

THE HUMAN FACTOR

Dynamics in captive insurance decision-making

Captives.Insure's Joe McDonald and Luke Renz
discuss how human dynamics shape successful captive
insurance programmes beyond financial metrics



Technology

Industry experts assess whether
AI's rise in captive insurance
lives up to the hype

North Carolina

Lori Gorman and Joe
Rosenberger discuss the state's
growing captive market

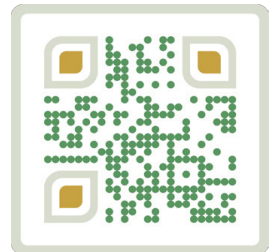
Investment

Experts from Yousif Capital
Management explain the benefits
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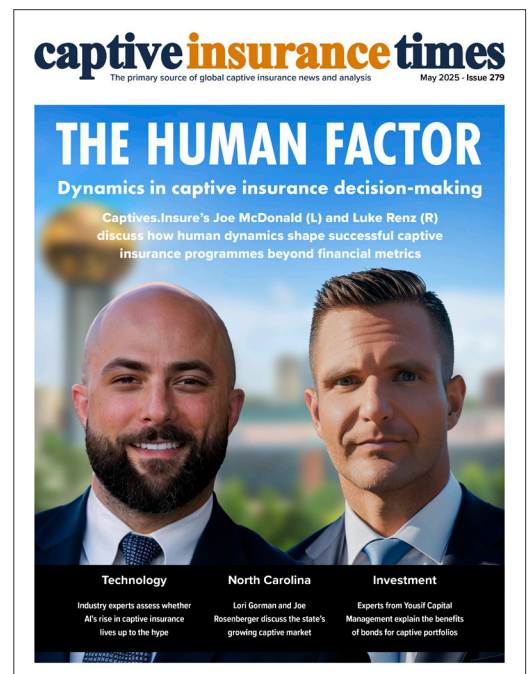
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06

News Focus

Kansas enacts protected cell captive legislation



20

Ratings Roundup

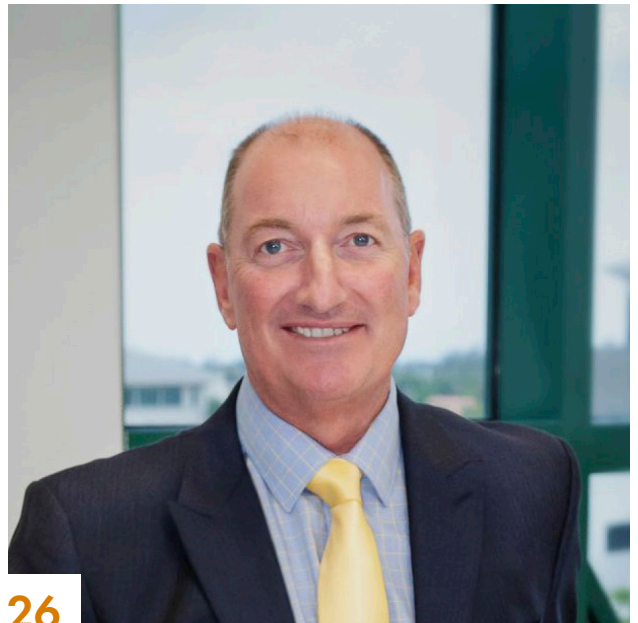
AM Best affirms ratings of ConocoPhillips captive



22

The human factor

Captives.Insure's Joe McDonald and Luke Renz discuss how human dynamics shape successful captive insurance programmes



26

Innovation, resilience and global competitiveness

IMAC's Kevin Poole in conversation with Diana Bui about Cayman's latest regulatory developments



32

Old rules, new players

Industry experts gather to examine the rise of captives in Latin America, where their number has doubled over the past decade



38

Strategic value of BBB-rated bonds

Experts from Yousif Capital Management explain how integrating BBB-rated bonds can deliver resilient returns



44

New era of maturity and innovation

Lori Gorman and Joe Rosenberger discuss how North Carolina is evolving in its captive insurance market



50

AI and the next chapter for captives

Diana Bui speaks with industry experts to test whether AI's growing momentum in captive insurance lives up to the hype



58

Emerging Talent

PNC's Anne Ritts talks to Diana Bui about what she enjoys most about working in the captive insurance industry



62

Industry Appointments

Samsom appointed Vermont DFR commissioner



Kansas enacts protected cell captive legislation

Kansas has become the latest US domicile to authorise protected cell captive insurance companies after Governor Laura Kelly signed House Bill 2334 into law earlier this month. The act lets sponsors establish protected cell captives in stock, mutual, non profit or LLC form, with each cell's assets and liabilities ring-fenced from every other cell.

Captives that redomesticate to Kansas will owe premium tax only on direct and assumed business written after the move, and may elect a one year holiday from that tax.

The statute further provides that the captive premium tax in K.S.A. 40-4310 satisfies all state and local tax obligations of a captive insurer.

Minimum core capital is set at US\$100,000, and the insurance commissioner is empowered to issue provisional certificates of authority to new formations.

From 1 January 2026, HB 2334 also trims the general insurance company premium tax rate to 1.98 per cent, and incorporates the latest NAIC accreditation updates.

The law takes effect on publication in the 2025 statute book, a date usually falling in the first week of July.

Lawmakers approved the measure with House and Senate votes of 113–10 and 40–0 respectively, followed by near unanimous conference committee concurrence on 27 March.

Industry supporters say the protected cell regime and redomestication relief will position Kansas as a Midwestern rival to Vermont and Tennessee for captive business.

The Kansas Insurance Department is expected to release application guidance and draft regulations for public comment later this summer. ■

Navigate Re debuts in Guernsey

Navigate Re, a newly formed Category 6 special purpose entity in Guernsey, has officially launched following regulatory approval from the Guernsey Financial Services Commission (GFSC). The reinsurer, backed by Polo Insurance Managers, aims to provide investors with access to insurance-linked returns, leveraging Guernsey's regulatory framework and commercial environment.

Navigate Re is sponsored by Erithmitic and led by principals Solomon Garber and Atit Jariwala, who bring extensive experience in insurance and alternative investment strategies.

Garber states: "The launch of Navigate Re represents an exciting step forward in our mission to build a nimble, investor-focused reinsurer. Guernsey offers an exceptional foundation for innovation in reinsurance, and we are proud to be part of that ecosystem."

Jariwala adds: "We believe there is strong demand for sophisticated, transparent access to insurance risk. Navigate Re is built to meet that demand, and we are thrilled to be working with the team at Polo Insurance Managers to make this vision a reality."

The company's strategy focuses on the reinsurance of annuities and other insurance products, aiming to deliver consistent risk-adjusted returns, capital efficiency, and effective asset liability matching for clients.

Mark Elliott, CEO of Polo Insurance Managers, highlights that the firm is "delighted to have supported Solomon and Atit on the formation and ongoing management of Navigate Re."

He adds that the launch "further reinforces Guernsey's position as the premier European domicile for innovative reinsurance structures." ■



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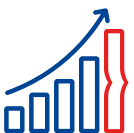
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CIC Services files second lawsuit against IRS over captive rules

CIC Services has launched a second lawsuit against the US Internal Revenue Service (IRS), accusing the agency of regulatory overreach that threatens small and mid-sized businesses.

The Knoxville-based firm, which helps companies form and manage captive insurance arrangements, filed the complaint in the US District Court for the Eastern District of Tennessee.

It seeks to overturn a new IRS rule that CIC Services says closely resembles a previous regulation already struck down in court.

In 2021, the US Supreme Court issued a unanimous decision in favour of CIC Services, affirming that federal courts can review and potentially block IRS rules deemed unlawful.

The case centred on IRS Notice 2016-66, which the courts found had been

issued without following the required rule-making procedures.

Despite the Court's decision, the IRS has since issued a final rule earlier this year about micro-captive listed transactions and micro-captive transactions of interest.

CIC Services argues the rule "imposes burdensome reporting requirements, creates reputational risk, and threatens both participants and advisors with potential penalties and criminal liability — without supporting evidence or compliance with administrative law".

According to the firm, while large corporations have long used these structures, Congress introduced Section 831(b) of the Internal Revenue Code to extend similar benefits to smaller enterprises. These include stable premiums, flexible coverage options, and the opportunity to retain underwriting profits.

CIC Services claims the IRS continues to mischaracterise such arrangements as abusive, without providing supporting data or following administrative law as directed by the courts.

The new lawsuit asks the court to vacate the final rule and block its enforcement against CIC Services, its clients, and affiliated advisers.

The company stresses that this case goes beyond one regulation, arguing it is a broader fight to protect businesses from unchecked government action.

"The perception that the IRS isn't accountable under the Administrative Procedure Act is no longer true," says Sean King, general counsel for CIC Services.

"We've shown once that they can be challenged — and we're ready to do it again." ■



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Piedmont Water Company challenges IRS

Piedmont Water Company, based in northeast Georgia, has filed a lawsuit against the Internal Revenue Service (IRS) in US Tax Court over the disallowance of US\$507,000 in tax deductions tied to its captive insurance arrangement.

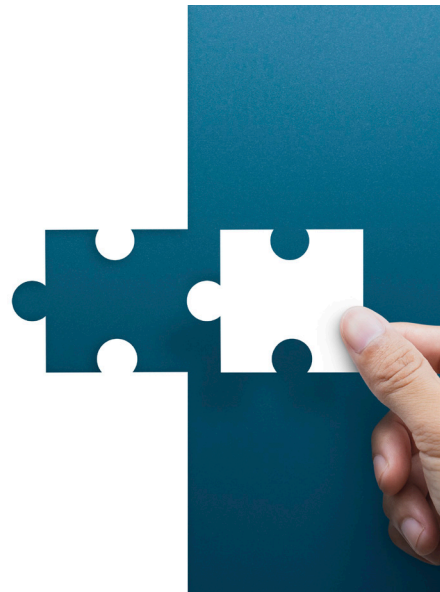
The utility claims the IRS wrongfully denied deductions for premium payments made to Fortis Captive Insurance, alleging that Fortis met all requirements of a legitimate insurance entity.

The case aligns with a broader wave of litigation involving small and midsize companies pushing back against the IRS's scrutiny of micro-captive insurance transactions.

Piedmont argues that Fortis was adequately capitalised, distributed risk among policyholders, and provided actual insurance services beyond tax benefits.

The IRS has increasingly challenged captive insurance structures, particularly micro-captives, which it claims are often used to generate improper tax deductions.

Piedmont's case adds to more than a dozen similar suits currently before the Tax Court, as businesses seek judicial validation of their captive insurance models. The company is asking the Court to reverse the IRS's determination and recognise the deductions as legitimate under federal tax law. ■



Hylant Toyota Insurance Services launches

Hylant and Toyota Tsusho America have launched Hylant Toyota Insurance Services to serve the insurance and risk management needs of Japanese-owned businesses operating in the US.

The new firm will provide customised brokerage and risk solutions for Japanese enterprises across a range of sectors, drawing on Hylant's insurance expertise and Toyota Tsusho's global network.

Toyota Tsusho's insurance arm, Loyalty Group Insurance Services, has long provided insurance support to Japanese companies abroad, and the partnership is expected to enhance access to specialised coverage and consulting.

Bubba Berenzweig, CEO of Hylant, remarks: "Hylant Toyota represents the best of both worlds — combining Hylant's long-standing experience in risk management with Toyota Tsusho's trusted relationships and industry knowledge." ■

Cowbell introduces PI and cyber cover for UK tech firms

Cowbell has launched Prime One Tech, a combined professional indemnity (PI) and cyber insurance offering tailored for UK technology companies with up to £1 billion in annual turnover. The new product offers coverage limits of up to £5 million and marks Cowbell's first move beyond standalone cyber insurance in the UK market.

Prime One Tech integrates Cowbell's Prime One cyber programme with dedicated PI coverage for technology firms, and includes support from Cowbell Co-Pilot, an AI-powered tool that reduces contract review times by up to 40 per cent.

According to Cowbell, the launch responds to demand from UK brokers and the growing needs of the technology sector, which is valued at £902 billion and ranks third globally in size. Cyber threats in the UK increased 16 per cent in 2024 compared to the previous year, prompting insurers to expand solutions for businesses facing growing digital and operational risks.

The policy includes coverage for cybercrime, data loss, breach of contract, IP infringement, subcontractors, unpaid invoices, and media liability, with no exclusions for guarantees or consequential damages.

Claud Bilbao, underwriting and distribution at Cowbell UK, states: "These companies — whether software, hardware, communication, or technology service businesses — need tailored, innovative solutions that keep pace with the industry's rapid evolution."

He adds: "With Prime One Tech, we're delivering exactly that: a comprehensive, adaptive solution covering risks like data breaches, software failures, cyber loss and liability, empowering technology companies to thrive with confidence." ■

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IRS extends micro-captive disclosure deadline

The US Internal Revenue Service (IRS) has extended penalty relief for taxpayers and advisors involved in certain micro-captive insurance transactions, following the release of final regulations on disclosure requirements earlier this year.

In Notice 2025-24, published on 11 April, the IRS stated that individuals and entities who failed to file mandatory disclosure forms for specific micro-captive arrangements may avoid penalties if they submit the required documentation by 31 July 2025.

This includes Form 8886 for participants and Form 8918 for material advisors, both of which must be filed with the Office of Tax Shelter Analysis (OTSA).

The relief applies to penalties under sections 6707A(a) and 6707(b) of the Internal Revenue Code, which address failures to disclose reportable transactions.

It does not cover other reporting obligations, such as filing disclosures with tax returns or maintaining lists of clients, which remain in effect.

The move comes in the wake of the IRS's finalisation of regulations in January 2025 that formally identify certain micro-captive insurance structures as either "listed transactions" or "transactions of interest".

These classifications carry strict disclosure and recordkeeping rules, and failure to comply can lead to significant penalties.

Micro-captive transactions have appeared on the IRS's 'Dirty Dozen' list of tax avoidance schemes for several years.

