captive insurance times

The primary source of global captive insurance news and analysis

March 2024 - Issue 265

Are you ready?

Marsh's AI-powered risk financing solution

Women and Diversity

An all-female panel of industry leaders discuss diversity strategies

Generative AI

Insurers have been quick to recognise opportunities

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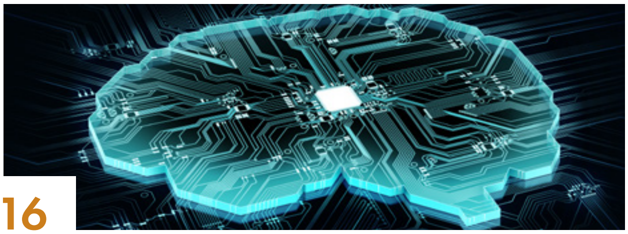

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Amy Funderburk named as general counsel at NCDOI

VCIA roadshow returning to 'home turf'

The Vermont Captive Insurance Association (VCIA) is to hold an educational roadshow on 27 March at the Hilton Burlington Hotel, Vermont. The roadshow is returning to "home turf" due to high demand, after visiting several other locations in recent years, says the Association.

Registration is open on the VCIA website now.

The session will focus on the basics of captive insurance companies, reasons for formation, feasibility process and key issues in putting a successful captive programme together.

The VCIA highlights companies in healthcare, construction and manufacturing as trending towards more captive formations. According to data from the Vermont Department of Financial Regulation (DFR), 11, six and 10 captives in Vermont in the past two years, respectively.

Three captive owners in these industries will speak on their motivations behind forming a captive: Melinda Young of NC3, David Fritzgerald of Carris Reels and Sunil Eappen of UVM Health Network.

Speakers from Vermont include Kevin Mead, president of the VCIA, Sandy Bigglestone, deputy commissioner of captive insurance at the Vermont DFR, and Christine Brown, director of captive insurance at the Vermont DFR.

A networking event will take place after the session, providing attendees the opportunity to talk to captive owners and service providers. ■

Hylant and Butler launch risk management certificate programme

Hylant has collaborated with Butler University's new initiative, Butler+, to introduce the Hylant Risk Management Certificate programme.

This initiative, aimed at Hylant clients, partners and prospective customers, is set to revolutionise professional growth in the field of risk management and insurance.

Both companies say that the certificate programme represents a significant milestone in academic-industry partnerships.

According to Hylant, the programme is comparable to two to three years of on-the-job experience.

Participants will benefit from a tailored curriculum, distinguished faculty mentors and access to Hylant's network of industry professionals.

Over the course of six weeks, participants will gain invaluable insights into identifying, analysing, evaluating and mitigating risks in their organisations more effectively.

Hylant's investment in this programme is part of the ongoing strategic partnership with Butler to educate and empower risk management and insurance professionals.

Julie Straub, senior executive director of the division of professional studies and Butler+, says: "Through this collaboration, we will provide risk managers with an accelerated learning curriculum, positioning them for success while earning credits towards a degree at Butler, if interested."

Bubba Berenzweig, CEO at Hylant, comments: "This partnership reflects our shared commitment to fostering innovation and lifelong learning."

Guernsey remains Europe's largest captive domicile

Guernsey is Europe's largest captive domicile, for the second year in a row.

The island reported 199 captives domiciled at the end of 2023, with four new captives and nine new captive cells formed last year, according to statistics from the Guernsey Financial Services Commission (GFSC).

Guernsey is also the domicile of choice for 40 per cent of FTSE 100 companies, saving UK business almost £100 million and providing specific coverage to UK businesses, as reported by Frontier Economics.

The jurisdiction has more than 100 years of captive experience.

The island's insurance industry has continuously evolved to offer specialist captive expertise to a global client base, Guernsey Finance says.

Adele Gale, chair of the Guernsey International Insurance Association, comments: "Guernsey's wealth of expertise and proportionate regulatory environment continue to make us a domicile of choice for those looking to take control of their risk."

She adds: "We are very much looking forward to hosting the first on-island captives conference in 25 years, taking place in Guernsey in June this year in collaboration with AIRMIC." ■

CIC Services launches BankInsure for small to mid-sized banks

CIC Services has launched BankInsure, an insurance product created exclusively for small to mid-sized banks.

The Tennessee-based captive management firm claims BankInsure addresses the unique challenges faced by these institutions, providing a comprehensive, smarter approach to risk management.

BankInsure offers a captive insurance approach, allowing banks to retain premiums as profit. This profit accumulation serves as a financial buffer, ensuring stability during times of uncertainty and when risks materialise.

The product is tailored to address the distinct risks banks encounter, such as cybersecurity threats, regulatory changes, economic fluctuations and unreasonably high health insurance renewal premiums.

Traditional insurance options often leave small to mid-sized banks exposed to risks with caps and limitations, and facing annual, daunting health insurance premium increases. BankInsure is designed to fill these gaps.

Christopher Gallo, managing director of CIC Services, comments: "Traditional options often fall short, leaving these institutions exposed. BankInsure is designed to be a financial safeguard, allowing banks to navigate uncertainties with confidence."

Gibraltar hits milestone

The Gibraltar government working group has convened for the first time, marking a significant milestone in the implementation of a captive insurance regime.

Nigel Feetham, minister for financial services, spearheaded the inaugural session.

Truist to sell remaining stake in TIH

Truist Financial Corporation has reached a definitive agreement to sell its remaining stake in Truist Insurance Holdings (TIH) to an investor group led by private equity firms Stone Point, Capital and Clayton and Dubilier & Rice.

TIH is a subsidiary of Truist and the fifth-largest insurance brokerage in the US.

The parties expect to complete the transaction during the second quarter of 2024, subject to regulatory approvals.

Mubadala Investment Company and other co-investors are also participating in the investment.

The all-cash transaction values TIH at an implied enterprise value of US$15.5 billion, the company says. The sale of TIH is expected to increase Truist's 31 December 2023, CET1 capital ratio by 230 basis points and increase its tangible book value per share by US$7.12 or 33 per cent. ■

During the meeting, chaired by Feetham, the minister shared the government's views on the captive legislation, laying the groundwork for further deliberations and refinements.

The working group will collaborate closely with the Gibraltar Financial Services Commission (FSC).

The establishment of a captive insurance regime represents a significant step forward for Gibraltar's financial services sector, says HM Government, demonstrating commitment to fostering innovation and competitiveness.

Symphony Grow launches "industry-first" cannabis solution

Symphony Grow, part of Texas-based insurer Symphony Risk, has launched an exclusive, "industry-first" captive insurance solution for the cannabis industry.

Through the solution and with support from the Symphony Grow team, business owners in the cannabis space can establish their own insurance company.

Using the Symphony Grow Captive, companies can protect themselves from

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

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

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risks by customising coverage that is often unavailable in the traditional marketplace.

