preferred domicile for Marsh captives", noting that Barbados and Vermont are gaining popularity.

The uptick in strategic reviews and feasibility studies in LatAm, as observed by Marsh, SRS and law firm Carlton Fields, suggests that LatAm's captive benefits are starting to be seen.

Although it is more than likely that this progress is inconsistent amongst the 19 countries, larger multinational companies are showing more interest and knowledge of captive insurance companies compared to midsize and small companies.

## An opportune moment

Industry participants agree that there is a vast opportunity for companies in LatAm to make greater use of captives. They recommend educating key decision-makers about the benefits of captives, understanding the regulatory landscape in each country and performing a feasibility study which should include an analysis of suitable domiciles.

Commenting on SRS' recent move into the region, Mettetal says: "SRS is undergoing geographical expansion, with a strategic focus on the emerging market in Latin America.

"The region lacks independent captive managers, and SRS recognises the importance of establishing a local presence. SRS firmly believes that having a seasoned team in the region significantly impacts business operations, which has been warmly received and highly valued by our existing clients and potential partners."

MAPFRE's 2022 Economic Research report estimated LatAm's insurance protection gap to be US$267.2 billion.

When estimating this amount, the MAPFRE calculated the difference between insurance coverage that's economically necessary and beneficial for society, and that which is actually required. This estimate allowed MAPFRE to approximate the potential insurance market in the region at US$440.9 billion — a figure that demonstrates how profitable the industry could be for insurers and captive insurers alike.

The McKinsey & Company report notes that LatAm has a "persistent but diminishing [insurance] protection gap", which highlights the "immense room for growth and development in the region."

SRS's Mettetal concludes: "There remains an untapped market amongst midsize and small corporations that are not yet aware of the advantages offered by captive solutions and [SRS] aims to increase the awareness of this group in the region."

It seems now is the time to tap into the captive market in LatAm, and we wait with great expectation. ■

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# Caroline's journey to captives

**Hylant's emerging talent Caroline Erdman speaks to Frances Jones about her role as captive account manager and her future career aspirations in the captive industry**

### How has your previous experience prepared you for your current role in captives?

I previously served as a financial analyst intern at the South Carolina Department of Insurance (SCDOI) for nearly two years. I worked for both the traditional and captive sides.

This experience helped introduce me to the regulatory side of captive insurance.

I worked at the department while I was studying at the University of South Carolina, where I double majored in finance, and insurance and risk management. I graduated in May 2023.

Going into my current position as a captive account manager at Hylant in June this year, I had a good foundation of regulatory knowledge and captives in general.

### How did you end up in the captive industry? From your experience, what would you say are the key benefits of working in captives?

While at the SCDOI, I worked on the regulation of smaller captive companies. I really enjoyed how different every captive was. The captive industry is so dynamic and constantly evolving, especially in the current climate. I knew this was where I wanted to be.

One of the key benefits of working in captives is the community. As a newcomer to the industry, it's obvious that people from every corner of the industry want to help you learn and succeed.

Another benefit is the constantly changing environment. I don't think there is ever a boring day in this industry because new risks are constantly emerging, and we have to learn how to respond and mitigate them quickly.

### Who have been your biggest influences in the industry and what aspirations do you have for your career?

My first influence in the captive industry is my entire team at Hylant. Each member brings a unique experience and area of expertise to the team, and everyone is willing to share knowledge.

I admire the level of expertise each of them has about the industry, and I look forward to continuing to learn from them.

In the future, I would love to continue to grow my knowledge of the captive industry by finishing my ACI designation.

I also hope to get the opportunity to educate the next generation of young professionals about this fascinating industry.

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

My advice for someone starting their career in captives is to get involved in whatever you can. The best way to learn is to immerse yourself in the atmosphere, whether that's going to conferences or getting involved in organisations like The Captive Insurance Companies Association and The Risk and Insurance Management Society.