The agency continues to challenge arrangements it views as abusive and has disallowed associated tax benefits in audits and litigation. ■

Bitcoin can help captives hedge inflation, says Meanwhile's CEO

Bitcoin could offer captive insurers a valuable tool to preserve the value of reserves in high-inflation environments, according to Meanwhile co-founder and CEO Zac Townsend, following the firm's US\$40 million Series A funding round.

Meanwhile secured the investment in a round led by Framework Ventures and Fulgur Ventures, with participation from Xapo founder Wences Casares. It builds on US\$20.5 million in earlier seed funding backed by OpenAI's Sam Altman and Mouro Capital.

Licensed and regulated by the Bermuda Monetary Authority, Meanwhile is currently the only insurer authorised to denominate and report its financials in bitcoin. It meets global solvency standards equivalent to Europe's Solvency II.

The company says that Meanwhile's flagship product is a whole life insurance policy entirely in bitcoin, offering guaranteed payouts, tax-free loans, and partial withdrawals — all designed to preserve value across generations.

According to Townsend, the same principles could apply to captives seeking to hedge against inflation, diversify reserves, or develop crypto-focused coverage.

"Digital assets open up new product opportunities for captives — especially those serving crypto businesses or operating across borders," he notes.

Michael Anderson, co-founder of Framework Ventures, says the appeal of Bitcoin-based insurance lies in its relevance to people who lack confidence in local currencies: "For them, bitcoin-based insurance could be a total game-changer." ■



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Zhibao Technology launches reinsurance arm in Labuan

Insurtech firm Zhibao Technology has launched a new reinsurance subsidiary, Zhibao Labuan Reinsurance Company, to focus on general reinsurance business outside mainland China.

Zhibao's existing revenue streams are primarily derived from brokerage and managing general underwriter (MGU) fees through partnerships with insurers.

The firm expects Zhibao Labuan to open a fresh revenue avenue through reinsurance premiums and potential underwriting profits linked to reinsured policy performance.

It states that if it typically earns a 20 per cent commission on a policy and Zhibao Labuan takes on a corresponding 20 per cent reinsurance risk, this creates the potential to double its revenue on that policy. The company adds that proceeds from the investment of premiums could further boost the group's profitability.

Zhibao Labuan is expected to eventually participate in a small portion of the insurance premiums generated by Sunshine Insurance Brokers and Zhibao Health.

While the reinsurance unit expands Zhibao's capabilities, the company remains primarily focused on its core brokerage business, with Zhibao Labuan playing a targeted, minority risk-taking role.

Botao Ma, CEO of Zhibao, says: "I am excited about gaining access to the thriving Labuan insurance market, an internationally recognised hub for reinsurance providers."

He described the initiative as "a new frontier for revenue" and notes that it is rare for a brokerage to establish a risk-carrying entity, positioning Zhibao as an innovator in the sector.

Zhibao's upstream subsidiaries, with detailed knowledge of clients and underwriting terms, will help select suitable business for Zhibao Labuan. ■

Chaucer and Armilla launch AI liability cover

Chaucer Group has launched a new third-party liability (TPL) insurance product with Armilla AI to address the risks of AI system underperformance. The cover, available to US insureds with global territorial limits, is led by Chaucer and protects against liabilities arising from issues such as AI hallucinations, model drift, and other deviations from expected behaviour. The policy also includes legal defence and liability protection for claims linked to AI performance failures, reflecting a growing demand for broader, more specialised coverage.

This marks the second collaboration between Chaucer and Armilla, following a warranty-style product designed to meet rising market appetite for AI risk protection. The partnership began during Armilla's participation in a Lloyd's Lab insurtech cohort, where Chaucer supported the company's development and sponsored its coverholder application at Lloyd's.

Tom Graham, head of partnership and innovation at Chaucer, says: "AI is reshaping the risk landscape — and that requires fresh thinking from the insurance market.

"Our partnership with Armilla AI has enabled us to co-develop a product that not only recognises the complexities of AI underperformance but provides meaningful coverage that supports innovation, transparency and accountability."

Karthik Ramakrishnan, CEO of Armilla AI, describes the partnership as "a major milestone in our mission to make AI safer for everyone".

He says the new coverage empowers organisations to adopt advanced technology with greater confidence, backed by robust insurance that addresses the unique risks of AI. ■

Brown & Brown acquires Irvine Commercial

Brown & Brown Europe, part of US insurance broker Brown & Brown, has acquired Kenilworth-based Irvine Commercial Insurance Brokers.

Irvine Commercial specialises in broking services for local small to medium enterprises (SMEs) and offers a range of insurance products, including motor fleet, commercial combined, combined liability and contractors all risks.

The deal aims to expand Brown & Brown's footprint in the Midlands region.

Irvine Commercial's directors John Townsley and Matthew Finch, along with their team, will continue to operate from their current offices and report to James Birrell, regional managing director at Brown & Brown Europe.

Townsley comments: "We are excited to join forces with Brown & Brown Retail Lutterworth, which will allow us to leverage the group's extensive resources and capabilities, enabling us to provide even greater value to our customers while

maintaining our commitment to personalised service."

Finch describes the move as "a significant milestone for the company," adding: "We look forward to the opportunities that lie ahead, which will benefit both our customers and our dedicated team."

Birrell says: "We are delighted to welcome John, Matthew and their team to Brown & Brown. Their specialisation and strong customer relationships align perfectly with our values. ■

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Guernsey captive enables UK's pension buy-in

A UK pension scheme has completed the first value-sharing buy-in to use a Guernsey-based captive reinsurer.

M&G, through its subsidiary The Prudential Assurance Company (PAC), insured £500 million of liabilities for 3,200 pensioners and deferred members.

The transaction was arranged with a private corporate sponsor and allows the sponsor to share in both the risks and returns.

A Guernsey captive reinsurer, managed by SRS Management Guernsey, assumed part of PAC's exposure.

This structure enables trustees to secure member benefits as with a standard buy-in, while giving the

sponsor a financial stake in the outcome.

Carey Olsen advised on the captive structure, with partner Christopher Anderson and senior associates Arya Hashemi and Vaishali Gupta leading the team.

"Guernsey is well established as Europe's leading domicile for captive insurance and highly regarded internationally for its proportionate, risk-based regulatory regime," says Anderson.

"We are pleased to have advised on this transaction, particularly as it is the first of its kind in the UK."

PwC and CMS advised the sponsor, while Mercer and Macfarlanes supported the trustees. Eversheds provided legal counsel to M&G. ■

Marsh McLennan adds tariff simulator to risk platform

Marsh McLennan has introduced a tariff simulator to its AI-powered supply chain platform, Sentrisk, enabling clients to assess tariff exposure more rapidly.

The new tool allows organisations to model the effects of changing trade policies by supply chain tier, product type and supplier relationship.

The company says clients can use the simulator to quantify tariff scenarios, manage supplier compliance and make strategic decisions to reduce disruption.

Sentrisk combines AI and satellite imaging to map complex supply chains, highlight exposures and support insurance optimisation.

Marsh McLennan's recent survey of senior risk and finance leaders found that 74 per cent lack visibility into their supply chains.

An analysis of over 120,000 suppliers using the platform showed companies face 150 times more tariff risk on goods from China than they realise.

The study also found that 65 per cent of organisations rely on at least one hidden single-source supplier critical to operations.

"This lack of visibility not only increases tariff exposure, but also leaves firms vulnerable to production halts if a hidden single-source supplier is compromised," the firm says.

Martin South, president and CEO of Marsh, explains: "With Sentrisk and our Tariff Simulator, clients can confidently quantify exposure to potential tariffs, anticipate price increases from their suppliers, develop proactive supply chain strategies, and manage supplier compliance with evolving regulations." ■

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Marsh launches new cyber insurance solution

Marsh has launched CyberShore Bermuda, a new excess cyber insurance facility offering streamlined service and enhanced protection for its clients. The facility provides up to US\$30 million in follow-form excess Bermuda capacity, attaching at layers above US\$75 million. It includes a dedicated claims feature allowing the lead insurer to control claims handling, helping reduce negotiation delays and deliver faster, more consistent responses.

CyberShore Bermuda also gives clients the option to purchase affirmative coverage for fines and penalties.

Sarah Carr, FINPRO placement leader at Bowring Marsh Bermuda, highlights: "CyberShore Bermuda represents a pioneering solution in the Bermuda cyber market, further evidencing Marsh's ability to deliver innovative products that ensure optimal terms for clients while enhancing efficiency in capacity, coverage, and claims management."

The launch comes shortly after Marsh introduced Cyber Echo Encore, a global cyber facility offering up to US\$45 million in excess cyber capacity from London market insurers outside of Lloyd's. ■



Cayman records growth in insurance licences for Q1 2025

The Cayman Islands Monetary Authority (CIMA) issued five new international insurance licences in the first quarter of 2025.

Between January and March, two Class B(i) and three Class B(iii) licences were granted, with six more approved in principle and nine applications under review.

According to CIMA, the data indicates ongoing interest in Cayman as an international insurance domicile and points to continued activity in the sector through the rest of the year.

The number of licensed Class B, C, and D insurance companies now stands at 701, with approximately US\$41 billion in premiums written and US\$153 billion in total assets.

Growth in Class B(iii) licences, which include reinsurers, reflects

Cayman's increasing role in the reinsurance market.

This development will be discussed at the Cayman International Reinsurance Companies Association (CIRCA) conference ReConnect, held at The Ritz-Carlton, Grand Cayman, from 10-11 April.

"It's encouraging to see the number of licensees surpass 700 for the first time since 2018, following a period of Mergers and Acquisitions activity in the healthcare industry," says Kieran Mehigan, chair of the Insurance Managers Association of Cayman (IMAC).

"Cayman's international insurance industry remains vibrant and well-positioned for further growth, something we look forward to showcasing this week at ReConnect and again on 2-4 December at the Cayman Captive Forum." ■



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Ratings Roundup



AM Best affirms credit ratings of ConocoPhillips captive

AM Best has affirmed the financial strength rating of 'A' (Excellent) and the long-term issuer credit rating of 'a+' (Excellent) for Sooner Insurance Company, the Vermont-based captive insurer of ConocoPhillips. The outlook for both ratings is 'stable'.

The affirmation reflects Sooner's very strong balance sheet, strong operating performance, neutral business profile and appropriate enterprise risk management (ERM), says the agency.

Sooner's balance sheet strength is supported by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), as well as low underwriting leverage and favourable reserve development.

The captive's largest asset is a loan to its parent, ConocoPhillips, which AM Best considers low risk due to

the parent's robust financial position and consistent earnings record.

Sooner has delivered solid underwriting profits over time, with return metrics exceeding those of the industry composite. Its loss history has been favourable for more than a decade, driven by ConocoPhillips' strong risk management practices.

As a core part of ConocoPhillips' ERM programme, the captive provides the group with flexibility in managing infrequent and significant losses.

Sooner's neutral business profile reflects its role as the primary insurer for ConocoPhillips, offering property damage and excess liability cover to the parent and its global affiliates.

The ratings also acknowledge Sooner's strategic importance to ConocoPhillips and the continued implicit and explicit support it receives from the parent company. ■

AM Best revises NASWIC ratings outlook to 'negative'

AM Best has revised its under review status for NASW Insurance Company (NASWIC), a captive insurer wholly owned by the National Association of Social Workers (NASW), shifting the outlook from developing to 'negative'.

This change affects NASWIC's financial strength rating of 'A-' (Excellent) and its long-term issuer credit rating of 'a-' (Excellent).

The ratings reflect NASWIC's very strong balance sheet, strong operating performance, limited business profile, and appropriate enterprise risk management, according to AM Best. The previous "under review with developing implications" status follows NASWIC's separation from Preferra Insurance Company Risk Retention Group (Preferra RRG).

Management from both companies has requested separate assessments by AM Best, to be rated independently.

The rating agency states that the revised implications reflect the uncertainty regarding NASWIC's prospective business plans to operate on a stand-alone basis as well as the pending litigation with Preferra RRG.

Preferra RRG has filed a lawsuit against NASW and its subsidiaries NASW Assurance and NASWIC, alleging breach of contract concerning unpaid claims on social work liability policies previously reinsured by NASWIC.

NASWIC responded with a countersuit in December 2024, disputing the allegations and asserting its own claims against Preferra RRG and related parties.

AM Best says the ratings will remain under review with negative implications until the company's stand-alone profile is fully evaluated. ■



AM Best affirms 'Excellent' ratings of Lion Re

AM Best has affirmed the financial strength rating of 'A' (Excellent) and the long-term issuer credit rating of 'a' (Excellent) of Lion Re, with 'stable' outlook

Lion Re is a Bermuda-based captive reinsurer assuming risks from ASSA Tenedora affiliates for property, auto, liability, marine, group life, health and miscellaneous businesses.

The ratings reflect the captive's balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management.

The rating agency recognises its strategic role in the group's overall regional strategy; however, as it is a captive, Lion Re's business profile is considered limited once compared with other commercial reinsurers.

Lion Re continues to perform an important role in ASSA Tenedora's strategy as it consolidates operations in the Central American region by providing reinsurance capacity.

Lion Re's adequate level of operating performance results from its affiliated insurance companies in the Central American region, as well as its affiliation to Grupo ASSA, which provides synergies, operating efficiencies and financial support.

The company reviews its underwriting guidelines constantly to improve the performance of its business segments that are deviating from targets.

As of December 2023, Lion Re's consistent profitability was reflected in a 37 per cent return-on-equity ratio. In 2024, the company remained profitable and in line with previous results. ■

AM Best upgrades outlook to 'positive' for SiriusPoint

AM Best has revised its outlook to 'positive' from stable for SiriusPoint and its subsidiaries, while affirming their financial strength rating of 'A-' (Excellent) and long-term issuer credit ratings of 'a-' (Excellent). The ratings reflect SiriusPoint's very strong consolidated balance sheet strength, adequate operating performance, neutral business profile, and appropriate enterprise risk management.

The revised outlook is based on improvements to SiriusPoint's balance sheet fundamentals, following management actions including the derisking of its investment portfolio, a reduction in catastrophe exposure, and the buy-back of shares and warrants previously held by CM Bermuda.