TJ Frost, president of Symphony Grow, comments: "After 10 years of insuring cannabis companies and facing challenges in obtaining adequate and affordable coverage, we have successfully addressed a longstanding issue in the industry.

"In addition to offering more comprehensive coverages, the creation of an entity's own insurance company can yield a return on investment, in contrast to the traditional insurer and insured relationship where the premium is considered a sunk cost."

Strauss pleads guilty to "preventing seizure"

South Carolina-based lawyer Peter Strauss has pleaded guilty in a criminal fraud case involving captives.

According to the state's U.S. Attorney's Office, Strauss has pleaded guilty to "removal of property to prevent seizure".

Strauss is the founder and CEO of Hamilton Captive Management, a captive insurance management company providing management services to clients' captive insurance funds.

The U.S. Attorney's Office, District of South Carolina says: "Evidence obtained in the investigation revealed that Strauss knowingly transferred millions of dollars for Jeff and Paulette Carpoff, two individuals who have since been convicted and sentenced for their roles."

Carpoff jointly owned and operated DC Solar Solutions and DC Solar Distribution (Solar Inc), both California-headquartered renewable energy companies.

Following an investigation by the FBI regarding an alleged investment fraud and money laundering scheme being operated by the principals of DC Solar,

Strauss received US$11 million from the Carpoffs.

The first US$5 million was transferred into Strauss' Interest on Lawyer's Trust Account (IOLTA) and subsequently distributed to various criminal defence attorneys and bankruptcy counsel, as well as to the Carpoffs' captive insurance funds managed by Strauss' captive insurance management company. Strauss also received an additional $3 million, used to pay for the Carpoffs' captive insurance fund premiums, according to the U.S. Attorney's Office.

In the final transfer, the Carpoffs wired another US$3 million into Strauss' IOLTA account. Thereafter, the funds were commingled in Strauss' IOLTA account and completely spent over the next few months.

Chubb collaborates with Cytora

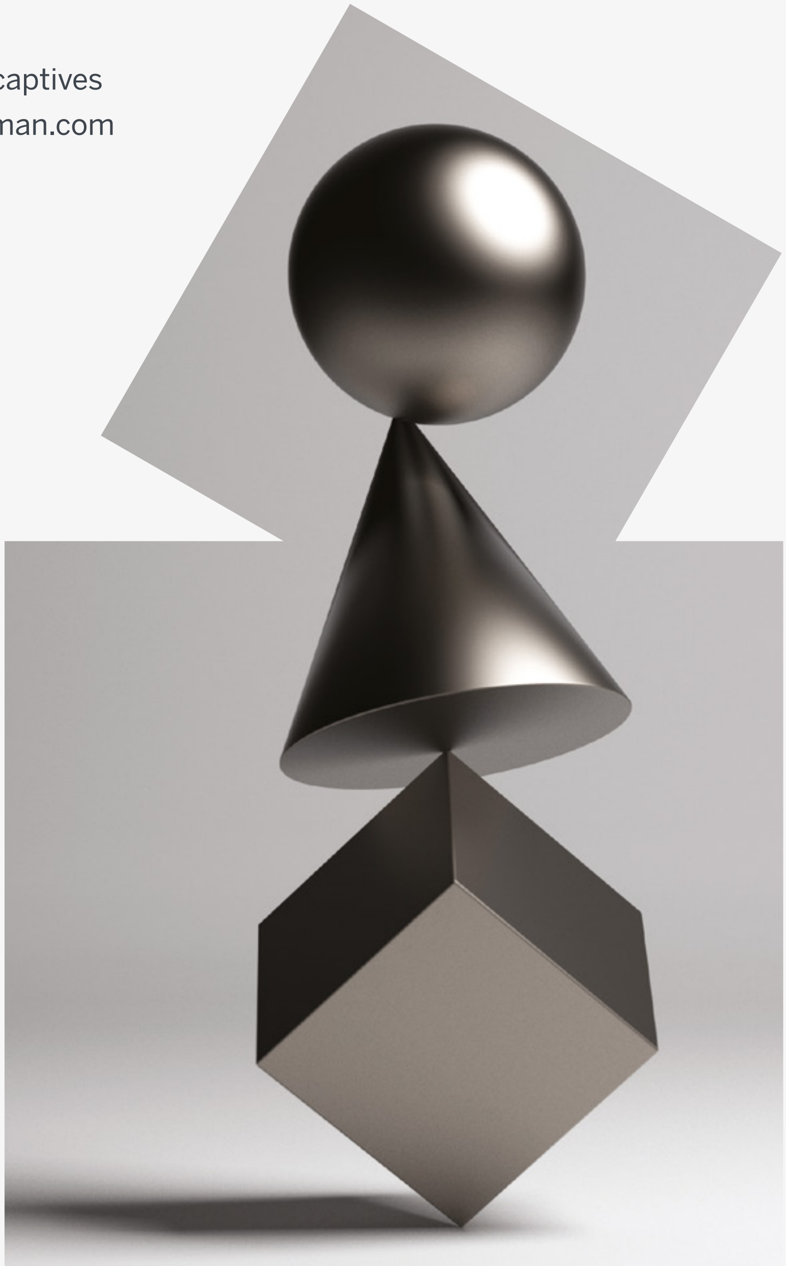
Chubb has collaborated with UK-based insurtech Cytora forgenerative AI on insurance claims processing.

This collaboration aims to transform Chubb's claims document management by automating the digitisation process.

According to the company, Cytora's platform enables insurers to operationalise data more broadly across their lines of business, including for risk clearance, onboarding and triage. In addition to operationalising data more effectively through their multi-step workflows from submission to quote, supporting underwriters to make faster, more informed decisions.

Amir Farid, Chubb's transformation officer for North America, says: "The collaboration is focused on enabling Chubb Claims documents to be automatically digitised, eliminating the need for manual intervention."

Richard Hartley, CEO of Cytora, comments: "The insurance industry is undergoing an acceleration towards a digital-first future enabling risk volume to scale at a fraction of the current cost while achieving superior control over decisioning." ■



Are you ready?

Marsh's Ellen Charnley speaks to CIT about ReadyCell, the company's AI-powered risk financing solution

What motivated Marsh to develop ReadyCell, and how does it address the challenges faced by organisations in the current commercial insurance market?

For quite some time we've used our captive technology to set us apart from other captive managers.

We aimed to continue pushing the envelope and find a way to flip the conversation — to allow for the possibility of setting up an insurer quickly and with flexibility needed for each client.

Many organisations are interested in owning their own insurance company, but the regulatory and approval processes can be lengthy and cost prohibitive.

The use of our technology, combined with the power of artificial intelligence (AI), enabled us to simplify the process, reduce costs significantly and remove barriers of entry.