> *"Caroline has completed more than 250 hours of volunteering in the past three years"*

**Caroline Erdman**
Captive account manager
Hylant

***Personal biography:***

Caroline is originally from the suburbs of Chicago and has recently moved back. Her interests and hobbies outside of work include travelling, reading and volunteering. She has completed more than 250 hours of volunteering in the past three years. ■

*"Caroline's drive and eagerness to learn was made apparent by her continued curiosity and willingness to, not just ask questions, but to take the initiative to seek answers on her own. Her professionalism, and the high calibre of her work ethic, set her apart in many ways. I am elated that Caroline has chosen to pursue a career in the captive industry. I also applaud Anne Marie Towle and the Hylant team for identifying and employing such great talent. Caroline will continue to be an asset to those around her, and to the broader captive industry for many years to come. I am eager to see all that she's going to accomplish!"*

**Joe McDonald**
Director of captives
South Carolina Department of Insurance

Ian-Edward Stafrace
Chief strategy officer
Atlas Insurance PCC

# The customer comes first

**Ian-Edward Stafrace of Atlas Insurance PCC discusses leveraging regulatory evolution in customer fair value for sustainable growth**

Captives and protected cells have obtained diversification and extended from risk financing mechanisms to profit centres by offering affinity and embedded customer insurance. Atlas PCC also hosts cells for some of the most renowned insurtechs, insuring EU and UK customers.

This shift brings consumer regulations into scope, which can be turned into opportunities to enhance customer long-term value and loyalty, and thereby, sustainable growth.

## Beyond risk financing

Captives can diversify by insuring their parent's customers' risks. For example, captives owned by manufacturers can offer extended warranties or specialised insurance coverage as add-ons when customers purchase their machines. This is particularly common for car manufacturers.

Telecommunications companies sell gadget insurance as add-ons to their subscriptions. Hotel chains, airlines and travel marketplaces offer cancellation or broader travel insurance.

Captives can achieve a dual benefit. Firstly, they can diversify their revenue and risks, reducing dependency on traditional self-insurance premiums. Secondly, by offering value-added services, they can enhance customer loyalty for their group.

Customers who purchase add-on insurance products from trusted brands are more likely to feel a deeper connection with those brands, leading to repeat business.

The key to success is to ensure excellent customer experience and value. Regulatory bodies, like the UK's Financial Conduct Authority (FCA), have set clear expectations regarding customer fair value. Captives can lead the way by exceeding regulatory expectations and differentiating their group's offering in a crowded market.

Moreover, this focus on customer value aligns with the broader customer-centric trend. Organisations realise that the key to long-term success is to put the customer at the heart of everything they do.

Captives can embrace this trend by ensuring that their add-on insurance products are designed for customers' needs, providing genuine value and enhancing the overall customer experience.

## UK consumer duty

Regulations often perceived as hurdles, are, in fact, opportunities. The evolving regulatory expectations around consumer duty and customer fair value are not mere compliance checkboxes but benchmarks of excellence.

They provide a roadmap to deliver outstanding customer outcomes and experiences, ensuring sustainable growth and resilience.

The FCA has been at the fore of championing consumer duty and customer fair value. Consumer duty ensures: fair value, suitability and treatment.

Consumers receive suitable products and services and receive good treatment, support and confidence. Consumers also have strong confidence and levels of participation in markets and access. Additionally, diverse consumer needs are met.

Value is the relationship between the amount paid by a retail customer for the product and the benefits they can reasonably expect from the product. A product provides fair value where the amount expected to be paid for the product is reasonable and relative to the product's benefits for customers in its target market.

The amount expected for the product includes agreed repayments, charges, fees and any non-financial costs.

The FCA's September 2023 publication on general insurance value measures data offers invaluable insights into what constitutes fair value from a regulatory perspective, particularly around product and distribution value.