AM Best expects SiriusPoint to maintain risk-adjusted capitalisation at the strongest level, supported by prudent capital management, effective underwriting exposure controls and positive operating results. SiriusPoint's balance sheet strength is underpinned by its risk-adjusted capitalisation, which remained at the strongest level at the end of 2024, according to Best's Capital Adequacy Ratio (BCAR).

The group's investment portfolio, composed mainly of cash and high-quality fixed income securities at the end of 2024, supports its balance sheet strength.

A partially offsetting factor is SiriusPoint's limited capital fungibility, as a significant portion of its capital is held as a safety reserve within its Swedish subsidiary, though this reliance is gradually decreasing.

SiriusPoint achieved positive underwriting results in 2023 and 2024, a notable turnaround compared to earlier years when net combined ratios were consistently above 100 per cent. ■



Joe McDonald

Director of captive consulting
Captives.Insure

Luke Renz

Captive consultant
Captives.Insure

The human factor

Dynamics in captive insurance decision-making

Captives.Insure's Joe McDonald and Luke Renz discuss how human dynamics shape successful captive insurance programmes beyond financial metrics

Beyond financial metrics, which human factors have you observed as most influential when organisations are evaluating captive solutions, and how do these factors impact the ultimate success of a captive programme?

Joe McDonald: In my experience, several human factors play a pivotal role when organisations evaluate captive solutions. The most influential include the organisation's risk tolerance, the overall sophistication of the business, and a clear understanding of their own risk profile compared to peers and the broader market. Additionally, companies that have a strong grasp of their historical losses — why they occurred and how they might be mitigated — are better positioned to make informed decisions. A corporate culture that prioritises comprehensive risk management and integrates it into the company's vision and objectives is also crucial.

Organisations that embed risk management into their culture tend to keep losses low and view risk management as an ongoing, iterative process rather than a one-off arrangement. This continuous review and adaptation enables them to respond effectively to changes in their risk profile or market conditions, ensuring that the captive remains a valuable and resilient tool for managing risk over time.

How does a client's previous experience with traditional insurance influence their approach to captive solutions and which techniques have you found effective in helping them navigate this transition?

Luke Renz: A client's history with traditional insurance significantly influences their openness to captive solutions. Clients who have maintained strong loss histories yet continue to face unfavourable terms or rate increases in the standard market often become motivated to explore alternatives that allow them to regain control over their insurance spend. On the other hand, organisations with ongoing operational issues and poor claims performance are typically not suitable candidates for captive structures.

To help clients navigate the transition, I focus on education and transparency. I walk them through the differences between traditional and captive arrangements, highlighting how captives can align with their risk appetite and financial goals. By sharing real-world examples and providing clear, step-by-step guidance, I help clients understand the responsibilities and potential rewards of captive ownership, ensuring they make informed decisions as they move away from conventional insurance solutions.

Having observed the captive industry from different perspectives, which human elements create the strongest foundation for effective collaboration between regulators, service providers, and captive owners?

McDonald: Effective collaboration in the captive insurance space is built on a foundation of open communication, mutual trust, shared ownership, and alignment of goals and values. The most successful regulators appreciate the pressures and responsibilities faced by service providers and understand the objectives of captive owners.

Service providers, in turn, must be well versed in regulatory requirements and able to facilitate meaningful dialogue between all parties, offering expert guidance and acting as liaisons to ensure smooth operations.

Captive owners who actively engage in the process and communicate how their captive supports the parent company's broader objectives contribute significantly to the success of these relationships. Ultimately, it is this combination of transparency, respect, and shared purpose that enables all stakeholders to work together effectively.

Which indicators have you found most reliable in identifying clients who are truly ready for the captive commitment versus those who might struggle with transitioning from traditional insurance arrangements?

Renz: The most reliable indicators of captive readiness are a client's risk tolerance, financial strength and proven record in managing risk.

High-performing insureds with robust balance sheets and a willingness to assume greater risk are typically strong candidates. I also look for clients who have gradually increased their risk retention over time — such as moving to higher deductibles, retrospective rating plans or limited self-insurance — before considering a captive.

These clients usually possess a strategic mindset and are motivated to maximise control and premium retention. On the other hand, clients who remain heavily reliant on guaranteed-cost programmes, or who have not demonstrated a proactive approach to risk management, may struggle with the transition to a captive structure.

What role does transparency play in building credibility in the captive insurance space, and how can industry professionals better establish trust when guiding clients through significant risk management decisions?

McDonald: Transparency is fundamental to establishing credibility in the captive insurance industry. Being open and honest fosters genuine trust, essential for any long-term professional relationship; without it, trust cannot develop and credibility quickly erodes. Transparency also underpins a culture of ownership, where successes and failures alike are acknowledged and addressed openly. For industry professionals, building trust means clearly communicating the realities of risk, ensuring clients grasp both the opportunities and challenges of captive ownership, and always tackling underlying issues rather than surface symptoms. By prioritising transparency in every interaction, professionals can sustain credibility and guide clients through complex risk-management decisions with confidence.

In what ways do interpersonal dynamics between key decision-makers impact captive insurance formations, and how can consultants effectively navigate these relationship aspects?

Renz: Interpersonal dynamics among decision-makers can significantly influence the formation and success of a captive insurance programme. Trust, clear communication and aligned interests are critical to managing expectations and building consensus throughout the process. As a consultant, I prioritise active listening and transparent dialogue to ensure that all parties' perspectives are understood and addressed.

By fostering an environment in which stakeholders feel heard and informed, I help bridge gaps, clarify misunderstandings and align everyone towards the shared goal of a successful captive structure. Clearly communicating the structure, risks and benefits of the captive arrangement is essential for securing buy-in and ensuring a smooth formation process.

How do communication styles and expectations differ among stakeholders in the captive space and which approaches have you found most effective in creating alignment during complex formations?

McDonald: Stakeholders in the captive insurance sector often have diverse communication styles and expectations, yet

alignment is best achieved through clear, concise and consistent dialogue. I find it most effective to set expectations and establish clear goals at the outset of the captive project. By presenting options thoughtfully and encouraging prompt decision-making, I help ensure all parties remain focused and engaged. While individual preferences may differ, a structured approach to communication — combined with a commitment to transparency — keeps complex formations on track.

As captives continue to gain popularity, how do you distinguish between clients making decisions based on industry trends versus those making choices aligned with their organisation's specific risk management needs?

McDonald and Renz: Distinguishing clients driven by trends from those making decisions rooted in their unique risk profiles begins with understanding their rationale for forming a captive. Trend-driven clients often lack detailed insight into their own loss history or risk specifics; their motivation is more about following market momentum or peer behaviour. In contrast, clients aligned with their organisation's risk-management needs typically demonstrate a clear, well-articulated understanding of their exposures and how a captive can address those risks. They focus on solving real, pressing challenges — the risks that 'keep them up at night' — and view the captive as a strategic tool to manage those existential threats.

These clients usually have a firm grasp of their loss patterns, risk tolerance and long-term objectives. They seek captives not just for cost savings but for control, transparency and stability in their insurance programmes. They recognise captives as a way to tailor cover to gaps or risks poorly served by traditional markets, such as emerging or hard-to-insure exposures. This deeper engagement often correlates with a commitment to proactive risk-management and a culture that values sustained risk-mitigation efforts. Ultimately, the difference is evident in the quality of their questions, the specificity of their goals and their readiness to commit resources and governance to the captive's success.

How has the relationship between consultants and clients evolved as the captive market has matured, and which approaches to client engagement do you find most effective in today's environment?

McDonald and Renz: The relationship between consultants and clients in the captive insurance market has evolved markedly

as the sector has matured. Early on, consultants mainly served as technical advisers, concentrating on feasibility studies and structuring captive programmes.

Today, the relationship is far more collaborative and strategic, mirroring the heightened sophistication of both clients and the market. Clients now expect consultants to act as true partners, guiding them not only through the mechanics of captive formation but also through ongoing risk management, regulatory changes and market disruptions.

Effective client engagement now centres on education, transparency and independent evaluation. Consultants are expected to demystify the captive model, clearly setting out both its benefits and responsibilities. This includes walking clients through the long-term commitments of captive ownership, showing how captives can deliver control, flexibility and cost savings, and setting realistic expectations about potential outcomes. Independence is also crucial; consultants who prioritise the client's best interests, rather than focusing on generating fees, are better able to build trust and credibility.

Personalised engagement is key. The most effective consultants tailor their approach to each client's unique needs, risk profile and organisational culture. Regular communication, ongoing education and proactive support help clients adapt to changing conditions and maximise the value of their captive. As the market continues to grow and evolve, the consultant's role as educator, advocate and strategic partner will only become more important, ensuring clients are empowered to make informed, resilient risk-management decisions.

What role does effective storytelling play in helping clients connect with the concepts of risk financing, and how do you tailor these narratives for different organisational stakeholders?

McDonald and Renz: Effective storytelling is a powerful tool for bridging the gap between complex risk-financing concepts and the diverse perspectives of organisational stakeholders. Not everyone processes information analytically; many relate better to narratives that illustrate real-world examples and outcomes. By sharing stories of similar clients who have successfully adopted captive arrangements, we make abstract ideas tangible and relatable. These narratives help stakeholders visualise how captives can mitigate risks, improve financial outcomes and enhance control over insurance programmes.

Tailoring the story depends on the audience. For executive leadership, the focus is often on strategic benefits: how captives align with long-term financial goals, improve predictability and create competitive advantages. For risk managers or operational leaders, stories emphasise practical risk mitigation, claims-management improvements and operational control. For finance teams, narratives highlight cost savings, cash-flow stability and investment opportunities. By customising the message to each group's priorities and concerns, storytelling fosters engagement, builds trust and facilitates informed decision-making. This approach transforms captive insurance from a technical concept into a compelling solution that resonates across the organisation.

How do you balance the comfort of quantitative analysis with the equally important qualitative aspects of captive insurance decisions when advising clients?

McDonald and Renz: Balancing quantitative and qualitative factors is essential when guiding clients through captive insurance decisions. Quantitative analysis provides the hard data — loss history, projected claims, premium comparisons, capital requirements and financial modelling — that form the basis for evaluating a captive's feasibility and cost-effectiveness. This data-driven approach builds confidence by quantifying potential savings, risk-retention levels and capital needs, offering a clear financial picture.

Yet qualitative aspects such as organisational culture, risk appetite, governance and strategic alignment are equally critical. A captive's success depends on a client's commitment to proactive risk management, transparency and long-term thinking. These factors influence how well a captive is managed, how claims are handled and whether the captive can adapt to evolving risks.

In practice, we combine actuarial and financial modelling with interviews, risk assessments and operational reviews. This helps clients understand not only the numbers but also the operational and cultural readiness required.

Such a holistic approach ensures decisions are grounded not merely in financial metrics but also in the client's ability and willingness to embrace the captive model as a strategic risk-management tool. Ultimately, this balance fosters sustainable captive programmes that deliver both financial and organisational value. ■



Kevin Poole

General manager
IMAC

Innovation, resilience and global competitiveness

Cayman continues to draw new captive formations by leveraging its strong reputation in healthcare, group captives, and catastrophe bonds, says IMAC's Kevin Poole, speaking with Diana Bui about the jurisdiction's latest regulatory developments

What are the most significant regulatory changes in the past year, and how do they align with global standards?

Over the past year, the Cayman Islands has introduced a series of regulatory enhancements that have significantly strengthened its insurance framework and aligned it more closely with international standards.

In October 2024, the Cayman Islands Monetary Authority (CIMA) updated its policy on the recognition and approval of actuaries. This revised policy ensures that regulated insurers maintain effective actuarial functions, consistent with global best practices.

Further changes came in April 2024, when CIMA issued new rules and guidance on the maturity, accessibility, and retention of records. These measures set out clear expectations regarding the handling of records, including compliance with the Data Protection Act. They also introduce minimum mandatory retention periods and requirements for the proper maintenance of accounting records.

Reinsurance arrangements were also brought under closer regulatory scrutiny. In May 2024, CIMA introduced updated guidance to ensure such arrangements are properly documented and meet regulatory standards. The new rules provide greater clarity on what constitutes compliance, supporting improved transparency and oversight in this area.

In January 2025, modest increases to both registry and CIMA fees were implemented. These represent the first fee adjustments in a decade and reflect the jurisdiction's continued evolution while maintaining its competitiveness.

Several key developments were introduced towards the end of 2023. In October, CIMA released new rules and guidance on corporate governance for regulated entities. These outline minimum expectations for sound and prudent management, creating binding obligations with potential consequences for non-compliance, including fines or other regulatory action.

At the same time, CIMA introduced a complementary set of rules and guidance on internal controls. These define its expectations for robust control frameworks across regulated entities, again carrying enforceable obligations.

Collectively, these regulatory updates reflect the Cayman Islands' commitment to aligning with the Insurance Core Principles (ICPs) set out by the International Association of Insurance Supervisors

(IAIS). They reinforce CIMA's focus on integrity, transparency, and maintaining the jurisdiction's standing as a globally competitive insurance domicile.

How has the evolving framework impacted the growth and competitiveness of Cayman's captive insurance sector?

The evolving insurance regulatory frameworks in the Cayman Islands have significantly influenced the growth and competitiveness of the captive insurance sector in several key ways. The jurisdiction's insurance sector has experienced sustained growth, with 42 new international insurers licensed in 2024 — the highest number in over a decade. This milestone reflects the effectiveness of Cayman's robust regulatory environment in attracting new market participants.

Cayman's commitment to global standards is also evident in its focus on enhanced compliance and risk management. CIMA has introduced strengthened measures, particularly around anti-money laundering and countering the financing of terrorism (AML/CFT). These developments have reinforced the sector's reputation for regulatory rigour and sound risk governance.

In addition, CIMA's ongoing efforts to achieve regulatory equivalence with the US National Association of Insurance Commissioners (NAIC) have boosted global competitiveness, further cementing Cayman's position as a leading domicile for captives and reinsurance.