In essence, ReadyCell allows organisations to take control of their risk finance and frees them from the uncertainties of the commercial insurance market.

Could you elaborate on the role of AI-powered know-your-client technology in ReadyCell and how it contributes to streamlining the formation of individual insurance companies?

Marsh's proprietary insurance-company-as-a-service (ICaaS) platform utilises AI techniques, including advanced algorithms and a large language model (LLM), to streamline and enhance the risk profiling process for potential prospects.

By intelligently analysing select criteria and consolidating information using the LLM, our AI-powered system calculates a comprehensive risk profile. T

his automated assessment and decision-making process enables us to expedite onboarding and approval procedures, providing a more efficient and accurate evaluation to ensure compliance with regulatory requirements.

Can you provide insights into the regulatory landscape and how ReadyCell's conditional pre-approved regulatory licensing from the District of Columbia Department of Insurance, Securities and Banking facilitates the insurance company formation process?

We worked closely with the D.C. regulatory body to create this process over the course of two years, allowing for streamlined and increased efficiencies. A ReadyCell is formed as a protected cell within Marsh's Mangrove Insurance Solutions PCC.

There is no risk sharing between ReadyCells — they remain segregated and have no exposure to other cells within Mangrove Insurance Solutions PCC.

What are the key features that make ReadyCell a unique and attractive risk financing solution for organisations, particularly in terms of flexibility and simplicity?

ReadyCell is a flexible solution that can be immediately used to insure a single line of coverage or a layer in a larger insurance programme. The solution can also be kept on standby for up to 18 months, readily available to assume risk when needed.

We have developed this solution to provide organisations access to risk financing solutions that were previously only available to larger companies because of complexity, cost, and timing constraints.

"Organisations using ReadyCell have the flexibility to use it within a layer of their risk tower or have it on hand for difficult renewal processes where pricing constraints or limitations exist"

Through the solution, we aim to demystify the captive industry and offer more strategic risk financing options to all client segments.

How does ReadyCell empower organisations to take greater control of their risk management, and what advantages does it offer in terms of responding to uncertainties in the commercial insurance market?

Organisations using ReadyCell have the flexibility to use it within a layer of their risk tower or have it on hand for difficult renewal processes where pricing constraints or limitations exist. Any new or emerging risks are also a good fit for ReadyCell; equally, if organisations are already experiencing challenges with a certain business line, ReadyCell could be implemented.

Could you walk us through the process by which organisations can use ReadyCell to form their own insurance company, and how it fits into Marsh's Mangrove Protected Cell Facility in Washington D.C.?

Organisations can sign up within minutes and have a ReadyCell pre-approved by the D.C regulator.

Our technology platform uses various digital tools to quickly process the application and assimilate the information for the regulator.

The client has up to 18 months to decide how specifically to use their vehicle and included in their application fee is a simple one line feasibility study.

What specific types of coverage or layers within a larger insurance programme can organisations immediately begin to insure using ReadyCell?

One of the principles of ReadyCell is 'simplicity', meaning that in order to keep costs down and processing speeds high, the transactions need to be simple.

Therefore a ReadyCell will typically have one line of coverage with limited transactions and limited loss activity, for example property or excess liability.

How does the standby feature benefit organisations, and what scenarios might prompt them to activate their insurance company during this 18 month standby period?

ReadyCell is an excellent addition to a client's overall risk finance portfolio, offering them a solution that can be set up and activated on demand.

It provides flexibility to cover for an anticipated change in coverage or costs, acting like a safety net on standby. For example, we had a client that wanted to cancel a property policy and restructure with a much larger retention in the primary layer.

However, cancellation provisions were days away from triggering the 100 per cent earned term in the policy.

Rather than cancel the policy early, the client established a ReadyCell to assume the increased retention on the new property policy that will begin when the existing policy expires.

The cost was insignificant enough that the client was willing to open the cell and wait to use it until they were ready.

How does ReadyCell contribute to Marsh's broader strategy of driving innovation and leading the digital evolution within the captive insurance sector?

Each year we make significant investment into our captive technology platform. We're committed to developing and deploying innovative, proprietary software and processes that allows for more effective, efficient and easy captive ownership.

As the world's largest captive manager, we're focused on a strategy that uses technology to constantly challenge and improve the industry and the services we provide for our clients.

Could you elaborate on how the simplified process, cost efficiency, and expert support make it especially attractive for small-to mid-sized businesses?

Historically, captives have been associated with larger organisations, but with ReadyCell we have driven down those barriers to entry.

We've simplified the process and increased the speed to an extent that smaller and medium-sized organisations can now have access to these risk financing vehicles and realise the many of the benefits that come from formalising their retained risk.

How does ReadyCell increase access to self-insurance options and cater to businesses that may be unaware of the captive concept or perceive it as suitable only for large organisations?

The idea of setting up an insurer within minutes that can cover one line of business or be put on standby for 18 months is a simple concept that can be understood universally, no matter what role you play in an organisation.

We don't even have to use the word captive or cell to explain the concept because it's just that straight forward.

Can you share any success stories or examples of organisations that have benefited from using ReadyCell in managing their risk and insurance costs on their own terms?

In addition to the property example, a contractor client recently needed to secure a US$8M limit Builders Risk insurance policy to show a lender to close the deal, but the policy was prohibitively expensive.

We had a call with the contractor on a Monday, and by that Friday a ReadyCell had been created and was underwriting the risk.

The deal closed on time, and the captive premium was set to commercial premium indications. ■

"Historically, captives have been associated with larger organisations, but with ReadyCell we have driven down those barriers to entry"

Captive currents

Riding the waves of investment and regulation in 2024

How should captive insurers navigate economic headwinds, seize investment openings, streamline operations, and address heightened regulatory oversight? Scott Kurland of SS&C Insurance Solutions, Jason Flaxbeard of Brown & Brown and Mikhail Raybshteyn of EY give advice for the year ahead

As we look ahead into 2024, what are some of the biggest economic and market-related trends that you believe pose the biggest risk to captive insurers, particularly as it pertains to their investment activities and portfolios?

Jason Flaxbeard: This year will be another growth year for captives, although it may be less dynamic than the past couple of years due to some market softening.

Once a captive assumes a particular risk — and the captive parent has agreed that that particular risk fits within the corporate appetite — it seems unlikely that the particular risk will ever make its way back into the risk transfer market.

Captives will increase in size, becoming more complex and diverse. They will form a central part of the risk strategy for their owners as they expand.

Therefore, the biggest risk to captive insurers is the speed at which the risk transfer market changes and the response time needed for the captives to respond.

Scott Kurland: Both inflation and interest rate trends will be the significant drivers for allocation decisions by captive managers on invested premiums. Additionally, reinsurance markets are expected not to soften much this year.