Product value is the relationship between the price paid by the consumer and the quality of the product they receive. It's often demonstrated by the claims costs as a proportion of premiums received. It's not about competitive pricing but ensures products offer genuine value in coverage, benefits and terms.

Distribution value is distribution cost, especially commissions in standard non-advised sales. They must be justified and should not erode the product's value.

The FCA's data-driven approach provides transparency and holds firms accountable. It offers a standardised benchmark for firms to assess their performance to deliver value to their customers.

## The European perspective

The broader European landscape is also evolving. The European Insurance and Occupational Pensions Authority (EIOPA) actively focuses on ensuring customer value. Their recent bancassurance thematic review and subsequent warning on credit protection insurance, published in August 2022, highlights the importance of delivering value across all insurance products.

EIOPA is seriously concerned with high commissions and conflicts of interest, leading to products offering unfair value. EIOPA also found that some insurers had very low claims ratios, indicating that customers may not get fair value.

Captives must also be vigilant in managing and disclosing potential conflicts of interest when providing products to customers of their parent groups or where the distributor and captive have common ownership.

EIOPA emphasised the importance of robust product oversight and governance arrangements. Products must be designed to meet the target market's needs and distributed through channels that reach the intended customers. For captives, this underscores the importance of aligning insurance offerings with the specific needs of their parent organisation's customers.

As the regulatory landscape continues to evolve, captives that proactively prioritise customer value will be better positioned to navigate future changes. They can set themselves apart, exceeding regulatory benchmarks and showcasing their commitment to delivering exceptional customer value. This will, in turn enhance their group's reputation and customer trust.

## Embracing customer-centric philosophy

Adopting a customer-centric philosophy is the key to navigating this evolving regulatory landscape. Regulations, at their core, aim to ensure that customers receive fair value.

Going beyond mere compliance and striving to deliver exceptional value at every touchpoint means actively seeking customer feedback to understand their needs, preferences and pain points to refine offerings.

Customers need a clear understanding of what they are purchasing, including transparent pricing and clear communication, terms and conditions.

Technology and data analytics can also be leveraged to design innovative products that cater to evolving customer needs. Such innovation could involve using AI to enhance claims processing.

In today's customer-centric era, organisations have a unique opportunity to redefine their value proposition. Rather than viewing regulatory expectations as mere compliance requirements, forward-thinking organisations use them as a strategic advantage. How can captives achieve this?

## Customer-centric captives

Captives can foster deeper trust and loyalty among their group's customer base by prioritising customer value. Those focusing on delivering genuine value will see sustainable growth, as satisfied customers are more likely to renew their policies, purchase further products and recommend the captive's group to others.

Further, captives who embrace a customer-centric approach will be better positioned to innovate and adapt to technological advancements and changing customer expectations, ensuring they remain relevant and competitive.

In today's digital age, customer reviews and feedback can impact a company's reputation. By exceeding customer expectations, groups strengthen their reputation, attracting more business and establishing themselves as leaders.

Regulatory landscapes will continue to evolve, and customer expectations will keep rising. By embedding customer value at the core of their operations, captives can future-proof their business to ensure they are always ahead of the curve.

While the traditional risk financing role of captives and protected cells remains, an opportunity exists to expand their horizons into insuring risks of their parents' customers. By acting as profit centres and ensuring customer fair value, captives can bring diversification, drive sustainable growth and enhance customer loyalty for their parents.