Given the growing focus on innovation in the industry, are there any new regulatory provisions addressing the use of insurtech, blockchain, or AI in captive operations?

CIMA has actively supported insurtech innovation, with the Class B(iii) insurance licence providing a streamlined pathway for insurtech reinsurers to establish operations in Cayman.

This licence encourages the adoption of technology to enhance risk identification, decision-making, and operational efficiency.

The Cayman Islands has also developed a robust regulatory framework for virtual asset service providers (VASPs), ensuring alignment with international standards. This framework addresses AML/CFT concerns, while promoting the secure and transparent use of blockchain technology within insurance operations.

Although specific regulations concerning the use of AI in insurance are still evolving, the jurisdiction has taken a proactive approach in fostering an environment conducive to technological advancement. Regulatory efforts focus on upholding data protection, privacy, and ethical standards in AI applications, ensuring responsible and effective use of data.

How is Cayman adapting its regulations to address emerging risks like cyber threats and climate change?

The Cayman Islands has adopted a proactive stance in updating its insurance regulations to address emerging risks, particularly those related to cyber threats and climate change.

In particular, CIMA has issued comprehensive cybersecurity guidelines for regulated entities, underscoring the importance of robust measures to guard against financial losses, operational disruption, and reputational harm.

The rules on risk management require insurers to implement frameworks for identifying, protecting against, detecting, responding to, and recovering from cyber threats — ensuring they are well-positioned to manage cyber incidents effectively.

In addition, CIMA recognises the importance of integrating environmental, social, and governance (ESG) considerations into the insurance sector. It encourages insurers to incorporate climate-related risks into their risk management and corporate governance frameworks. This includes monitoring environmental risks within investment portfolios and promoting transparency and disclosure.

What is CIMA's vision for the future of captive insurance, and how does it plan to maintain Cayman's leading position?

According to CIMA, its vision for the future of captive insurance is grounded in innovation, resilience, and global competitiveness. As the Cayman Islands faces challenges such as rapid technological change, evolving global regulations, cybersecurity threats, consumer protection concerns, and a growing emphasis on sustainability, CIMA is continuing to take proactive measures to preserve its leadership in regulatory excellence.

This includes fostering the adoption of innovation and technology — particularly insurtech, blockchain, and AI — to improve

efficiency and risk management. CIMA remains committed to regulatory excellence by maintaining a robust and adaptive regulatory framework, with continuous updates to address emerging risks such as cyber threats and climate change.

Sustainable growth is also a key focus, with efforts to advance the integration of ESG principles into business practices and risk management strategies.

In addition, CIMA is continuing to strengthen its alignment with global standards, including those set by the IAIS and the Financial Action Task Force (FATF), to ensure trust, compliance, and international credibility.

To support market expansion, CIMA continues to attract new captive formations and reinsurance companies by capitalising on the jurisdiction's strong reputation in healthcare captives, group captives, and catastrophe bonds, as well as its growing presence in life and annuity and property and casualty reinsurance.

At the same time, it is continually enhancing compliance and risk management by reinforcing AML/CFT measures to uphold regulatory integrity and draw high-quality business.

CIMA is also investing in educational initiatives and industry collaboration to ensure that professionals remain well-informed on regulatory changes and best practices. By focusing on these strategic areas, CIMA aims to secure the Cayman Islands' position as a leading and forward-looking jurisdiction for captive insurance, fully equipped to adapt to global trends and emerging risks.

With other jurisdictions enhancing their regimes, how is Cayman staying ahead in attracting new captives?

Cayman is staying ahead in attracting new captives through several strategic initiatives and advantages. CIMA regularly updates its regulatory framework to remain aligned with international standards, such as those set by the IAIS and FATF. This ensures a robust and compliant environment for captives and reinsurers, which in turn attracts sophisticated licensees.

Furthermore, the Cayman Islands is currently reviewing its licensing classifications, with plans to introduce new categories in 2025. These will include licences for managing general agents (MGAs), reinsurance brokers, and a new B(iv) licence aimed at bridging the gap between the existing B(iii) licence and the Class D open market reinsurers.

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How is IMAC collaborating with CIMA to address current challenges and concerns in the captive sector?

The Insurance Managers Association of Cayman (IMAC) and CIMA share a long-standing partnership dedicated to addressing challenges and advancing the captive insurance sector. IMAC holds quarterly meetings with CIMA to discuss regulatory developments, industry concerns, and new initiatives, ensuring that updates are clearly communicated to its membership.

IMAC also actively engages in CIMA's industry consultation process, offering feedback on proposed regulatory changes and submitting industry position papers to address key issues.

Together, IMAC and CIMA support educational initiatives aimed at keeping industry professionals informed about regulatory developments and best practices. These include IMAC-led seminars, educational sessions at IMAC's Cayman Captive Forum, and CIMA's direct engagement with insurance managers to promote transparency around regulatory policies.

On the international stage, IMAC and CIMA collaborate to position the Cayman Islands as a premier jurisdiction for captive insurance. In 2025, both organisations participated in major industry events such as the World Captive Forum, ReFocus, and the Captive Insurance Companies Association (CICA) conferences, with CIMA contributing to regulatory panels addressing key industry challenges.

Through this collaboration, IMAC and CIMA ensure that the Cayman Islands remains a competitive, innovative, and resilient jurisdiction for captive insurance.

What are the key trends or opportunities you see shaping the future of the captive insurance industry in Cayman in the upcoming years?

The Cayman Islands' captive insurance industry is poised for significant growth over the next decade, driven by several key trends and opportunities.

Technological advancements are playing a transformative role, with the integration of insurtech, blockchain, and AI enhancing data analysis, decision-making, and operational efficiency. Innovations in areas such as telehealth, robotics, and medical records are also opening up new avenues, with some technology firms even establishing their own captives.

There is also a notable expansion in the use of captives, which are increasingly being deployed to manage a broadening range of risks — including cybersecurity, climate-related exposures, employee benefits, supply chain vulnerabilities, and gaps in commercial coverage through DIC/DIL policies.

Additionally, Cayman offers a diverse range of captive structures, including single-parent captives, group captives, cells, incorporated cells, and fully collateralised reinsurance opportunities. This structural flexibility continues to attract both clients and capital.

With its well-established reputation as a leading (re)insurance domicile, Cayman is well-positioned to attract new captive formations and reinsurance companies, further driving market expansion.

Are there any upcoming initiatives or reforms in the pipeline that could further strengthen Cayman's position as a global captive domicile?

Cayman is making significant strides to reinforce its position as a leading global captive domicile. The introduction of new licence classes will broaden Cayman's product offerings, enabling the jurisdiction to better cater to a wider array of (re)insurance and reinsurance needs. In parallel, ongoing efforts to secure NAIC equivalency are expected to further enhance Cayman's standing as a globally recognised jurisdiction.

The Cayman Captive Forum, set to take place on 2-4 December at the Ritz-Carlton, Grand Cayman, will continue to play a key role in showcasing the industry. This flagship event will focus on regulatory developments, emerging technologies such as insurtech, blockchain, and AI, as well as market trends shaping the captive insurance landscape. The 2024 Forum attracted a record 1,570 registrations, underscoring the international interest in Cayman's captive insurance proposition.

In a similar vein, the Cayman International Reinsurance Companies Association (CIRCA) spotlighted the jurisdiction's reinsurance strengths during its second ReConnect Conference, held on 10-11 April 2024, which welcomed over 600 attendees.

Together, these initiatives and events reflect Cayman's continued commitment to innovation and leadership in the captive insurance and reinsurance space, ensuring sustained growth and resilience amid an evolving global environment. ■

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Old rules, new players

Industry experts gather to examine the rise of captives in Latin America, where their number has doubled over the past decade amid a hardened insurance market and growing emerging risks

Diana Bui investigates



Once seen as a solution reserved for multinational giants in North America and Europe, captive insurance is now reshaping how Latin American companies manage risk. Faced with rising insurance premiums, economic uncertainty, and increasingly complex exposures, businesses across the region are embracing self-insurance vehicles with unprecedented urgency and enthusiasm.

As commercial insurance becomes more costly and restrictive, captives offer a compelling alternative. They give companies more control over their risk, the ability to customise coverage to fit their specific needs, and a long-term framework for financial resilience.

Eduardo Fox, a consultant for private clients, trusts, and Latin America at Appleby Bermuda, pointed out during a panel at the 2025 World Captive Forum in Florida that Latin America is currently the fastest-growing region in the world when it comes to captive insurance.

He noted that the number of captives in the region has doubled — from around 80 to 100 in 2015 to more than 200 today. Of these, roughly a third are domiciled in Bermuda. Fox also clarified that this count refers specifically to pure captives, and does not include secondary structures such as segregated accounts.

More importantly, there is a greater awareness of what captives can offer. “It seems to me that the key factors that have contributed to the growth and expansion of captive insurance in Latin America are that more information about the world of captive insurance exists and is available,” says Mariame Vásquez, head of marketing at Mandarin Re.

“There are also statistics, and there are even captives with risk rating at origin, which was not the case before. This can be seen in the increase of captives in all jurisdictions in the region.”

From necessity to strategy

Historically, many Latin American firms viewed captive insurance with skepticism or confusion. For some, it was dismissed as a tax avoidance tool; for others, the regulatory burdens and structural complexity seemed prohibitive. That perception is rapidly changing.

Today, an increasing number of companies see captives not just as a cost-saving vehicle, but as a critical component of modern risk management.

“We are seeing heightened interest from industries with complex risk profiles and high insurance costs, such as energy, construction, financial services, and agriculture,” says Ruben A. Gely-Ortiz, president of International Insurer’s Consulting Group.

“Large multinational companies and regional conglomerates in these sectors are looking to captives as a way to manage unpredictable exposures while gaining cost efficiencies.”

That interest extends to emerging sectors as well. The rise of technology startups and fintech platforms in markets like Brazil, Chile, and Colombia has introduced new risks — cybersecurity breaches, intellectual property exposure, and data loss — that traditional insurers have been slow or reluctant to cover comprehensively.

“The rise of technology and fintech companies in Latin America is creating demand for captives to address emerging risks, such as cyber threats,” Gely-Ortiz notes.

Vásquez echoes this, adding that captive usage has diversified well beyond the traditional sectors.

“There are all kinds of industries and sectors in Latin America that already have their captive — banks and other financial institutions, the gambling industry, money transfer operators, insurance companies, reinsurance brokers, duty free shops, hospitals, hotels, the food industry, among others.”

The flexibility of captives in terms of the lines of business they can manage has made them especially attractive. “Commonly these companies reinsure their noble lines of business and the ones with no risks or the lowest risks,” she says, “but it will depend on each specific industry.”

If education and diversification were laying the foundation for captives in the region, Covid-19 was the accelerant. Vásquez observes that the pandemic marked a turning point in interest and uptake.

“Of course the use of captive insurance has evolved after the Covid-19 pandemic,” she says. “I witnessed that growth, and even the pandemic accelerated the decision of many clients to establish their captive company.”

“There are tendencies to seek licensing in order to have the opportunity to reinsure all types of lines of business, even if they only use the most noble lines and noble risks.”

Gely-Ortiz agrees that external disruptions have played a role in catalysing growth. “Economic uncertainty, supply chain disruptions, and regulatory developments are driving companies to seek greater control over their insurance programmes.”

Fronting, regulation and reputational challenges

Despite this momentum, challenges remain — particularly around regulatory environments and fronting arrangements. While some Latin American jurisdictions are making progress, many still impose capital restrictions, foreign exchange controls, and tight reporting requirements that make domestic captive formation difficult.

“Some Latin American jurisdictions impose capital restrictions and reporting requirements that make it difficult to establish captives locally,” Gely-Ortiz notes, explaining why many firms seek out more accommodating domiciles such as Bermuda, Cayman, or Puerto Rico.

Vásquez adds that fronting requirements — especially when reinsuring third-party business — are not uniform and can pose specific challenges depending on the risk profile. “The availability of fronting services for a captive depends on the risk it reinsures,”

she says. “The fronting partner may be asking them for different tools that protect the partners' capital and that in turn they comply with what the regulators require from the fronting partner.”

Still, both experts agree that these hurdles can be overcome with proper planning and strong compliance. Vásquez advises companies to mitigate reputational and regulatory risk by sticking to well-regulated jurisdictions.

“The strategies I recommend to companies to mitigate these reputational and compliance risks while benefiting from captive arrangements is to keep your captives in offshore jurisdictions that implement the Organization for Economic Cooperation and Development (OECD) regulations and recommendations.”

“Have your corporate office keep you updated on regulatory news and laws in that jurisdiction and prepare your captive with all compliance issues,” she adds.

Moreover, Vásquez sees regulatory changes in a positive light, rather than as impediments. “From my perspective, these regulatory changes are for the benefit of the establishment and operation of captives in the Latin American region, because they have strengthened due diligence processes, corporate governance, and improved operational efficiency.”

"I believe that there is a bright future for captive insurance in Latin America. This has been the trend in recent years, and we have witnessed this continuous development and growth"

Mariame Vásquez

Head of marketing
Mandarin Re



Puerto Rico on the rise

Amid growing regulatory complexity across Latin America, Puerto Rico has emerged as a standout domicile for captive insurance, particularly for companies seeking both proximity and regulatory alignment with the US. Once overlooked in favour of longer-established hubs like Bermuda or Cayman, the island is now gaining ground thanks to its unique combination of legal compatibility, fiscal incentives, and cultural accessibility.

"Puerto Rico is uniquely positioned as a bridge between Latin America and the US insurance market," explains Gely-Ortiz. "It offers a well-established legal and regulatory environment, access to US financial markets, and the ability to write policies in both Spanish and English."

For many Latin American businesses, that bicultural and bilingual capability is more than a convenience; it is a competitive advantage. The island provides a familiar cultural context while also granting access to the sophistication and reach of the US financial system.

As a US territory, Puerto Rico operates under a regulatory framework aligned with US insurance standards and is a member of the National Association of Insurance Commissioners (NAIC),

reinforcing its credibility among international reinsurers, brokers, and regulatory bodies.