Combined with traditional commercial insurance premiums continuing their upward trend, we expect to see additional funds flowing into both new and existing captive structures – particularly in the group and rental captive space.

Unlike pure captives, since group captives may have less exposure to 'single-event' liabilities, they may also have more flexibility to invest premiums in broader asset types.

These could include alternatives, RMBS or CMBS securities and select credit instruments with the potential to offer higher short- to mid-term yields.

Mikhail Raybshteyn: Economic and market trends are generally helping the captive insurance and alternative risk finance market. Coverage gaps, reduced capacity, inflexibility of some commercial policies, lowered risk tolerance in commercial space and overall continuing hard market all appear to be providing fertile ground for alternative risk finance. With that said, the investment side is a bit different.

"I see a discussion where a parent can make around five per cent risk-free on its funds without taking risk, leading to broader discussions on the return required from the captive"

Jason Flaxbeard, Brown & Brown

The fluctuations in the market that seem to be driven by social issues more than economics — nuclear verdicts, heightened litigation risks — all require captives to better manage investments, seek higher returns and pay closer attention to their portfolios.

There is a heightened need for specialised captive insurance and alternative risk finance focused investment advisors and managers.

On the investment side, where do you see remaining opportunities and red flags?

Flaxbeard: Investment returns are important to captives. For single-parent captives, the investment portfolio is usually managed through parental relationships, so I don't see material discussions on investments inside captives. However, what I do see is a discussion where a captive parent can make around five per cent risk-free on its funds without taking risk, leading to broader discussions on the return required from the captive.

Kurland: In terms of investment opportunities, with higher short-term interest rates, we have seen continued interest in investment grade bonds, government bonds and even mortgage backed securities that are now offering 300-500 basis points more yield than they were two years ago.

There have also been pockets of opportunities in the private credit space, where banks have tightened their lending activities. This trend has provided an opportunity for insurers and captives to step in and provide short-term fixed or floating rate loans with more attractive yields.

Raybshteyn: The red flags are still in the grade of investments. Some captive owners may want riskier investments in their captive or less liquid investments, which may not work well in case of a large loss.

"Some captive owners may want riskier investments in their captive or less liquid investments, which may not work well in case of a large loss"

Mikhail Raybshteyn
Financial services tax partner
captive insurance services co-leader for the Americas
EY

For captive insurance regulators, the dilemma is where to draw the line. Some investments, while not basic "cash and cash equivalents", may be prudent, but not all investments may make sense.

Regulators will need to sharpen their investments IQ as well to keep up with market and available options. As previously highlighted, opportunities should exist with better matching of investments to longevity of risks taken on, history of payouts and risk factors around various investment pools. Higher return investments can be a good income option but this will most certainly come with loss risk that needs an evaluation.

"Regulators will need to sharpen their investments IQ as well to keep up with market and available options"

Mikhail Raybshteyn, EY

Operationally speaking, what advice might you give to new or emerging captives and captive managers as it pertains to positioning themselves for the best success?

Flaxbeard: Every captive, every owner, every risk, is discrete. There is no universal captive playbook. Talk to the owner, understand the risks and motivations and answer the key question honestly — "do I have an appetite to assume this risk?".

Kurland: Operationally, it's critical for today's captives to have the right technology, systems and service providers in place to allow them to pivot quickly and efficiently on the investment side. They need to be able to capture incremental yield on invested premiums through investments that are closely aligned with their expected liabilities, durations and cash flow needs. Captives should be working with systems and providers capable of accounting for all investment types — public and private, equity and credit instruments — in a streamlined and automated manner. They should also provide clear financial reporting and visibility into things such as expected cash flows and current valuations.

"Captive managers will need to demonstrate that they understand their control environment, their ability to scale and deliver reports to all parties that meet the ever-changing regulations"

Jason Flaxbeard

Executive managing director of alternative risk

Brown & Brown

Raybshteyn: Consult, inquire, network — three items that encompass a great ability to learn best practices, new market ideas and provide an insight into industry trends. Invite your market partners and industry colleagues to your clients where or as needed. This is a collaborative industry and everyone works together. At the fear of bringing others into the mix on a project, there is a risk of missing a critical point that will be harder to resolve after the fact. For captive owners and captives specifically — seek professional advice and do so from firms that have a brand name and reputation in this market. This industry has plenty. Captive insurance associations and even regulators can always suggest reputable consulting firms for each type of service.

There has been an increased focus and potential scrutiny on captives by local regulators in each of the major markets, as both the number and size of captives have continued to grow over the past two to three years. What do you think are the biggest things they will be looking out for, that captives and managers should be aware of?

Flaxbeard: Compliance is key for managers. Financial statements should be delivered accurately, efficiently and on-time. This means compliance with domicile regulations, generally accepted accounting principles (GAAP) and the captive parent's internal compliance. Captive managers will need to demonstrate that they understand their control environment, their ability to scale and deliver reports to all parties that meet the ever-changing regulations. The biggest risk in developing this is our ability as an industry to attract talent.

Kurland: Similar to traditional insurers and reinsurers, captives will be required to provide timely and accurate reporting on both their investment activities, holdings and capital or surplus balances. The regulators are most concerned with an insurer's ability to meet liability obligations from their policyholders. As captives and captive managers embark on broader and more diversified investment activities with the premiums they hold, the regulators will want to understand the true risk and exposure within the investment portfolios.

Raybshteyn: Taking into account new developments, I see regulators paying more attention to: appropriate capitalisation and financial institutions issuing guarantees, grade of investments and contractual obligations around them, and well executed and supported actuarial work, especially at the feasibility study and for captives writing more unique programmes. Outside of those, each regulator should always assess their own comfort level with each captive, its owners and business written. That comfort level does not have to be identical across all regulators but there should be commonalities in the approach, which I am sure are being discussed between captive regulators already. ■

"The regulators will want to understand the true risk and exposure within the investment portfolios"

Scott Kurland
Managing director
SS&C Insurance Solutions

Captives in Carolina

Ryan Martin, captive supervising financial analyst, South Carolina Department of Insurance speaks with Captive Insurance Times about his journey into the industry

How has your previous experience prepared you for your current role?

My time at the Mississippi Insurance Department (MID) provided me with ample regulatory experience, which has transitioned well to my current role. In particular, with regulating risk retention groups as they require more regulatory scrutiny than other types of captives.

How did you end up in the industry?

After graduating college, I sought out a financial analyst role, which led me to the MID. I subsequently relocated to Charleston, South Carolina for a change of scenery. After searching and interviewing for various jobs, I was offered a position in the captives division at the South Carolina Department of Insurance (SCDOI). I was thrilled about the opportunity as it aligned with my prior experience where I first learned about captives, which I have always been interested in.

What is the key benefit of working in captives?

The ability to work in a unique and growing industry that embraces creativity and provides an alternative solution to traditional insurance.