The shift towards ensuring customer fair value is not just a regulatory trend, it reflects broader societal shifts towards transparency, accountability and customer-centricity. Embracing regulatory lessons and genuinely prioritising customer value will help ensure long-term success. ■

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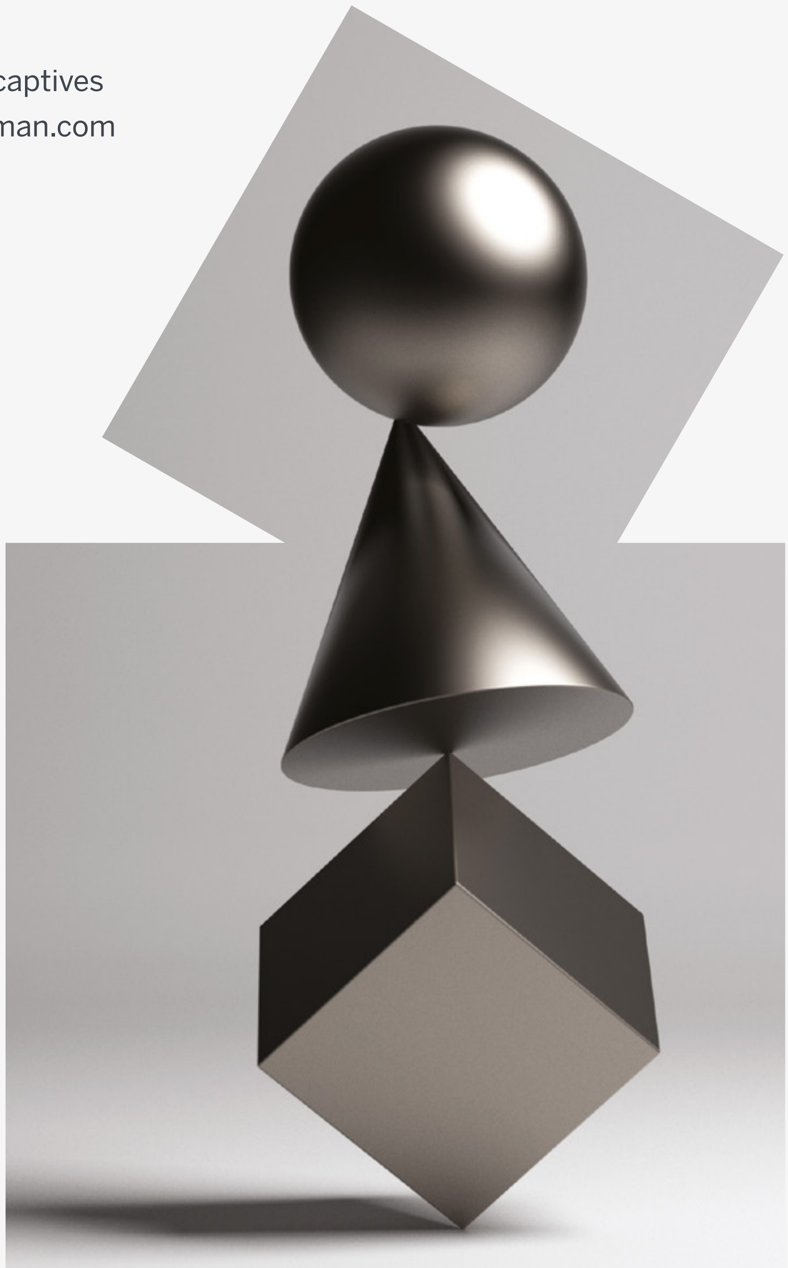

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# CCF to celebrate Pearl anniversary

**The 30th Cayman Captive Conference is to take place from 28 to 30 November at Cayman's Ritz-Carlton. General manager of IMAC, Kevin Poole, talks exclusively to CIT about the conference's 30th anniversary and what lies in store**

**This will be the most widely-attended Cayman Captive Forum (CCF) to date. What can attendees expect from this year's event in terms of size, scope and experience?**

This year, the CCF will be celebrating its 30th anniversary. We are anticipating around 1400 attendees.

We expect the event to continue to be ranked as the largest captive conference in the world.

We have arranged introductory educational opportunities starting on Tuesday afternoon. On Wednesday and Thursday we will have two tracks of sessions, one track is mostly focused on healthcare issues and the other more general.

In addition to educational opportunities, the networking events will continue to enable key industry stakeholders and industry leaders to come together, learn and shape the future of captive insurance in Cayman at this one-of-a-kind event.