Puerto Rico's tax regime also adds to its appeal. Under Act 60, the Puerto Rico Incentives Code, international insurers benefit from a four per cent corporate tax rate on net income over US\$1.2 million. They also receive 100 per cent exemptions on dividends, profit distributions, and branch profit taxes.

These fiscal advantages are specifically designed to attract insurance activity and provide companies with a tax-efficient structure that complies with US regulations. This is particularly attractive to Latin American firms looking to expand their international presence.

Puerto Rico has also built out a supportive ecosystem of experienced captive managers, reinsurers, legal advisors, and auditors who are familiar with Latin American regulatory expectations and market dynamics. This local infrastructure helps new captives navigate onboarding, reporting, and ongoing compliance in a way that feels both professional and accessible.

This intentional development has paid off. Today, Puerto Rico is home to more than 400 captive insurance companies, with annual written premiums exceeding US\$11 billion. The island now ranks

"Large multinational companies and regional conglomerates in these sectors are looking to captives as a way to manage unpredictable exposures while gaining cost efficiencies"

Ruben A. Gely-Ortiz

President

International Insurer's Consulting Group



among the top captive domiciles serving the Latin American market and is increasingly preferred by regional companies aiming to avoid the regulatory hurdles and reputational risks often associated with more distant offshore jurisdictions.

But how does Puerto Rico compare to other Latin American jurisdictions where captives are also growing?

Mexico and Brazil, Latin America's two largest economies, have taken steps in recent years to explore and develop captive insurance frameworks, although their regulatory environments remain relatively complex.

In Mexico, regulatory requirements such as detailed reporting obligations and foreign exchange controls can add layers of administrative consideration for companies utilising foreign captives. Transactions involving jurisdictions with low or preferential tax regimes are subject to close scrutiny by tax authorities, and deductions for premiums paid offshore typically require clear documentation of business purpose and risk transfer.

Similarly, in Brazil, there is growing interest in alternative risk financing, including the use of captives. However, the regulatory environment still presents challenges. Capitalisation standards for insurers are relatively high, and the approval process for using foreign reinsurers, including captives, follows specific procedural requirements.

Compared with these jurisdictions, Puerto Rico offers a more transparent and flexible operating environment. The regulatory requirements are rigorous but clearly defined. Tax incentives are well established. Perhaps most importantly, the local expertise and bilingual environment help reduce friction for Latin American businesses navigating cross-border transactions.

"Puerto Rico offers several advantages, including competitive tax structures for captives," says Gely-Ortiz. "The domicile allows for tax-efficient structures that can benefit Latin American companies seeking risk financing solutions while maintaining compliance with US financial regulations."

What's next for captives?

Education remains a critical piece of the puzzle, especially as the industry expands. Vázquez believes that more structured, Spanish-language training is needed to help local professionals engage with captives effectively.

"Captive insurance education continues to be through oral transmission of knowledge, although there are more and more programmes in English-speaking countries," she says.

"I encourage those experts in the Latin American market to write books about their experiences in this market. That is what I am doing, to give more people the opportunity to specialise in this business."

Meanwhile, digital transformation continues to reshape the landscape. Gely-Ortiz points out that innovations such as AI, blockchain, and predictive analytics are improving risk modelling, streamlining claims, and opening the door to new forms of insurance. Parametric products for climate and agricultural risks, for example, are now feasible through captives.

Considering the evolving economic and regulatory environment, Vázquez believes the outlook for captives in the region is strong. "I believe that there is a bright future for captive insurance in Latin America," she says. "This has been the trend in recent years, and we have witnessed this continuous development and growth. For sure, this trend will continue."

As regulations evolve and companies become more familiar with the structures and benefits, the use of captives is not just expected to increase; it is expected to mature. "There are opportunities to follow the new standards," Vázquez adds.

"And there are also challenges, such as ensuring that people are willing to study and understand more about the captive business, setting aside myths, and recognising that this industry is very well regulated and increasingly structured, even evaluated much like the traditional reinsurance industry today."

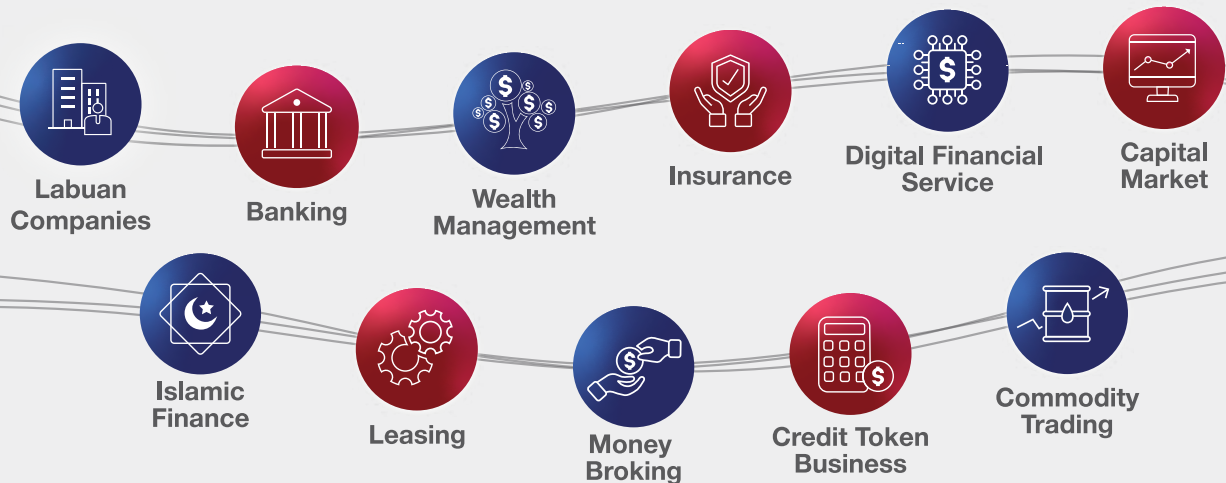
Ultimately, captive insurance remains what it has always been: a trust-based business. "With the expertise I have in the captive business, that will always be a possibility," Vázquez says. "It is a 100 percent trust-based business, and the clients are always keeping it on the radar and referring new prospects."

While Latin America was slower to embrace captive insurance compared to other regions, it has steadily shifted from being a novelty to becoming a strategic part of the region's approach to managing risk.

According to industry experts, this renewed wave of interest is only just beginning — and it may soon redefine how Latin American businesses navigate risk amid a more volatile global landscape. ■

Labuan International Business and Financial Centre (Labuan IBFC)

- An international business and financial centre set up by Malaysia in 1990
- Marketed by Labuan IBFC Inc. the official promotional and marketing agency for Labuan IBFC
- Regulated by Labuan Financial Services Authority, a statutory body under the Ministry of Finance, Malaysia
- A tax-efficient substance enabling jurisdiction that offers a wide array of business including:



- Well-balanced legal and regulatory framework
- Adheres to Malaysia's AMLCFT requirements and international standards

Tax Structure

- Income from Labuan trading activities (as defined) taxed at 3% of net audited profits
- Non-trading income (e.g. from investment holding activities) is not taxed
- Clear and prescribed substance requirements based on business activities
- Fiscal regime is perpetual, not time bound

Other Benefits

- Exemption from withholding tax on dividends, interest, royalties, service fees and lease payments to non-residents
- Exemption on stamp duty
- Access to most of Malaysia's 70+ double taxation agreements*
- 100% foreign ownership is allowed
- Access to live in Malaysia

* Labuan entities enjoy the benefits of most of Malaysia's tax treaties, but certain treaties have specifically excluded Labuan entities from treaty benefits

Strategic value of BBB-rated bonds in investment-grade portfolios

Ed Goard, Jim Kelts, and Sam Gilbert of Yousif Capital Management explain how integrating BBB-rated bonds into captive insurance portfolios can deliver resilient returns, enhance diversification, and boost yield without materially increasing default risk



Excluding BBB-rated bonds is a common strategy for managing risk within captive insurance portfolios, primarily driven by concerns over credit risk and potential downgrades to high-yield status. However, a deeper analysis reveals that BBB-rated bonds — while representing the lower tier of the investment-grade spectrum — exhibit a risk profile more akin to their higher-rated peers than to speculative-grade debt.

Historically, BBB-rated bonds have delivered attractive risk-adjusted returns and demonstrated resilience across varying market conditions.

Their inclusion in captive insurance portfolios therefore offers a valuable opportunity to broaden the investable universe, enhance yields and improve portfolio flexibility — without materially increasing default risk. For captive insurers that have traditionally excluded (or limited) exposure to this segment, an allocation to BBB-rated bonds can strengthen diversification, boost return potential and remain aligned with risk management objectives.

Low default risk

Credit ratings are issued by major credit rating agencies such as Moody's, S&P and Fitch to assess the creditworthiness of fixed-income issuers and their securities. These ratings range from investment grade to speculative grade, depending on the issuer's perceived ability to meet financial commitments and their exposure to economic conditions.

Investment grade bonds — rated 'AAA', 'AA', 'A' and 'BBB' — generally reflect a strong capacity to meet financial obligations and are traditionally associated with lower levels of risk. BBB-rated bonds represent the lowest tier within the investment grade category, positioned just above speculative grade (or high-yield) bonds. While frequently perceived as riskier than their higher-rated peers, historical evidence challenges this assumption: BBB-rated bonds have exhibited relatively low default rates and delivered attractive risk-adjusted returns over time.

Credit Rating Scale

Investment Grade	AAA
	AA
	A
	BBB
Speculative Grade (High Yield)	BB
	B
	CCC
	DD
	C
	D

When assessing bonds' perceived risk, historical default rates are a key indicator. As expected, default rates across the investment-grade spectrum have remained consistently low over time.

More revealing, however, is how narrow the gap is between BBB-rated issuers and their higher-rated peers: the long-term average one-year global default rate for BBB-rated corporates is just 0.14 per cent, compared with 0.05 per cent for A-rated issuers and 0.02 per cent for AA-rated issuers — each figure well below one quarter of one per cent, underscoring the stability and reliability of investment-grade debt.

In addition to low annual default probabilities, the average time to default for bonds initially rated BBB is 9.6 years, providing investors and managers with ample runway to monitor credit developments, adjust exposures, and manage risk proactively, thereby reducing the likelihood of sudden losses.

Expanded investable universe

Excluding BBB-rated bonds from a captive investment portfolio significantly narrows the opportunity set within the investment-grade universe.

As at year end 2024, BBB-rated bonds represent just under 50 per cent of the total market value of the investment-grade corporate bond index, a share that has steadily grown over the past two decades.

Beyond their sheer market value, BBB-rated securities also account for most individual issuers in the investment-grade space. Omitting this segment not only limits yield potential but also constrains sector exposure and issuer selection, hindering the construction of resilient, dynamic portfolios.

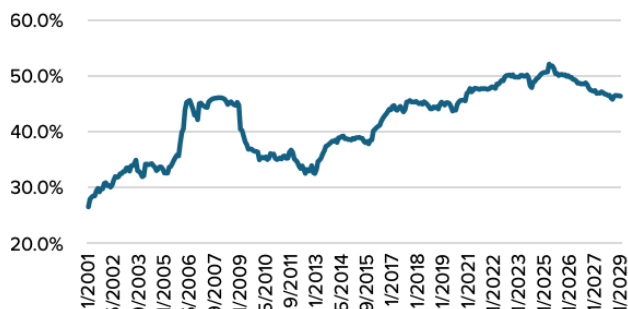
In contrast, the considered inclusion of BBB-rated bonds broadens the investable universe and enables more robust portfolio design without materially increasing risk.

Default Rates (%)

	AAA	AA	A	BBB	BB	B	CCC/C
Latest four quarters	0.00%	0.00%	0.00%	0.11%	0.17%	1.24%	30.89%
Weighted long-term average	0.00%	0.02%	0.05%	0.14%	0.57%	2.98%	25.98%
2008 default rates	0.00%	0.38%	0.38%	0.49%	0.81%	4.09%	27.27%
Number of defaults	8	33	101	234	686	1885	462
Average time to default	18	17.2	14.4	9.6	7.2	5.1	2.1

Sources: S&P Global one-year global default rate for 1981-2023

BBB Share of the IG Index (1996-2024)



Source: ICE Investment Grade Index, 1996-2024

Incentives and issuer behavior within the BBB segment

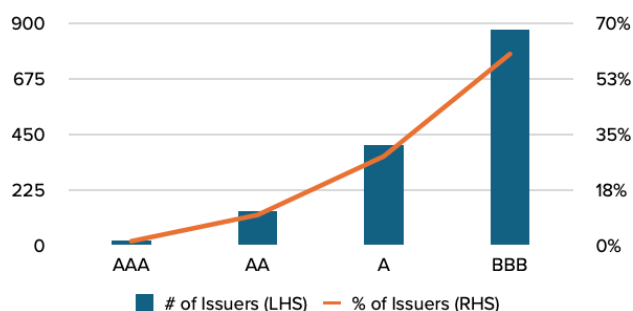
While the proximity of BBB-rated bonds to high-yield status raises concerns for some investors, there are additional factors worth considering.

BBB-rated companies often adopt capital-allocation strategies specifically aimed at preserving their investment-grade status, in contrast to 'AA'- and A-rated companies, which can absorb a downgrade while remaining investment-grade.

Moreover, BBB-rated issuers have a stronger incentive to pursue credit upgrades to reduce borrowing costs, unlike their higher-rated counterparts.

The size and depth of the investment-grade universe, particularly when compared to high-yield markets, further encourage issuers to maintain their ratings, thereby reducing funding costs and enhancing capital flexibility.

Issuers by Rating



Source: ICE Investment Grade Index as of 12/31/2024

While downgrades have outpaced upgrades over the past 40 years, BBB-rated corporate bonds have an average downgrade rate of 4.26 per cent, the lowest among all rating categories, and are the only segment of the fixed-income universe in which upgrades have been almost as likely as downgrades over that period.