Who have been your influences in the industry?

Everyone I have encountered in the captive space has had an impact on me. Working for the SCDOI, it will come as no surprise that Lauren Robertson has, and continues to be, a great influence on me and the entire team of analysts we have here. She is a great chief financial analyst, role model and an all-around exceptional professional who has helped me grow in many ways and expand my knowledge of captives.

What are your aspirations for your future career?

I am learning as much as I can get my hands on to improve professionally. I proactively engage with and inform others about captive insurance, and do all I can to assist in growing South Carolina as a premier onshore captive domicile.

Going forward, I’m excited for my continued journey in the captive industry and to see where this experience may take me.

I certainly want to stay working in the captive space and find ways to add value wherever I am.

Could you give some advice for someone considering a role in captives?

Due to the ongoing hard market conditions, I see the industry continuing to grow, so get in the industry as soon as possible. Do not feel uncertain about where you are in your career or if you have no captive insurance experience – we all have to start somewhere!

If you enjoy creativity, innovation, critical thinking, building meaningful professional relationships, and thrive in an ever-changing environment, a role within this unique and diverse sector of insurance could perfectly align with your interests and career goals.

Personal Biography:

Ryan boasts an eight-year tenure in insurance, having worked as a financial analyst across multiple states. Come June, Ryan will reach his third year in captives. He is currently studying for his last Associate in Captive Insurance (ACI) course from the International Centre for Captive Insurance Education (ICCIE).

Originally from Mississippi, Ryan recently relocated to Charleston, South Carolina, where you'll find him fishing, camping and soaking up the sun at Folly Beach!

"Ryan Martin has steadily risen in the ranks of the captive division here in South Carolina due to his dedication, drive and comprehension of captives and complex risk financing programmes. He is an asset to the team, adding value by asking the right questions and setting a good example for his colleagues and those he supervises.

"Ryan has built a good rapport with the industry and is always eager to help find solutions to issues that may arise. A positive attitude and thoughtful approach characterises Ryan. There are many good things on the horizon for him, and I can't wait to see his career in captives continue to unfold!"

Joe McDonald
Director of captives
South Carolina Department of Insurance

Ryan Martin
Captive supervising financial analyst
South Carolina Department of Insurance

Work smarter, not harder

The insurance industry has been considered a 'laggard' to financial services in adopting new technologies such as the cloud. However, for generative AI, insurers have been quick to recognise opportunities. But what will this mean for workers and captive markets?

Frances Jones reports

In a somewhat surprising turn of events, the insurance industry is emerging as a frontrunner in embracing generative AI (GenAI) technology. A 2023 Celent survey found that half of insurers had tested AI solutions, with more than 25 per cent of insurers having planned to have their own solutions in production by the end of last year. “This is a seismic shift happening in the industry, which is being catalysed by insurers making major investments into the technology,” states Richard Hartley, CEO and co-founder of insurtech Cytora.

Now, what has caused insurers to pay so much attention to the technology? Fundamentally, GenAI algorithms are built on vast quantities of data, using large language models (LLMs) to identify underlying patterns and subsequently draw conclusions or make predictions from them. This function can be applied to accelerate a wide range of insurance tasks, including underwriting.

Changes for the worker bees

Insurance is built upon data; vast amounts of risk information is unstructured and heterogeneous. These characteristics require humans to spend large quantities of time reading, scrutinising and synthesising information to understand what the risk is that they want to insure, rather than making high-level decisions based on risk. Many industry leaders have recognised the opportunity for streamlining these processes using GenAI, notes Cytora’s Hartley, aiming to free up industry workers’ time to focus on “more fulfilling activities”. For instance, Daren Rudd, UK vice president of consulting and head of the insurance business and technology consulting at CGI, has found that many speciality and commercial underwriting teams are facing too many emails to handle incoming work effectively. With AI, Rudd says, “[CGI] has been able to accelerate underwriting teams’ ability to review and understand the incoming risk and then guide the underwriters on which emails to prioritise matched to their own appetites”.

Rudd suggests that this has not only freed up time for underwriters but has also offered a rapid return on investment for “organisations that are very targetted in using this approach to handle unstructured documents”. In addition to this, industry experts have noticed a greater number of insurers using the conversational capabilities of GenAI, with specific data sets, to allow underwriting and actuarial teams to interrogate their data in a different way. These short-term implications of higher worker efficiency enabled by the technology for captives will translate into more profitable captive operations, according to Cytora’s Hartley.

images by sdecoret/stock.adobe.com

> "We have worked with very large insurance organisations who are making fundamental investments in GenAI"
>
> **Richard Hartley, Cytora**

When the dust settles

As the initial hype around ChatGPT starts to dissipate, the industry is taking a broader outlook at GenAI models. ChatGPT was the poster child for GenAI technology, with the platform's seemingly limitless functions both lauded throughout 2023 and used to scaremonger, with debates around job security and the authenticity and verifiability of text and images running rife.

However, OpenAI's ChatGPT is just one of many models built on a set of these algorithms. Many other increasingly popular applications have been built on the technology, such as Google's Bard, for text-based AI, and DALL-E for text-to-image based AI. Some insurers have dismissed such platforms, that are available to the general public, as having limited uses for insurers due to the need to protect confidential data.

Fabian Winter, Munich Re's chief technology officer, elaborates: "The large GenAI tools available to the general public, while promising, are of limited use to Munich Re. This is because we have highly sensitive data; we need to ensure that the knowledge generated from these data is carefully protected." He explores this issue further in the article 'Insurers should experiment with GenAI models now.'

Adding to Winter's point, CGI's Rudd says: "The ability [for the insurance industry] to deliver on the opportunities will happen if we can provide safe and secure access to the underlying data and systems that insurers already rely on." Insurers have their work cut out to ensure efficient data protection systems are in place within their GenAI offerings, whether using in-house technology or outsourcing.

Considering the opportunity the technology presents specifically to captive insurers, Cytora's Hartley says: "a parent company will be able to transfer more risk into the captive, and underwrite more risk". Captives are expected to grow, as society enters a time of higher uncertainty primarily caused by climate change and geopolitical conflicts.

A previous Captive Insurance Times article, 'CaptiveGPT', identified the risks and shortcomings of captive insurers using ChatGPT as data overload, lack of specificity and captive insurance being so regulation-dependent.

Taking the leap

Large insurance companies have taken matters of AI into their own hands. For example, Marsh McLennan, and its management consultancy arm Oliver Wyman, have developed the company's own GenAI tool LenAI. The tool aims to enhance employee productivity, allowing more focus on client work.

The firm says early adopters at Oliver Wyman reported that they had saved an average of eight hours per week when they used the tool. Additionally, they stated that 20 per cent less time was spent on simple, repetitive tasks and was reallocated towards more complex tasks.