**What are some of the key topics and themes that will be covered in the conference agenda this year? How have you seen the captive insurance landscape evolve over the past year?**

This year there is a definite focus on technology. We have a technology-based keynote speaker and sessions that cover key technology-related issues including AI and your captive, managing virtual practices across multiple states, ChatGPT and cybersecurity and a discussion covering complex cyber renewals.

Other hot topics will include discussing the design of an enterprise risk management programme and advanced discussions on ESG and quantifying results, as well as various sessions covering innovative captive uses.

There will also be sessions on the latest market updates and trends in addition to those that focus on claims, inflation and risk management.

Additionally, we have sessions that cover contentious issues such as active shooter and workplace violence and reproductive care post Dobbs versus Jackson.

One of the industry updates will come from the Cayman International Reinsurance Companies Association (CIRCA).

The association is dedicated to promoting the Cayman Islands' thriving reinsurance sector and will provide some insight on the continued growth in this sector.

The captive landscape is moving with the times — new technologies bring increased risks. While there have been changes in laws and developing social and economic issues that impact the industry, captives have traditionally been able to move quicker than the commercial market to help find solutions.

We see this as a natural evolution that captives have demonstrated over the years.

**What types of speakers and industry experts will be featured at the conference? Are there any headline speakers you're particularly excited about?**

We are excited to have two keynote speakers this year. The first is the New York Times' bestseller Ben Nemtin. In his speech, Ben will focus on "Making the Impossible Possible." He will explain how he managed his anxiety and realised that he'd been living the life he wanted others to see, not what he wanted for himself. In an attempt to "re-set" he made a list of "100 things to do before you die" with his friends. Through the initiative, he helped others to accomplish something on their list.

Our second keynote is US cybersecurity authority Theresa Payton. She made history as the first female to be the White House's chief information officer and was named one of the "Top 50 Women in Tech" by Award Magazine. Along with various other awards, she is a two-time company founder and CEO as well as the author of three industry-leading books.

images by nicholas_brown/stock.adobe.com

### How has the conference agenda been adapted this year to provide valuable content for captive owners and service providers at all levels of experience and expertise?

Fortunately, when we ask for speaker proposals, we receive many from experts who know and understand the industry's hot topics. This enables the CCF Committee to select panels covering subjects we know the audience will enjoy, find interesting and, most importantly, learn from to help their own organisations. The agenda caters for learning. It includes sessions accredited by the International Centre for Captive Insurance Education (ICCIE) and the American Society for Healthcare Risk Management (ASHRM) for those seeking Continuing Professional Education (CPE) credits.

The content will be recorded and available later on-request and online, supplemented with additional topics. This gives attendees an opportunity to see any sessions they missed, or recap on those they attended. A separate registration is also available for the online content for those unable to attend in person.

### What networking and social opportunities can attendees look forward to at the conference? How can they maximise connections at the event?

After a few years without an in-person event we were pleased to welcome people back to Cayman in 2022. Face-to-face meetings are important in our industry and we will continue to provide first-class networking opportunities. On Tuesday morning, the golf tournament, to be sponsored by PRP Performa Ltd. and Jarislowsky Fraser, will be held at the beautiful Ritz course. The evening will see Butterfield host the welcome reception around the Ritz Harbour Pool. It will include a performance by the Cayman synchronised swim team.

Wednesday will witness KPMG host the evening reception at the Ritz Harbour Pool, which will give attendees another opportunity to socialise outdoors.

The closing reception, sponsored by PwC on Thursday evening, is a unique event. It takes place on the beach in front of the Ritz, with a full array of food stations, a live band and a firework display sponsored by EPIC Insurance Brokers & Consultants.

We have three dedicated lounges sponsored by KPMG, Scotia Bank and CIRCA, which can host meetings and general networking opportunities.