Average one-year corporate transition rates, 1981-2023

Rating	% Upgraded	% Downgraded	Downgrade/Upgrade Ratio
AAA	-	9.39%	-
AA	0.48%	7.96%	16.58
A	1.59%	5.67%	3.57
BBB	3.34%	4.26%	1.28
BB	4.83%	8.66%	1.79
B	4.43%	8.17%	1.84
CCC/C	13.43%	27.83%	2.07

Sources: S&P Global, 1981-2023

Downgrades can occur, but we believe a robust credit research process can help investors to identify and avoid potential downgrade risks.

This approach enables investors to capture the return potential of BBB-rated bonds while mitigating downside risk.

Attractive risk-return profile

In addition to low default rates, attractive upgrade prospects and increased flexibility, we believe BBB-rated bonds offer compelling risk-adjusted return potential.

Historically, they have outperformed higher-rated investment-grade bonds on a risk-adjusted basis, delivering superior excess returns while maintaining relatively low levels of volatility.

Investors prepared to accept slightly greater volatility in exchange for enhanced returns have often found BBB-rated bonds to be an effective means of improving portfolio performance.

The additional yield offered by BBB-rated securities has more than compensated for their incremental risk, as evidenced by higher Sharpe ratios and improved capital efficiency over time.

Return statistics by credit rating (2004-2024)

	AAA	AA	A	BBB
Avg 12-month excess return	0.33%	0.69%	0.82%	1.74%
Standard deviation	3.38%	4.14%	5.99%	7.66%
Sharpe Ratio	0.10	0.17	0.14	0.23
Worst 12 months	-14.39%	-15.94%	-24.55%	-24.93%
Worst date	10/31/2008	10/31/2008	10/31/2008	11/28/2008
% of Negative periods	35.00%	30.83%	35.00%	37.50%

Source: Bloomberg, 12/31/2004-12/31/2024

Portfolio flexibility

When analysing BBB-rated bonds, investors must determine whether the additional yield adequately compensates for the incremental risk assumed.

Capital in a captive investment portfolio is finite and should be allocated efficiently to maximise return potential within defined risk parameters.

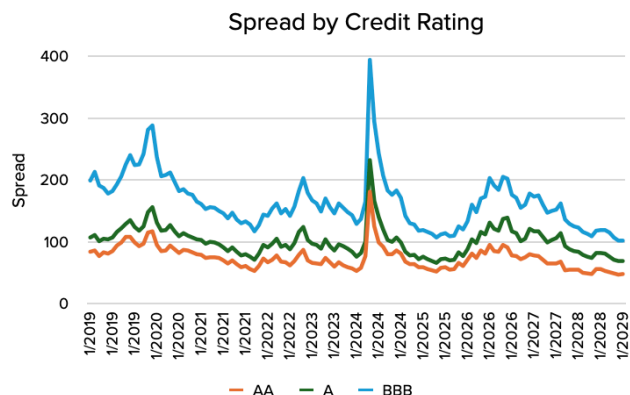
Including BBB-rated bonds — still within the investment-grade spectrum — can support this goal by boosting returns without unduly increasing overall portfolio risk.

BBB-rated bonds typically offer a wider spread — the difference between the yield on a corporate bond and that of an equivalent US Treasury bond — than A-rated or higher-rated issues.

This spread represents a risk premium, compensating investors for holding securities that carry greater risk relative to a 'risk-free' asset, usually US Treasuries.

Our analysis indicates that BBB-rated bonds do not exhibit materially higher risk than A-rated bonds, making the extra spread particularly attractive.

BBB-rated bonds can form part of a long-term allocation to enhance portfolio returns, while also being deployed tactically to adjust risk — guided by fundamental credit analysis and relative-value considerations — to capitalise on market dislocations and opportunities within the investment-grade universe.



Source: ICE Investment Grade Index of as 12/31/2024

The final piece

BBB-rated bonds are a valuable addition to a captive insurance portfolio, offering an attractive return profile, relatively low default risk, an expanded investable universe and the potential to enhance portfolio flexibility.

Despite sitting at the lower end of the investment-grade spectrum, investors are duly compensated for the incremental increase in risk.

Historical data supports the case for BBB-rated bonds as a critical component of a well-diversified portfolio, demonstrating a favourable balance of risk and return.

To maximise the potential of BBB-rated bonds, a disciplined and robust investment approach is essential.

Captive managers seeking exposure to this segment should appoint an investment manager with deep expertise and a rigorous process to navigate its complexities.

A credit-selection model that incorporates fundamental analysis, default probability and valuations, uncovering undervalued opportunities while mitigating potential risks such as ratings downgrades, is paramount.

The objective is a disciplined process that delivers targeted exposure to the BBB-rated segment, optimising the balance between risk and reward. ■

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New era of maturity and innovation

Lori Gorman and Joe Rosenberger from the North Carolina Captive Insurance Companies Division discuss how the state is evolving with enhanced infrastructure, regulatory expertise, and a growing service provider network in its captive insurance market



What developments in North Carolina's captive infrastructure, regulatory expertise, and service provider network reflect the state's increasing sophistication and maturity, in addition to its quantitative growth?

Joe Rosenberger: North Carolina has solidified its position as the third-largest US domicile, overseeing more than 1,000 risk-bearing entities, including 293 captive insurance companies as of the end of 2024. The state's standing as a leading captive insurance domicile is supported by the strength of its regulatory infrastructure and the expertise of its captive insurance team. The North Carolina Department of Insurance (NCDOI) operates a well-staffed division of dedicated captive analysts and an in-house actuarial team, ensuring efficient and thorough review of captive filings.

This integrated approach fosters responsive oversight and high-quality service through shared experience. Additionally, North Carolina boasts a large network of approved captive managers, with an increasing number of service providers establishing a presence in the state.

How have elements of North Carolina's regulatory approach, such as the commissioner's discretionary authority and the state's business environment, appealed to national and international captive owners seeking a stable domicile?

Rosenberger: While North Carolina's captive programme was originally designed to address the risk management needs of local businesses, its appeal has grown significantly. The state's flexible, business-focused regulatory philosophy continues to attract sophisticated captive owners both nationally and internationally.

A key aspect of this approach is the commissioner's discretionary authority, which enables flexible capital requirements based on each captive insurer's specific business plan and risk profile. While statutory guidelines, such as the US\$250,000 minimum for pure captives, provide a regulatory framework, the NCDOI evaluates each application individually to ensure regulatory expectations align with the captive's unique needs.

This case-by-case approach fosters innovation, supports the feasibility of captive solutions, and reinforces North Carolina's reputation as a stable and business-friendly domicile with a prudent, consistent regulatory approach.

"In the state, we regulate each captive based on the company's unique risk profile and its appetite to retain risk"

Lori Gorman
Deputy commissioner
Captive Insurance Companies Division
North Carolina Department of Insurance



How do you see the evolution of cell structures and other risk-bearing vehicles in the domicile in response to increasing demand for flexible risk financing solutions and the need for more complex risk retention and transfer strategies, including emerging risks?

Rosenberger: The incorporation of cell structures has been pivotal in North Carolina's growth trajectory.

Cell structures have significantly contributed to the state's captive insurance growth, supported by its flexible regulatory framework, which allows multiple types of cell formations, including both incorporated and unincorporated protected cells, as well as special purpose cell structures such as limited liability company (LLC) cells and series LLC cells.

This variety enables captive owners to choose the structure best suited to their risk financing needs. Although North Carolina captives are restricted from directly writing certain personal lines, such as auto, homeowners, life, or workers' compensation, the state's Captive Insurance Act provides captive insurers with considerable latitude to address a wide range of other risk exposures.

Additionally, captives may reinsure otherwise restricted lines upon the commissioner's approval, offering flexibility that aligns with evolving risk management strategies, including emerging risks.

Can you provide examples of how the NCDI has used its discretionary authority to address changing market conditions or emerging risks, while maintaining the stability of the captive sector and supporting innovation?

Lori Gorman: North Carolina's regulatory framework is often praised for its adaptability. Even in the face of increased regulatory pressure and heightened Internal Revenue Service (IRS) scrutiny, the captive insurance market continues to grow as a nimble, flexible alternative to the traditional market.

In the state, we regulate each captive based on the company's unique risk profile and its appetite to retain risk. During the recent pandemic, many businesses found substantial support through business interruption coverage provided by their captive insurance companies. While traditional insurance policies often excluded such coverage, captives offered tailored solutions that addressed the specific needs of their owners.

In addition to covering losses, captives provided business owners with greater financial flexibility by facilitating loans and dividend distributions to assist with cash flow management. As the frequency of natural disasters and cyber-attacks continues to rise, business interruption remains a critical risk, underscoring the value of the customised, integrated risk management solutions offered by captive insurers.

How does the North Carolina Captive Insurance Association plan to collaborate with its incoming CEO, to be announced at the 2025 Conference in Charlotte, to maintain the progress and direction of the state's captive programme after President Tom Adams' retirement in October 2025?

Gorman: Since the passage of the Captive Insurance Act in 2013, Tom Adams has played a crucial role in developing and supporting the captive industry in North Carolina.

Upon learning of his retirement, Commissioner Causey remarked that North Carolina's captive industry has greatly benefited from Tom Adams' thoughtful leadership and insights during his tenure as president and CEO of the North Carolina Captive Insurance Association (NCCIA).

The growth of North Carolina as a captive domicile is due in large part to the collaborative relationship nurtured between the NCDI and the NCCIA over the years.

The NCDI looks forward to continuing this relationship with Tom Adams' successor and the NCCIA board to promote the state as a leading captive domicile, while addressing the emerging needs of the industry in the coming decade and beyond.

What are some of the less quantifiable advantages that North Carolina offers to captive owners, aside from the economic benefits?

Gorman: North Carolina is an excellent state to call home for your captive insurer. Our programme benefits from the long-term commitment provided by Commissioner Mike Causey, the NCCIA, and other prominent state leaders.

The NCDI offers a dedicated team of experienced professionals who are accessible and committed to providing exceptional customer service.

"The state's flexible, business-focused regulatory philosophy continues to attract sophisticated captive owners both nationally and internationally"

Joe Rosenberger

Chief captive analyst

Captive Insurance Companies Division
North Carolina Department of Insurance



North Carolina also boasts a wide range of captive managers approved by the NCDOL to manage North Carolina-licensed captive insurers, alongside a diverse array of other industry service providers, including actuaries, attorneys, auditors, investment managers, and brokers who offer services to North Carolina captive insurers.

The state is consistently recognised as having one of the best business climates in America. From the mountains to the coast, we believe you will find our climate perfect for both work and play.

How is the NCDOL supporting captive owners to optimise their risk transfer strategies, especially in accessing reinsurance markets and developing tailored coverage solutions to address capacity limitations and pricing volatility in the current hardening commercial insurance market?

Gorman: Rising insurance costs and fewer participants in the commercial market are driving an increase in captive formations. For companies that self-insure, the opportunity to tailor coverage and gain greater control over their risk management programme are appealing benefits of captive insurance structures. Coverage related to supply chain, business interruption, and the property sector stand out as particularly challenging, following an increase in catastrophic events. As a result, more business owners with favourable loss histories are considering captives to contain costs, access tailored coverage, and benefit from the reinsurance markets to manage risk.

Many existing, mature captive entities are likely to expand as owners continuously assess their coverage needs. NCDOL strives to partner with regulated captive insurers by delivering prompt, consistent regulation in a fast-paced environment, as more captive owners seek to build value with captive structures that complement traditional insurance programmes.

What are the key strategic goals for the Captive Insurance Companies Division over the next decade to maintain North Carolina's position and advance governance, compliance, and risk management practices within the sector?

Gorman: As we look to the future, we view the captive industry as a leader in the risk management space, addressing emerging trends and new technologies.

As the concept of captive insurance has become more widely accepted, North Carolina has aimed to remain adaptable yet consistent in its approach to prudent regulation.

As regulators, we strive to ensure that captive owners and managers adopt best practices in corporate governance and build a strategic team of trusted service providers while operating in line with approved business plans.

New technologies, such as AI, may offer advantages like the ability to analyse large amounts of data and identify risks, but they also present new challenges, such as data breaches and privacy concerns.

We are committed to continually educating our team on emerging trends, new technologies, and captive solutions by attending industry events, including educational sessions, and offering continuous training opportunities.

Which sectors do you see experiencing significant growth in North Carolina's captive market, and are there particular advantages within the state's regulatory environment for the formation of captives, such as in employee benefits or emerging risk areas?

Gorman: With the continued hardening of the traditional market, we expect to see a broad range of industries remain interested in forming captive insurance companies.

We also anticipate a rise in interest from smaller to mid-sized companies with strong loss prevention initiatives and favourable loss experience.

Given the rising cost of healthcare, it is not surprising that employers are seeking more cost-effective strategies to provide these benefits to their employees, exploring options such as medical stop-loss structures along with other emerging risks.

North Carolina's Captive Insurance Act offers a wide range of captive structures, including protected cell structures and special purpose series.

Participation in these types of cell structures can provide captive owners with a lower cost of entry for forming a captive, often with reduced capital requirements, shared service provider expenses, and flexibility for future growth. ■

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AI and the next chapter for captives

Diana Bui speaks with industry experts to test whether AI's growing momentum in captive insurance lives up to the hype





Momentum or myth?

Artificial intelligence (AI) is rapidly reshaping industries worldwide, and captive insurance is no exception.

Routine tasks such as data extraction, loss-run cleansing and reserve calculations have left the desks of overstretched analysts and now sit with unfailingly consistent algorithms.

The benefit extends far beyond speed. With modern systems capable of analysing millions of records almost in real time, captive managers now have a sharper view of volatility, pricing and capital efficiency than traditional techniques ever allowed.

Jonathan York, chief technology officer at Luzern Risk, sees the change first-hand even in a firm born digital.

“AI is transforming the captive-management business in significant ways,” he says. “What started as a few efficiency gains is fast becoming a fundamentally different way of working.”

The momentum is just as evident for captive brokers and managers. Queena Cheung, chief strategy and digital officer at Marsh Captive Solutions, observes: “In captives, we launched the first and only AI-powered captive product, ReadyCell, which enables clients to open a cell captive within minutes instead of weeks or sometimes months.”