These firms are one of many in the industry backing in-house models. Demonstrating this point, Cytora's Hartley says: "We have worked with very large insurance organisations who are making fundamental investments in GenAI. They're saying, for example, 'We don't want our underwriters to enter data or input information ever again'." Eventually, underwriters could receive only rate and quote-ready risks, bypassing all manual and repetitive tasks.

In the past two decades, insurance has lagged behind other industries, such as banking, for technologies like cloud adoption. Industry leadership has recognised quickly this time around that they have a huge opportunity in GenAI.

Although, the industry mustn't get ahead of itself – GenAI use is still in its infancy. According to CGI's Rudd: "There is a lot more testing and investigation going on now rather than full blown use of GenAI directly in the business. A lot of work is needed in due diligence around compliance and controls to ensure the application of the technology is done with an eye on our compliance and regulatory duties."

The due diligence workload is likely to be an even larger task for captive insurers, given the previously highlighted dependency on regulation and the levels of variation between different domiciles.

Misinformation in acceleration

Apprehensiveness around GenAI technology started to emerge and build when fake photos of Pope Francis in a puffer jacket went viral last year, prompting many to share concerns about their inability to determine whether these images are real or fake. The picture, which shows the 86-year-old head of the Catholic Church donning a mid-length white puffer jacket adorned with a silver jewelled cross, is an image generated by AI software Midjourney. First shared on discussion website Reddit, this was just one of a series of 'deepfake' images that left people concerned and confused.

You may be wondering how an AI-generated picture of the Pope relates to captive insurance. Well, captives can pretty much cover anything, including copyright infringement or misinformation. CGI's Rudd spoke to one media underwriter who has been assessing potential new exposure of copyright infringement, such as using GenAI to produce images used within a film or advert.

He notes that "there has been a lot of discussion around the images these models produce to generic prompts and the similarities to golden robots and short Italian plumbers with a striking resemblance to well-known designs owned by large corporations." Hence, there is an opportunity for captives to swoop in and fill market gaps created by these new exposures produced by AI.

The Pope picture is also emblematic of a wider concern of the increased risk of misinformation and disinformation. The WEF's Global Risks Report 2024, produced in partnership with Marsh McLennan and Zurich Insurance Group, found that survey respondents perceive societal risks — such as misinformation and disinformation, accelerated by AI — to have increased exponentially. Close to three billion people are expected to head to the electoral polls across several economies, including Bangladesh, India, Mexico, Pakistan, the UK and the US, over the next two years. The report identifies fears that the above risk will undermine the legitimacy of newly elected governments, which could result in further civil unrest. The proliferation of the falsification of information and images will no doubt affect all industries, including captive insurance.

"Apprehensiveness around GenAI technology started to emerge and build when fake photos of Pope Francis in a puffer jacket went viral last year, prompting many to share concerns about their inability to determine whether these images are real or fake"

Job security

Among other fears around GenAI, the concern that the technology will take people's jobs is one of the largest across all industries, and insurance is no exception.

Cytora's Hartley assures that for the insurance industry, AI adoption will in fact have the opposite effect. "Insurance will be one of the industries where they'll see much more opportunity to hire people for new roles," he says.

Hartley predicts that AI will be a huge driver for economic growth. For instance, new jobs will be needed that focus on training AI platforms to perform well.

Other roles will include looking at which risks should be fully automated, which risks require human judgement and where human oversight should be applied, and how subtle changes in the risk can be identified and acted on.

CGI's Rudd identifies a further opportunity for insurers to upskill staff and enhance their roles to provide higher value services across administration, operations, underwriting and claims with the time freed up by these new capabilities.

For captive insurers, this chance to develop their skills further could encourage more young people to join the workforce.

Excited about the prospect, Hartley says that as the proportions of their role shift away from repetitive tasks, "industry participants, particularly underwriters and claims handlers, will get more satisfaction from their roles". ■

Breaking the captive glass ceiling

The benefits of diversity in the workplace are widely known, although achieving it is not a 'quick-fix' solution. While centuries of systemic gender and racial biases remain deeply entrenched in society, an all-female panel of industry leaders at the World Captive Forum discusses challenges to leadership and diversity strategies for companies

Frances Jones reports

"If you find talking about gender and race uncomfortable, imagine living it," stated Melissa Hollingsworth, addressing the audience of an all-female panel discussion on diversity. According to panellists at this year's World Captive Forum, the captive industry needs to keep discussing and prioritising diversity to create an impact.

Hollingsworth, enterprise risk manager at Atlanta Housing, lauded the achievements of the other leading female figures on the panel. The star-studded line up boasted Anne Marie Towle, CEO of Hylant Global Risk and Captive Solutions, Rae Brown, assistant vice president of captive insurance solutions at GPW and Amy O'Brien, vice president of carrier practice sales at Gallagher Bassett.

All speakers, in turn, expressed excitement and gratitude for one another and for the opportunity to discuss a topic clearly close to their hearts as the conference's only all-female panel. There were six all-male panels and roughly 15 mixed panels at the event, according to the host Business Insurance's agenda.

No-brainer?

Diversity encompasses race, ethnicity, gender, age, sexual orientation and more; Hollingsworth asked the panel how they factor diversity into their hiring processes.

"Captives is a niche industry; some people aren't aware of it and don't understand it," Towle responded. She continued to explain that Hylant aims to promote understanding of the industry among those with different backgrounds. The priority during the hiring process, she says, is to create an inclusive environment that we want to work in.

"We want to cross borders and time zones, bringing in different experiences and career paths. [At Hylant] it doesn't matter where you come from, or where you're based, but how you fit into the Hylant family. We need different generations to learn from each other."

Diverse companies are 70 per cent more likely to capture new markets, said Hollingsworth, listing the numerous statistical benefits of companies having diverse teams.

She also mentioned that more than three in four job seekers consider diversity when deciding whether to accept a job offer. Affirming this with her own lived experiences, Hollingsworth stated that she had "turned down job offers for lack of diversity", and was glad that she had done so. Additionally, inclusive teams are more than 35 per cent more productive and make better decisions 87 per cent of the time, according to a 2017 McKinsey Diversity & Inclusion global market report. Given the evidence, surely it's a no-brainer that diversity should be a central consideration for all companies, not just captives, in their hiring processes.

Before answering Hollingsworth's question, Brown contemplated the differences in the concept of diversity, a term open to interpretation, across organisations. However, her advice for all firms is the same.

"I try to be blind in the hiring process. Gender or race is not important; what's more important is whether the candidate is a good fit for the culture." Brown went on to say that she's currently trying to impart what diversity means to her to achieve a 'roll-down' effect in her company, recommending that other senior leaders follow her approach.