During the week, various insurance managers and service providers will host client appreciation events which will take place following the daily receptions.

To maximise the networking experience, we have created a conference app. Attendees will be able to build a profile with a photo, which can be used to make connections. The attendee directory will also be available online for attendees to review and set up meetings prior to their arrival.

### Why is the Cayman Islands an ideal location for the world's largest captive insurance conference? What does the jurisdiction offer the industry?

The Ritz Carlton, Cayman offers a world-class venue for the event. It has numerous hotels and condos that provide excellent accommodation options for attendees. The warm weather helps make the event successful, as all receptions can be held outside. Cayman offers excellent air links to the US and Europe, with Cayman Airways also providing direct routes, in addition to the main US and UK carriers. The Cayman Islands Monetary Authority (CIMA), is available at the conference for captive meetings, which allows many attendees to hold captive board and regulatory meetings ahead of the busy renewal season.

The Cayman Islands is one of the world's major financial centres and has a large and diverse financial services sector. Recognised as a top international banking centre, the world's leading domicile for alternative investment funds, the second-largest captive domicile and a world leader in structured finance, the jurisdiction stands as the only "offshore" international financial centre to possess such breadth and depth in financial services.

While achieving its commercial success, the Cayman Islands continues to attract business to its shores with its professional infrastructure, business-friendly approach, flexibility, an English common law framework, stability, a well-regulated regime and tax neutrality.

The Cayman Islands has captive industry expertise in the form of insurance managers, auditors, lawyers, bankers, tax advisors and other service providers who, for over 50 years, have specialised in providing services to captive insurance companies and start-up international, commercial (re)insurance companies. The domicile has "institutional knowledge" across all disciplines required by a successful captive.


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**For those considering attending the CCF for the first time, what would you say is a must-attend event and what can they gain from participating?**

Make the most of the educational and networking opportunities and visit the many exhibitor booths. Attendees come from North and South America, and Europe, so having so many people in one location provides a great chance for face-to-face meetings and to build relationships. Try to organise your calendar ahead of time, as this will help you get the most out of attending.

We will be hosting a first-time attendee breakfast on Wednesday morning this year. This is a new feature and we expect more than 100 people to attend. This session will highlight key events, how to navigate the forum, networking events, the app and much more. So, hopefully, this will be a useful addition to the agenda.

**What are you most excited about for this year's Cayman Captive Forum, and what do you hope attendees will take away from the experience?**

We try our best to host a world-class educational and networking event every year — arranged by the industry for the industry. We continue to receive positive feedback on the standard of the presentations.

The conference continues to evolve. We receive post-event feedback on how we can improve the experience, and where possible and necessary, we make subsequent changes.

This year's keynote speakers promise to be exceptional, and we will also hear from a Cayman government representative on why the captive insurance sector remains a key pillar of the economy.

Each year we also host an informal insurance symposium — an invitation-only event, attended by Cayman's business partners and key stakeholders. It's also attended by representatives of CIMA and the Cayman Islands Government to exchange views of how Cayman can do things better.

We are excited to host such an event and have the opportunity to meet the many friends and key stakeholders in Cayman's success. This year is significant as we are celebrating 30 years of the Cayman Captive Forum,

Also, crucial to note is the fact that the proceeds of CCF help us to fund scholarships for many deserving young Caymanian students travelling overseas to further their education.

Ultimately, we encourage everyone to enjoy the event and everything else that Cayman has to offer as a jurisdiction and a premier Caribbean travel destination. ■

*"This year's keynote speakers promise to be exceptional, and we will also hear from a Cayman government representative on why the captive insurance sector remains a key pillar of the economy"*

**Kevin Poole**
General manager
Insurance Managers Association of Cayman (IMAC)


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## Tracy Hassett reelected chair of the board at VCIA

Tracy Hassett, president and CEO of edHEALTH, has been reelected chair of the board at The Vermont Captive Insurance Association (VCIA) for another year. As part of her role, Hassett will also head the association's strategic plan for 2024.