She adds that AI and GenAI “greatly enhances risk analysis and underwriting by enabling data analysis at greater speeds and complexities,” while a deliberate ‘human-in-the-loop’ approach helps keep bias in check.

AI is also levelling the field for smaller employers. “Self-funded or captive insurance has traditionally been complex and required a lot of resources to quote and administer,” says Tawfiq Bajjali, chief technology and product officer at ClearPoint Health.

“AI-driven digital platforms, which include machine learning and advanced-analytics algorithms, can rapidly analyse a small and medium-sized enterprise’s (SME’s) insurance and medical data, making it easier to evaluate and underwrite alternative funding options and manage policies throughout a policy lifecycle.”

Global insurers have responded by opening the throttle on internal programmes. Ashok Krishnan, chief innovation, data and analytics officer at AXA XL, calls AI “a very, very core part” of the firm’s strategy.

"Any technology opens good and bad possibilities; our job is to ensure the good far outweighs the bad"

Ashok Krishnan

Chief innovation, data and analytics officer
AXA XL



"We rolled out Secure GPT, which taps the power of generative-AI large-language models and makes it available to all employees. Today, all 10,000 colleagues in our 25–26 countries have access to this technology."

AXA XL is also "one of the first insurers to test Microsoft Copilot in beta. About 500 employees are using it right now," Krishnan says. Beyond those democratised tools, Krishnan points to "targeted solutions for underwriters and claims handlers — tools designed to make their work easier and deliver more value to clients."

Risk assessment in real time

If the first wave of adoption replaced manual toil, the second is about shrinking the distance between signal and decision. At Luzern Risk that shortening gap is already visible.

"Today, AI helps us extract data from complex documents, interact with sophisticated models using natural language, and streamline underwriting processes," says York.

The automation, he adds, "frees our team to focus on high-value tasks like designing more tailored products, managing difficult client situations with greater nuance, and identifying and solving problems more effectively."

York is convinced the gains will compound. "Those companies that successfully integrate these technologies will become dramatically more efficient; not just 10 per cent better, but multiple times more productive in delivering high-quality services to clients."

The same immediacy is taking hold at Marsh Captive Solutions. Cheung points to Sentrisk, "a cutting-edge AI-powered platform that analyses best-in-market data, empowering businesses with a new way to manage global supply-chain risk."

The system taps shipping manifests and geospatial satellite imagery to map supplier networks and verify asset locations, so a blocked canal or factory fire surfaces on dashboards almost at the moment it happens, giving captives time to adjust treaties before losses accumulate.

Internally, Marsh runs a suite of GenAI capabilities: "We use a variety of internally developed and externally sourced AI tools, including text-extraction automation, document summarisation, chatbots and other customer-service interactions. Many of our uses involve a proprietary internal generative-AI tool called LenAI."

Notably, Marsh does not train LenAI on user inputs, and LenAI does not retain any outputs it generates.

Apart from using LenAI for everyday tasks, Marsh also utilises systems such as Sentrisk, “a cutting-edge AI-powered platform that analyses best-in-market data, empowering businesses with a new way to manage global supply-chain risk,” and analytics platforms like Blue[i] and Data Navigator parse claims trends so risk managers and captive managers can together see where programme tweaks would have the biggest impact.

The system taps shipping manifests and geospatial satellite imagery to map supplier networks and verify asset locations, so a blocked canal or factory fire surfaces on dashboards almost at the moment it happens, giving companies time to adjust treaties before losses accumulate.

For Bajjali, speed is equally critical in employee benefits. ClearPoint’s system, he says, “extracts data from plan documents, claims and demographic files and then matches each employer to an optimal alternative funding type — group captive, traditional stop-loss or level-funded — based on that risk analysis.

“From there, we review medical history and classify risk to be sure the right cost-management solutions are built into the policy and that the risk is matched to the right carrier.” The pay-off, he says, is immediate: “Doing so saves underwriters time in reviewing each case and speeds up their decision-making.”

Buying cover is quicker too. “We use AI to make quote comparison easy. Instead of manually sorting and reformatting multiple quotes, we automatically summarise and highlight our recommended plan so benefit advisers and employers can compare options quickly,” Bajjali explains.

“Our approach allows benefit advisers to deliver tailored insurance options much faster and more efficiently to their SMB customers. It also means that SMBs can approach their health benefits like larger employers do.”

The momentum behind real-time, AI-powered risk assessment is undeniable. Bajjali sees the result in sharper, faster decisions, while Cheung warns that every leap in speed demands stronger guard-rails. Krishnan zooms out, calling this “day zero of the AI revolution — akin to the internet’s early 1990s.” As AI integration accelerates, the industry faces a hard question: how to harness its speed without losing sight of transparency, fairness and human oversight.

"Today, AI helps us extract data from complex documents, interact with sophisticated models using natural language, and streamline underwriting processes"

Jonathan York
Chief technology officer
Luzern Risk



"AI should augment, not replace, clinical judgment and data privacy is non-negotiable"

Tawfiq Bajjali

Chief technology and product officer
ClearPoint Health



Governance, ethics and human touch

Regulators have shifted AI in insurance from a recommended best practice to a firm requirement. Under Europe's new EU AI Act, insurers will soon be required to document data sources, demonstrate bias controls, and ensure human oversight for any "high-risk" algorithm.

The UK takes a lighter, principles-based path, while US regulators lean on the National Association of Insurance Commissioners (NAIC) bulletin alongside a patchwork of state-level rules, including Colorado's mandatory bias testing for life underwriting.

Singapore's Fairness, Ethics, Accountability and Transparency (FEAT) principles and Canada's draft accountability law add further complexity. Yet the core message remains the same: innovation must be built on a clear ethical foundation.

York says Luzern Risk meets that challenge with a structured approach: "The first step is establishing clear principles to guide how we leverage AI. These principles determine which activities we use AI for and what guardrails we put in place, based on our confidence in the technology's capabilities."

That foundation, he says, ensures transparency. "Our framework covers confidentiality, data privacy, security, and quality standards. Having these principles enables transparency with our customers, employees, and partners, and gets everyone on the same sheet of music."

Then comes rigorous testing. "Second, we proceed cautiously — experimenting, evaluating, and back-testing across diverse scenarios, much as we would when developing human talent. This approach builds our understanding of how much we can trust each implementation."

Finally, nothing is left uncertain. "We ensure our AI systems aren't black boxes. Every action is tracked, with automated monitoring designed to catch potential issues." He describes it as "a continuous improvement cycle, both in development and daily operations." That vigilance, he adds, has already freed staff to focus on "higher-value challenges like creative problem-solving and innovative structuring".

Meanwhile, Cheung sees governance and talent development as two sides of the same coin. "The biggest challenges include data quality, systems design and colleague adaptation," she says. To tackle these issues, Marsh has embedded an AI Risk Governance

Framework to manage emerging risks, including those introduced by new legislation. An AI Centre of Excellence and a dedicated risk committee ensure the company stays aligned with evolving standards while fostering a culture of accountability around AI.

Keeping staff up to speed is also a priority. “We have dedicated captive AI experts and a multi-faceted upskilling programme, including office hours and bite-size resources, to help colleagues understand AI and become fluent GenAI users,” Cheung notes.

At the same time, the human element stays front and centre. “AI innovations enhance our colleagues’ ability to engage with clients rather than replacing human interactions,” she says. Automated note-taking allows advisers to focus on conversations, while natural-language interfaces ensure that “captive-insurance experts, who may not be data specialists, can perform analyses using natural language, tailoring complex coverage options for individual captives with more flexibility.”

Bajjali echoes that people stay on the bridge: “AI should augment, not replace, clinical judgment and data privacy is non-negotiable.” ClearPoint’s SOC 2 and HIPAA-compliant cloud encrypts everything, and role-based controls keep data exposure “minimal and necessary”.

To help newcomers, the firm built an alternative-funding marketplace plus a Centre of Excellence: “These offerings allow our partners to participate seamlessly and meet them where they are.”

Krishnan sees ethics as both a shield and a spear. “Any technology opens good and bad possibilities; our job is to ensure the good far outweighs the bad,” he says. At AXA XL, every AI model undergoes an ethics review tailored to local regulations.

He highlights the urgency of compliance. “The EU AI Act is already live, with more provisions taking effect in the coming months,” he notes, adding that AXA XL is “fully compliant and tracking similar regulations in every region where we operate.” The UK, he says, has opted for a principles-based approach, while the US is navigating a patchwork of state-level bulletins. Regulation is not the barrier, he argues — “our main limit is how quickly we can scale.”

Keeping people ahead of the curve is critical. “You won’t lose your job to AI, but you could lose it to someone who knows how to use AI better than you,” Krishnan warns. To address this, continuous training runs alongside model testing, ensuring employees and clients feel empowered rather than replaced.

"AI and GenAI greatly enhances risk analysis and underwriting by enabling data analysis at greater speeds and complexities"

Queena Cheung

Chief strategy and digital officer
Marsh Captive Solutions



Mapping the road ahead

Ask the industry's technology chiefs what comes next and they paint a future in which algorithms and people work side by side, each amplifying the other's strengths. York sees the proof of concept already.

"It is still early, but several AI applications are showing particular promise. We are retrieving data from vast stores of documents, summarising key passages in seconds and producing first-draft analyses for stakeholder review," he says.

Those time savings, he argues, are not being banked as idle minutes. "The efficiencies free our team to focus on higher-value challenges like creative problem-solving and innovative structuring."

Luzern now runs controlled pilots for every new model, collecting evidence before rolling it into live production.

York is convinced that the most dramatic gains will come once AI agents graduate from back-office helpers to full collaborators.

"We expect these systems to spot opportunities to improve captive health, respond to regulators more quickly and test a wider range of scenarios. How the evolution plays out is not yet clear, but our commitment to reliable, high-quality service will not change."

At Marsh Captive Solutions, Cheung tracks a similar trajectory. "Over the next 5 to 10 years, AI-driven technologies are likely to lead to a more data-driven and proactive approach to risk management," she says.

The aim is to let risk managers "respond more proactively to the needs of businesses in a rapidly changing landscape", she says, turning captives into dynamic risk platforms rather than static financing vehicles.

Health-benefits captives have an even longer runway, argues Bajjali. Many advisers and small employers are only now encountering alternative funding for the first time, so ClearPoint has built what Bajjali calls "a tech and intelligence-powered marketplace" around them.

"We developed a curriculum, hired field teams who understand captives and offer outsourcing through our Centre of Excellence. Partners can join the market at their own pace," he says. Employees, too, will feel the difference.

"In our model staff are not passive recipients of a plan; they engage with AI insights that help them navigate benefits and care. Coverage becomes personal, outcomes improve and costs fall."

Bajjali expects the data floodgates to open within a decade.

"Data siloes in healthcare and insurance will break down, and we'll see a lot more interoperability of health data from providers, employers, insurance carriers, digital mobile apps, devices, and pharmaceutical companies.

"This will significantly improve the AI algorithms in play allowing for more personalisation and successful care interventions that lower costs and improve health outcomes."

ClearPoint's CliniCaptive project is already working with hospital groups willing to be paid on value delivered rather than services rendered. He predicts the result will be "more stable and highly cost-efficient captives".

Meanwhile, Krishnan believes AI will redraw the boundary between insurable and uninsurable. "Risks once deemed uninsurable — flood-prone properties, wildfire zones, complex cyber exposures — can be reassessed with better modelling," he says.

"AI cannot stop earthquakes or hurricanes, but it can improve prediction and prevention. Once we understand a risk precisely, we can design solutions that were impossible before."

Krishnan believes AI is still at a very early stage but will soon be inseparable from the way the industry operates. "Over the next 5 to 10 years, AI will permeate everything, acting not as a standalone tool but as an enabler that helps us do our work faster and better," he says. For AXA XL the destination is clear: smarter underwriting, more responsive claims and a broader social benefit. "The challenges are real, yet the transformative potential is greater," he concludes.

Across all the discussions a clear consensus emerges — captive managers are embracing AI not just as a faster way to handle routine work, but as a tool that can pull hidden insights from complex datasets, retrieve key information on demand, and structure complex material into decisions that matter. Yet no one underestimates the need for balance.