Changing attitudes and strategies

There is no doubt that the 2020s have witnessed changing attitudes towards diversity, with its benefits to companies being touted and initiatives — including Amplify Women in captive insurance — being introduced to tackle a lack of diversity in the industry. This move has been catalysed by societal movements, such as Black Lives Matter and #MeToo. These awareness campaigns have spotlighted deep-rooted societal discrimination and prejudice, primarily against ethnic minorities, women and the LGBTQ+ community.

Observing change, Towle commented that Gen-Z are making progress towards inclusion; the workplace is becoming more representative. When asked about her strategy to ensure diversity and inclusion in the workplace, she highlighted that "a lot of organisations recruit from the same universities. We need to look elsewhere; we're looking at pockets of different people, and the value they add is tremendous".

"A lot of organisations recruit from the same universities. we need to look elsewhere; We're looking at pockets of different people, and the value they add is tremendous"

Anne Marie Towle
CEO
Hylant Global Risk and Captive Solutions

The discussion then centred around pulling talent from more diverse pools. Hollingsworth added: "As an industry, we tend to utilise the same resources for new hires." She went on to explain that changing this is particularly important given the large talent gap in captives, which is expected to be exacerbated with numerous retirements anticipated over the next three to five years.

Further benefits are that people from different backgrounds sitting together is conducive to organic learning. "This is an opportunity to elevate young people. It's incumbent that each of us actively remove our biases, otherwise it's not going to change. It takes effort; that's the differentiating factor," Towle said.

O'Brien, Towle and Hollingsworth praised mentorship programmes as vital to promoting the captive industry.

O'Brien described an internship programme Gallagher Bassett is hosting this summer for students from historically Black schools: Howard, Clark-Atlanta and North Carolina A&T University. The internship, named IN2GB, will give students the opportunity to gain real-world experience and foster interest in insurance careers after graduation. In 2025, the company plans to increase the number of students participating from five to 10.

Towle gave another example. In partnership with Butler University, Hylant launched an initiative at the high school level. "This is an important measure to include more people from different backgrounds. Maybe some are not on track for college; our employees don't have to be college graduates. With college fees becoming expensive, tapping into other avenues is going to increase diversity."

Brown gave her internal strategy: transparency. "I'm in a same-sex marriage and that used to be taboo. I was in a C-suite interview, the CEO said to me: 'tell me something about you'. I said I was a lesbian — I needed to gain his trust, because he would've found out eventually.

"He replied: 'That's fine — as long as it doesn't leave this room.' I took the job, but I left after a while because I couldn't be my authentic self."

Having conversations about diversity allows people to feel comfortable in being themselves and promotes a culture of inclusivity. Hollingsworth added: “I’ve had to change myself to make people comfortable. Once I stopped doing that, I lived a happier life.”

Considering how this can be achieved, O’Brien articulated: “We talk a lot about mindfulness — and that certainly applies here... Read the room, be aware of how you treat people and how you come across in your words, tone, facial expressions and body language.”

"We talk a lot about mindfulness — and that certainly applies [to creating an inclusive culture]... Read the room, be aware of how you treat people and how you come across in your words, tone, facial expressions and body language"

Amy O’Brien
Vice president of carrier practice sales
Gallagher Bassett

Historical hindrances

In a traditionally male-dominated industry, the women agreed that their journeys to the top had not always been easy. According to the Insurance Museum, the first evidence for women working in insurance was recorded in 1797, when Elizabeth Stimson replaced her deceased husband as an agent for Norwich General Assurance. Despite the first appointment being a brokerage role, historically, it was widely assumed that women were better suited to undertaking routine, repetitive tasks. For the industry, this meant administration type roles: copying letters and filling in forms rather than auditing, agent or leadership roles.

Although the insurance industry has made strides towards gender equality — McKinsey reported that 66 per cent of insurance workers in entry level roles were female in 2022, compared to 48 per cent in other industries — there is still progress to be made across all organisational levels.

Women make up less than 7 per cent of CEOs in the insurance sector, according to 2023 research by London-based specialist employment law firm GQ|Littler. Furthermore, as of 2021 only 29 per cent of senior executive positions were held by women, as reported by the Million Women Mentors’ Women in Insurance Initiative. These figures, combined with the disproportionately large number of women in entry-level administration roles, imply that the historical assumptions regarding women in insurance still prevail. More, and continued work is needed to equalise the gender split in senior leadership.

"Companies should avoid tokenism. It doesn't feel good. It made me feel uncared for. I felt I'd been selected only for what I look like which resulted in me doubting my professional abilities."

Melissa Hollingsworth
Enterprise risk manager
Atlanta Housing

Considering the additional challenges to leadership women in the industry face, Towle said: "Women are much harder on themselves than men. We ask: 'Am I worthy enough?' We try to multitask, we doubt ourselves."

A symptom of systematic bias

The other panellists agreed, and Brown vocalised that she had experienced imposter syndrome during her senior leadership career. Imposter syndrome is loosely defined as a person's inability to believe that their success is deserved or has been legitimately achieved as a result of their own efforts or skills.

Brown is far from the only woman in a high-up position that has experienced this. Back in 2018, former US First Lady Michelle Obama said that she still experiences imposter syndrome.

It is possible to see Towle's sentiment in Obama's previous comments: "My advice to young women is that you have to start by getting those demons out of your head. The questions we ask ourselves — 'am I good enough?' — they haunt us, because the messages that are sent from the time we are little are: maybe you are not, don't reach too high, don't talk too loud."

The term for the syndrome was first introduced in 1978, when psychologists Pauline Rose Clance and Suzanne Imes noticed that their high-level female students were displaying self-doubting tendencies that they themselves had experienced. Although many psychological factors — such as upbringing — were identified as contributing factors, and while men do experience it, imposter syndrome disproportionately affects women. The term is a symptom of wider systemic and structural gender biases that women have to contend with, both within the workforce and in wider society.

Talisa Lavarry, author of Confessions From Your Token Black Colleague, reflected on her experience of impostor syndrome during her years in leadership at a corporate event company. In the book, she recognised that it wasn't a lack of self-confidence that held her back during her career; it was facing systemic racism and gender biases.

While white males in the same roles have full confidence placed in them, and mentors that look like them, women, especially Black women, often experience the opposite. During the panel, Hollingsworth stated: “Nearly 10 times out of 10, I’m the only Black woman in the room; I try not to let it hold me back.”

At the same time, while prioritising diversity, Hollingsworth made the point that companies “should avoid tokenism”. Adding her experiences of the performatory practice, “it doesn’t feel good. It made me feel uncared for. I felt I’d been selected only for what I look like which resulted in me doubting my professional abilities.” She deemed tokenism as counterproductive and not beneficial to an organisation.

Brown and Hollingsworth insinuated that the industry is only at the start of the journey, not the end. Instead of organisations falling into pitfalls such as ‘box-checking’ or tokenism, they highlighted the importance of ongoing conversations and continual conscious efforts to address biases if companies are to achieve real change.