Additionally, the board voted on three other positions. They confirmed Jason Palmer, a director at Willis Towers Watson, as vice chair; Andrew Baillie, programme director and global director of The AES Corporation as treasurer, and Gail Newman, vice president of risk management at Bright Horizons as secretary. Each office has a one-year term, and the vice chair does not automatically move into the board chair position in the following term.

The board vote took place at VCIA's quarterly board meeting in Stowe, Vermont held on 18 October. ■

**Aon has appointed Zak Mallen as a head of strategic growth for casualty reinsurance in Bermuda.**

Mallen joins Aon from Chaucer Group, where he served a 10-year tenure. He started his career at Chaucer as deputy class underwriter, before being promoted to class underwriter and then US casualty reinsurance underwriter.

Prior to that, Mallen was an assistant underwriter at Aspen Insurance Group for five years.

Commenting on Linkedin, Mallen says: "After 10 superb years at Chaucer Group I'm onto new pastures."

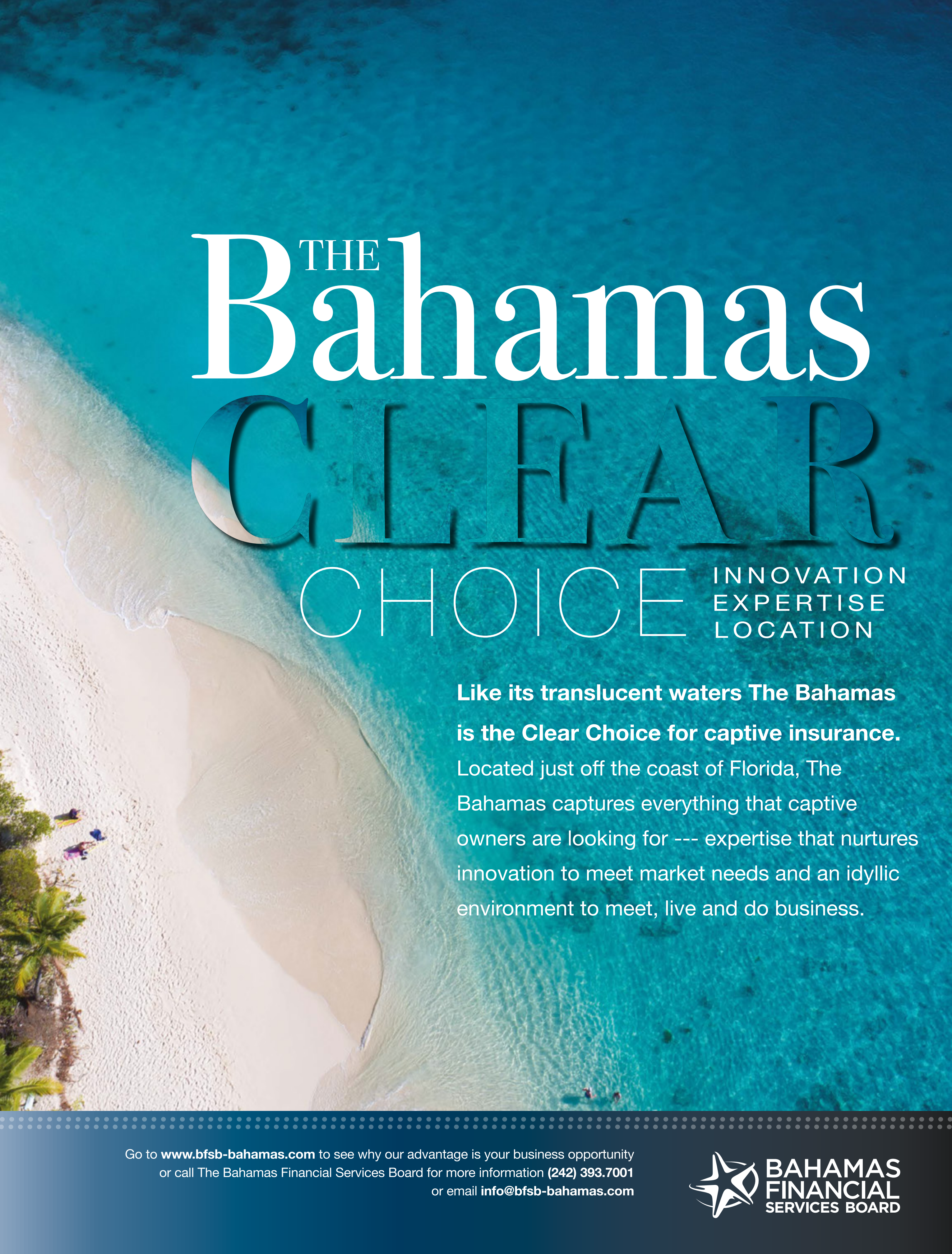
He adds: "I am delighted to say that I've joined Aon. Can't wait to get cracking in the phenomenal team we have here on the island."