As York reflects, the future will be shaped by the collaboration between human expertise and machine intelligence, and whatever form that partnership takes, the commitment to delivering high-quality, reliable client service will remain unchanged. ■



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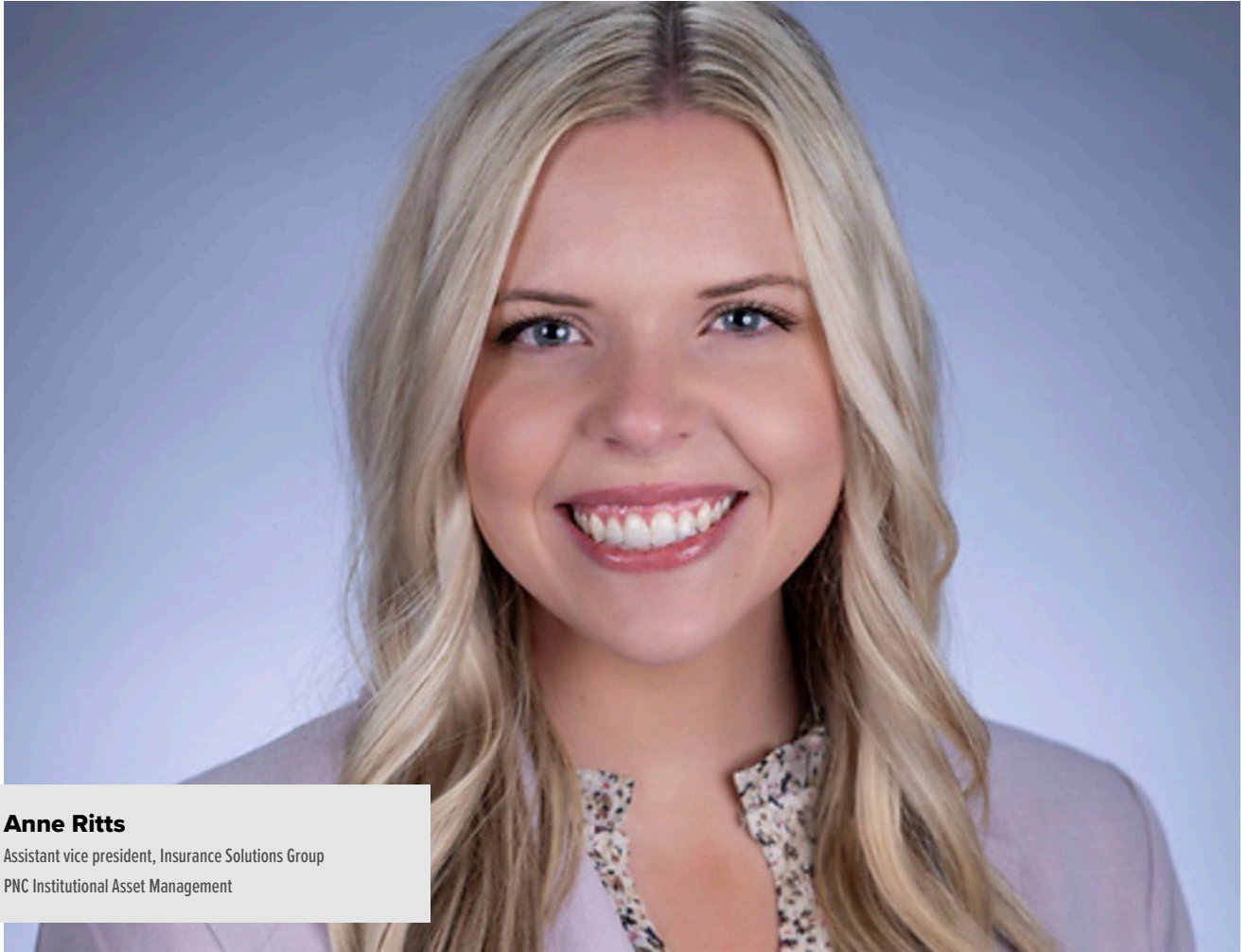
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Anne Ritts

Assistant vice president, Insurance Solutions Group
PNC Institutional Asset Management

If you're given the opportunity, go for it!

PNC's Anne Ritts talks to Diana Bui about what she enjoys most about working in the captive insurance industry — from the dynamic nature of the work to the tight-knit community, and the opportunities it offers young professionals

Can you tell us a bit about your journey into the captive insurance industry? What initially drew you to this field?

I began my career in captive insurance in 2023, through the PNC Asset Management Group's development programme.

I initially worked at PNC Private Bank as an analyst, supporting senior advisors in helping families achieve their long-term wealth objectives. When the opportunity arose to join the Insurance Solutions Group, I was at first uncertain.

However, after speaking with members of the team, I quickly realised how knowledgeable and welcoming they were. It became clear that this was an opportunity I did not want to miss. I had already taken an interest in captives — they are highly specialised, which I found particularly intriguing.

I was drawn to captives because the industry has seen rapid growth. It is the fastest-growing segment within the Insurance Solutions Group, and I wanted to be part of that momentum and the opportunities it presents.

What is a typical day like for you, and what has been your most rewarding achievement so far?

That is a tough one to answer, as no two days are ever the same. There is always a new project or task we are working on for our clients. There is a saying in the industry: when you've seen one captive, you've seen one captive. The point being that no two captives are the same.

I find it especially rewarding to work with so many large, well-known companies at a young age. It has been brilliant to have the opportunity to support them in meeting their needs.

Have you faced any significant challenges in your role, and how did you overcome them?

The biggest challenge was the initial learning curve. Coming from the private banking side, where I was working with families and their wealth, moving into insurance was a significant leap.

Five years ago, I did not even know what a captive was, and I had to get to grips with the ins and outs of the industry fairly quickly. My teammates at PNC were incredibly supportive, and it certainly helped that I had a genuine interest in the captive industry.

"I find it especially rewarding to work with so many large, well known companies at a young age. It has been brilliant to have the opportunity to support them in meeting their needs"

What do you enjoy most about working in the captive insurance sector, and what advice would you give to young professionals considering a career in this field?

I really enjoy both the people and the chance to help businesses address a very real need. The captive industry is quite niche — once you are involved, you quickly get to know all the key players and service providers, and your name tends to travel fast because you are all working so closely together. It is a sector that brings together a truly diverse and innovative community.

Looking ahead, I would love to see more young people enter the insurance industry. There is strong demand for younger and mid-career professionals in captives, and the perception of the industry is shifting. Captive insurance is no longer seen as simply an alternative risk solution — it is now a vital component of a comprehensive risk management strategy.

The processes around setting up and running a captive are becoming increasingly accessible, and I think that trend will only continue.

My advice to young professionals? If you're given the opportunity, go for it! It might seem daunting at first, but the possibilities are endless.

Are there any mentors or colleagues who have played a significant role in your development?

Anjanette Fowler, managing director of the Insurance Solutions Group at PNC Institutional Asset Management, has been an incredible mentor. Without her guidance and the ability to call on her for advice, I genuinely do not believe I would be where I am today.

Wade Meadows, head of the Insurance Solutions Group, has also been a pleasure to work for. He has been exceptionally supportive, particularly in terms of professional development and exploring new opportunities.

I also consider my colleague James Bailey, PNC's insurance investment director, to be an invaluable resource. He has always been open to me running ideas by him and generously sharing his insights.

How do you keep developing your knowledge and skills in such a specialised industry?

I am highly engaged in industry events and professional development opportunities. I recently completed several courses through the International Center for Captive Insurance Education (ICCIE) to earn my Associate in Captive Insurance (ACI) designation.

I make the most of every opportunity to attend industry events such as the Captive Insurance Companies Association (CICA) conference, which offer excellent networking prospects both within the sector and with captive owners.

I am also a member of the CICA's Amplify Women networking subcommittee, which has been an incredibly rewarding experience. ■

"Anne Ritts has quickly distinguished herself as an emerging talent in the captive insurance space. Since joining our Insurance Solutions Group at PNC, she has integrated seamlessly, demonstrating exceptional professionalism, an amazing organisational skillset, and a deep understanding of the unique needs of our captive clients. Her ability to navigate complex investment management strategies with clarity and precision has made her an invaluable asset to both our team and the clients we serve."

**Anjanette Fowler, managing director, Insurance Solutions Group
PNC Institutional Asset Management**

"In just two years, Anne has established herself as an exceptionally driven, passionate and talented professional within our Insurance Solutions Group. Her acumen and ambition have made a significant positive impact on PNC's captive insurance clients and PNC Institutional Asset Management as a whole. The future is bright for Anne, and I look forward to seeing her continued success."

**Wade Meadows, head of Insurance Solutions Group
PNC Institutional Asset Management**

Personal bio

Anne Ritts is an assistant vice president within the Insurance Solutions Group at PNC Institutional Asset Management, where she works closely with clients in the traditional commercial, captive, and self-insurance markets. Drawing on her background in investment and relationship management, she helps coordinate strategic investment solutions, supports client engagement, and contributes to education initiatives across the sector.

Anne holds the ACI designation and is an active supporter of the commercial and captive insurance community. She serves as chair of the networking committee within CICA's Amplify Women initiative and regularly participates in industry conferences.

Outside of work, Anne likes to keep busy. She and her fiancé enjoy camping during the warmer months in Ohio and share a love of travel. On weekends, she can often be found at a group workout class, catching up with family over coffee at a local café, or relaxing at home with her cat, Willy.

She believes that maintaining a healthy work-life balance is key to professional success — something she values deeply within both PNC and the broader captive insurance industry, where the culture genuinely supports that balance.

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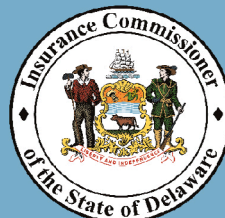
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Industry Appointments



Samsom appointed Vermont DFR commissioner

Kaj Samsom has been appointed commissioner of the Vermont Department of Financial Regulation (DFR), succeeding Sandy Bigglestone, who held the role in an acting capacity for four months.

Samsom was most recently chief auditor at National Life Group. He previously served as Vermont's tax commissioner between 2017 and 2019.

From 2014 to 2017, he was deputy commissioner of the insurance division at the Vermont DFR.

He first joined the department in 2006 as an insurance examiner and was promoted in 2011 to director of

the Insurance Division Licensing and Examinations section.

Samsom is a certified public accountant, a certified financial examiner and a member of the public administration honour society Pi Alpha Alpha.

He holds a Bachelor of Science and a Master's in Public Administration from the University of Vermont.

He has also served on the boards of the American Institute of Certified Public Accountants Governing Council, the Vermont Society of Certified Public Accountants and the Moretown School Board. ■

FERMA CEO Typhaine Beaupérin to step down

The Federation of European Risk Management Associations (FERMA) has announced that its CEO and secretary general, Typhaine Beaupérin, will step down from both roles in June.

The federation has now begun its succession planning and will appoint a new CEO and secretary general in due course.

Beaupérin became CEO in December 2015 and took on the additional role of secretary general in 2019.

Charlotte Hedemark, president at FERMA, says: "We are truly grateful to Typhaine for her constant commitment to FERMA's mission of representing the European risk management community.

"Over the past nine years, she has worked tirelessly to advance our strategic goals, enhance our EU influence, grow our network, and shape FERMA into the agile, forward-thinking organisation it is today."

Hedemark notes that FERMA remains well-positioned to empower its members and extend its influence, with a clear strategy and strong EU presence in place for the next leadership.

Beaupérin adds: "FERMA's mission has always been to raise the visibility and influence of the risk management profession.

"It has been an honour to contribute to this mission working alongside an exceptional team and to represent the risk management community on both EU and global stages.

"I look forward to watching FERMA continue to strengthen its voice and empower the profession."



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Helio Risk welcomes industry veteran Ken Rowe

Helio Risk has onboarded Ken Rowe as senior captive risk consultant, who will bring over 30 years of industry experience.

In his new role, Rowe will spearhead initiatives focused on captive insurance programmes for organisations in higher education, healthcare, and business risk consulting.

He most recently held senior financial leadership positions at the University of Oklahoma and the OU Health Sciences Center, where he served from 1998 until his retirement in February 2025.

Before joining the university, Rowe led audit and risk teams in the banking sector, building a solid foundation in financial oversight and strategic risk mitigation.

He holds a Bachelor of Science in Accounting from East Central University and a Master of Accountancy from the University of Oklahoma. Rowe is also a Certified Public Accountant and Certified Fraud Examiner.

Heather McClure, managing partner at Helio Risk, says: "With decades of executive leadership in audit, banking, risk financing, risk management, and captive operations, Ken brings a wealth of insight and experience to our team.

"Having played critical roles in developing and managing captive insurance strategies, and as the President of OU's captive insurance company for many years, Ken has earned a reputation for innovative thinking and strategic execution." ■

Aon strengthens reinsurance team with key appointments

Aon has announced a series of leadership changes within its Reinsurance Solutions division, aimed at strengthening its global client services capabilities.

The appointments affect the firm's client services function, which provides support in claims handling and accounting to help manage the full claims lifecycle.

Steve Clark has been appointed global head of claims and client services advocacy, where he will lead the firm's global advocacy efforts and oversee strategic initiatives across markets and product lines.

He will continue to report to Leonora Siccardi, global head of client solutions for Risk Capital and chief claims officer for Reinsurance Solutions.

Ann Field has been named global head of client experience, with a remit to improve client satisfaction and coordinate with leaders across product, technology and operations.

She also reports to Siccardi and will be responsible for further developing the delivery of Aon's client services operating model.

Matt Moore has been appointed head of client services and advocacy in North America, reporting to Clark, and will focus on aligning regional operations with the global framework.

David Griffiths will expand his role as global head of claims strategy and innovation to support broader claims-related initiatives.

Commenting on the appointments, Siccardi says: "Our clients face a highly complex environment when managing their claims and accounts. Aon recognises the importance of continually evolving our services to meet our clients' new challenges and demands."



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Smith joins Alliant Employee Benefits

Josh Smith has joined Alliant Insurance Services as senior vice president and sales director within its Employee Benefits division.

Based in California, Smith will direct business development activities across the Western United States, driving growth and expanding Alliant's footprint.

Smith brings extensive experience in sales strategy, management and business development to his new role at Alliant, having most recently served as district sales manager at Insperity. Before that, he spent eight years as regional sales manager

at Oracle. Smith holds a bachelor's degree in business from California State University, Chico.

Kevin Overbey, president at Alliant Employee Benefits, says: "Josh brings nearly 30 years of sales leadership experience and a strong track record of building high-performing teams and driving revenue growth.

"His expertise in executing strategic sales initiatives and his combined experience in benefits and technology make him an invaluable asset as we continue to grow our presence in the West." ■

Verve expands MGA platform with new hire

Verve Risk Services has appointed Gordon Steward as head of forestry, as part of its strategy to grow mid-market managing general agent (MGA) platform.

The London-based underwriting agency says the hire reflects its ambition to build a diversified MGA business supported by the Lloyd's and company markets.

Steward brings nearly four decades of experience in forestry underwriting, most recently serving as managing director, forestry at DUAL Group.

He will focus on small to medium-large forestry companies across Latin America, Southeast Asia, Australia, New Zealand, and South Africa, writing a hybrid specialty book that includes both traditional and parametric solutions.

He will also provide tailored coverages designed to meet clients' climate change and ESG requirements.

Steward says: "[Verve] recognises the huge global potential for growth in the forestry segment and the importance of the long-term relationships I have built."

Scott Simmons, director at Verve, adds: "We are focused on building a highly specialised MGA business with a diverse portfolio of product lines.

"The key to the success of this strategy will be collaborating with specialist underwriters such as Gordon, who have a deep understanding of their areas of expertise with a strong technical underwriting capability and with long-term capacity support." ■

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