Overcoming challenges

Now, how have these three women overcome additional challenges and structural barriers to their current leadership roles?

O’Brien shared her journey to the top. “Often I would be the only female in meetings, and I would sense that people would think ‘does she know about claims management?’ To address this, I always came well prepared and showed that I did.” Reflecting on how she overcame feelings of imposter syndrome, Brown stated: “I would remind myself that my achievements were mine, that I was adding value to a meeting; they want me here, I have resources.” She added that one of the biggest obstacles in her career has been herself, something that she has had to keep working on.

Crucial to note, Towle said, is that “men who are less qualified will apply for the job, while women won’t if they don’t think they meet every requirement. Apply for that job — you are qualified.”

"[In order to overcome imposter syndrome] I would remind myself that my achievements were mine, that I was adding value to a meeting; they want me here, I have resources"

Rae Brown
Assistant vice president of captive insurance solutions
GPW

In the captive insurance industry and wider society women feel 'doubted', and as a result can be more qualified and better prepared than most men in the room yet still not feel that they deserve to be there.

Obama gave advice to young women during a speech at the Southbank Centre: "I have been at probably every powerful table that you can think of, I have worked at non-profits, I have been at foundations, I have worked in corporations, served on corporate boards, I have been at G-summits, I have sat in at the UN; they are not that smart."

The gender pay gap

Unfortunately, the gender pay gap still very much exists in today's society. According to Pew Research Centre, the estimated 18 per cent gender pay gap in the US has remained stable over the past 20 years. Additionally, women working full time in the US are still paid just 84 cents to every dollar.

On pay equity, Hollingsworth shared: "I've struggled with this throughout my career. I've had to fight to be paid my worth, and only recently have I reached that of my peers."

The panellists subsequently considered how to address this in the workplace. O'Brien said: "You need to ask for market adjustment. Feel comfortable having those conversations; you deserve to be compensated equally to your male peers. Have a personal board of directors who you can talk to confidentially — or a mentor — to help you make that decision."

Towle added: "Sometimes you don't always ask. How do you think a male in this position will be compensated? Look it up." In terms of pay, their advice is to be confident: ask for more and do your research.

Hollingsworth addressed all the additional financial burdens of being a woman, "we're care givers, the pink tax exists — we have to pay more just for being a woman." Don't be afraid to walk away, turn down pay, renegotiate and you will get what you want or deserve; "the worst they can say is no," she concluded.

"I have been at probably every powerful table that you can think of, I have worked at non-profits, I have been at foundations, I have worked in corporations, served on corporate boards, I have been at G-summits, I have sat in at the UN; they are not that smart"

Michelle Obama

"Lay it all down on the table. Don't settle; ask for more. I would always encourage people to 'go for gold'; negotiate what you deserve — value yourself. It's not okay to take less than you deserve," Brown assured the women in the room.

A way to go

When they heard the subject of the panel, some people got up and left the room. The panel, although well attended, was not as packed as it should be. This further highlights the importance of having discussions such as these. The more conversations on the topic, the more strategies shared and the more the industry will learn. In her closing statement, Hollingsworth said: "Having a truly diverse company is a win-win: we all want to succeed; these are tangible benefits that we're seeing." ■

Amy Funderburk named as general counsel at NCDOI

Amy Funderburk has been appointed as general counsel at the North Carolina Department of Insurance (NCDOI).

Funderburk assumes the role previously held by John Hoomani, who was] named as the department's chief operating officer last month.

She has more than two decades of legal experience, first joining the state's department of justice as an assistant attorney general in 2006.

Funderbank joins the NCDOI from North Carolina's credit union SECU, where she was assistant corporate secretary and legal counsel before being promoted to board governance lead.

Her previous state government experience also includes work as deputy counsel for the Administrative Office of the Courts and clerk of court for the Supreme Court.

North Carolina insurance commissioner Mike Causey says: "Amy is a highly experienced and dedicated public servant who brings a wealth of knowledge in government to this important position.

"I am confident that Amy will bring the same level of service and commitment to the department." ■

Gene Pompili appointed president of ClearPoint

Health benefits platform ClearPoint Solutions has appointed Gene Pompili as president.

In his new role, Pompilli will oversee strategic leadership, client engagement, operational oversight and team management.

He will also be responsible for executing the strategic vision for group captives, driving business development initiatives, and identifying and pursuing growth opportunities.

Pompili has more than 30 years of insurance industry experience, holding various leadership roles in the healthcare sector. He has specialisms in medical stop-loss, group health captives and helping small and middle-market employers use self-funding.

Pompili joins ClearPoint from Oswald Companies, where he was vice president and group benefits risk leader.

Align appoints James Anderson as CFO

Align Risk Solutions has appointed James Anderson as chief financial officer

In his new role, Anderson will collaborate with executive vice president of accounting and operations, Candi Rogers.

Together, they aim to elevate Align's financial performance and execute the company's strategic roadmap.

Former chief financial officer, Jeff Rice, will transition into an advisory role, providing insights and support to Anderson, Rogers and the entire Align team.

Previously, Anderson held a three-year tenure as director of strategy and risk analysis

at Align where he facilitated acquisitions, company strategy and development.

Commenting on the appointment, Andy Rhea, president at Align, says: “[James’] experience and strategic mindset align with our vision for the future.

“We believe James will play a crucial role in driving our financial success and achieving our growth objectives.”

Aon appoints Roman Romeo as CEO of Bermuda reinsurance

Aon has appointed Roman Romeo as CEO of its reinsurance solutions Bermuda unit, effective 1 April. He will report to Tony Fox, CEO and chairman of reinsurance solutions Bermuda, who will remain as chairman.

Romeo will lead Aon’s Bermuda reinsurance operations while continuing to create a collaborative environment that the firm says draws on the expertise of their global network.

Romeo joined Aon in 2022 and brings more than 23 years of industry experience to his new role. This includes six years at (re) insurer Axis Capital, where he was president, head of property of Axis Specialty Limited, and eight years at reinsurer PartnerRe, where he served as senior underwriter of property catastrophe. ■

Dylan Feringa promoted to director and vice president at PNC

Dylan Feringa has been appointed director and vice president of insurance and specialised industries asset management at PNC.

He is promoted from vice president of insurance and specialised industries asset management.

In his new role, Feringa will consult with commercial insurers and captive insurers on institutional investment solutions, focusing on holistic and individually developed portfolios for insurers’ asset management needs.

Feringa first joined PNC as a consultant in 2020. Prior to that, he held a number of banking positions at JPMorgan Chase & Co.

Commenting via Linkedin, Feringa says: “With this promotion I will be relocating from Denver, Colorado to the beautiful city of Chicago, Illinois. [I am] excited for this next step in my career with PNC.” ■

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