**Allianz Commercial Insurance has appointed Elke Vagenende as commercial managing director for Benelux and the Nordics, effective Q1 2024.**

In the role, Vagenende will represent the firm's property and casualty insurance solutions for mid-sized companies, large corporations and specialty clients in the regions.

She will report to Dirk Vogler, chief regions and markets officer and Allianz Global Corporate and Speciality (AGCS) SE regional board member, and Joos Louwerier, Allianz Benelux CEO.

The business will approach the model Allianz announced in March, which combined the AGCS business, serving large corporate and specialty clients, with the insurance businesses of its operating entities, serving mid-sized country-based accounts. It will trade under 'Allianz Commercial'.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## Robert Rudnai returns to TDI as a captive specialist

The Texas Department of Insurance (TDI) has re-hired Robert Rudnai as a captive insurance specialist.

He will be responsible for licensing and monitoring Texas-based captives and alerting businesses in the state to the potential of starting a captive.

In 2013, the Legislature passed a measure allowing pure captives and requiring TDI to licence them. Back then, Rudnai served at the TDI. He began his tenure there as a financial analyst before being promoted to director.

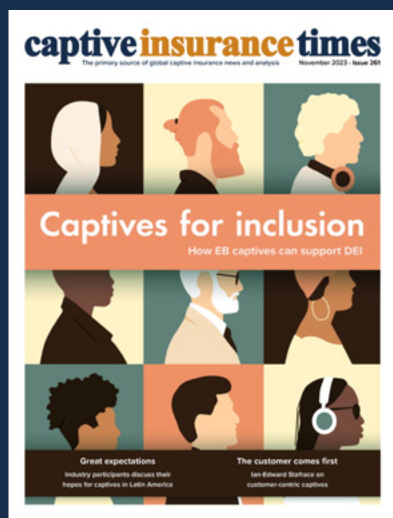
He joins TDI from Realign Insurance Holdings where he was most recently director of compliance and licensing.

The department says: “State lawmakers directed TDI to employ a specialist to support captive insurance oversight and related activities in Texas, which has 76 state-domiciled captives and ranks high in total premium volume from captives.” ■

Vagenende has more than 20 years of industry experience and joins Allianz from AIG, where she was head of multinational. Earlier in her career, Vagenende spent six years with AGCS in a number of roles, including head of financial institutions and head of UK market management.

Commenting on the appointment, Vogler says: “[Vagenende is] a top executive in the market with a proven track record of delivery. Her appointment also marks a significant milestone – the completion of our regional leadership, team across our 11 regions.”

Louwerier adds: “With [Vagenende’s] leadership we will be able to build an even stronger and more integrated team to serve the Allianz Commercial specialty clients, large corporations and mid-sized companies in the future across the Benelux and Nordics regions.” ■



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