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Bermuda increases licences ahead of introducing electronic reporting for captives

Bermuda registered 91 new insurance companies in 2013, according to annual insurer registration statistics released by the Bermuda Monetary Authority (BMA).

This represents a 72 percent increase on the 53 firms registered in 2012.

The new firms covered both the traditional and fast-growing alternative risk transfer sectors of the insurance market. In addition, the number of new captives registered in 2013 doubled the totals recorded in 2012.

The new companies registered in 2013 covered all classes of insurance. There were 24 new captives, 16 commercial insurers and a record 51 special purpose insurers (SPI). This compares to 12 new captives, 14 commercial insurers and 27 SPIs being recorded the previous year.

Jeremy Cox, CEO of the BMA, said: "Achieving this level of business in today's competitive environment reinforces Bermuda's unique ability to service the full spectrum of high-end, global reinsurance business. It also demonstrates the continued relevance of Bermuda as a jurisdiction as the market seeks diversification in risk transfer, with alternative products increasingly complementing traditional reinsurance."

Cox also noted the record number of special purpose insurers registered last year, reflecting in particular how Bermuda has emerged as a leading jurisdiction for the creation, listing and servicing of insurance-linked securities. By the end of 2013, out of the $21 billion of global ILS issuance, $9.2 billion was sponsored by Bermuda-based SPIs, representing 41 percent of the worldwide stock of ILS.

The BMA has also published its 2014 business plan, setting out its regulatory priorities and goals for the year.

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Record year for cat bonds

Last year saw a record number of 29 catastrophe bond deals, according to Willis Capital Markets & Advisory (WCMA).

Total issuance over the year of $7.1 billion was very close to the 2007 record of $7.2 billion, with non-investment grade and unrated issuance also recording a new high, according to WCMA's latest insurance-linked securities (ILS) market report.

Overall outstanding capacity at year-end reached $18 billion and has now grown at a compounded growth rate of 18 percent since 2000.

Q4 2013 saw $1.8 billion of non-life catastrophe bond capacity raised in seven deals, whereas Q4 2012 saw $1.9 billion issued in seven deals.

read**more p2**

Captives can breathe easy after tax court ruling

A US tax court's ruling that a captive's deductible premiums are legitimate because real risk transfer occurred has some captive insurance company principals breathing a sigh of relief.

The US Tax Court ruled that payments to Rent-a-Center's wholly owned captive, located in Bermuda, were deductible under section as an insurance expense. The court ruled the captive was formed for a valid business purpose and the company shifted risk to the captive.

The Tax Court majority found that the Bermuda-based captive insurance company was a genuine insurance company because it was created for significant, non-tax reasons and that there was no impermissible circular flow of funds.

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Bermuda increases licences ahead of introducing electronic reporting for captives
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Cox presented the plan to industry stakeholders at the annual meeting held at BMA House.

Cox said: "A world class financial services industry such as Bermuda's requires the support of a world-class financial services regulator capable of assuming a leading role at a global level. My goal and the goal of our leadership team is not only to ensure the authority remains the worldclass regulator our industry and country demands. We also want to set the standard for quality regulation at home and abroad for the benefit of all stakeholders, including other regulators."

Several key areas of focus in the business plan were highlighted at the meeting, including the AIFMD opt-in regime. The authority will consider the implications of establishing an opt-in regime for Bermuda's funds sector to comply with Europe's Alternative Investment Funds Managers Directive.

The proposed opt-in regime would enable Bermuda's alternative investment fund managers to register with an EU member state, upon which they could market funds throughout the EU by passporting, which will be available to non-EU countries by 2015.

The business plan also sets out the need for electronic reporting, which will be rolled out to Bermuda's captive insurers this year.

The authority will amend insurance legislation in Q2 2014 to refine the content and process of filing requirements for captives.

An enhanced Statutory Financial Return, which consolidates previous filing requirements with a new risk self-assessment, will become an annual statutory requirement for Bermuda's captives. These will be submitted electronically.

Cox said: "In 2014, the authority will continue to build upon our highly-regarded regime and further entrench key framework enhancements across all of the financial service sectors we regulate. We will also continue to facilitate business development for the jurisdiction while maintaining an effective, risk-based and appropriate regulatory environment that is workable for the quality firms which operate here."

Record year for cat bonds
Continued from page 1

All but one of the Q4 2013 issuances were sponsored by repeat sponsors, with Queen City Re, sponsored by newcomer American Modern Insurance, being the sole exception.

Bill Dubinsky, head of ILS at WCMA, said: "[This year] may prove to be a pivotal year for the cat bond and sidecar markets. On the one hand, 2013 was a banner year for cat bonds, sidecars, and collateralised reinsurance with $7.1 billion in non-life cat bond issuance and considerable sidecar activity despite the softening market conditions."

"On the other hand, traditional reinsurers are reacting aggressively to maintain market share by launching preemptive quotes to defend previously unassailable positions on the programmes of favoured clients."

Tony Ursano, CEO of WCMA, said: "The reinsurance industry is in the midst of a gradual transformation as the inflows of third party capital continue to increase. We expect that 2014 will be marked by innovation, seeing new sponsors, new perils and new structures come to market in an effort to meet investors demand for risk."

Captives can breathe easy after tax court ruling
Continued from page 1

Thomas Stokes, managing principal and US consulting practice leader for JLT Towner, said: "The IRS argued that the captive was created solely to create federal tax benefits, which wasn't the case. The court ruled substance over form mattered. This is positive news for captives."

"If the intent is there to develop and operate the captive the way an insurance company should, captive owners can feel a bit more confident that the IRS won't challenge their captives' legitimacy based on technicalities."

RRGs 'continue to exhibit financial stability'

Demotech, a financial analysis firm, has conducted a review of risk retention groups, finding that they have strong financial stability.

The report found that over the past five years, RRGs have maintained adequate capital to handle losses.

Balance sheet analysis comparing the last five years of results revealed that cash and invested assets, total net admitted assets and policyholders' surplus have all continued to increase at a faster rate than total liabilities.

Liquidity in Q3 2013 was approximately 66.4 percent. A value less than 100 percent is considered favourable as it indicates that there are more liquid assets in total than combined liabilities.

This is an improvement on Q3 2012, when there was 68.3 percent liquidity. This ratio has improved steadily each of the last five years.

The figures show that despite political and economic uncertainty, RRGs remain financially

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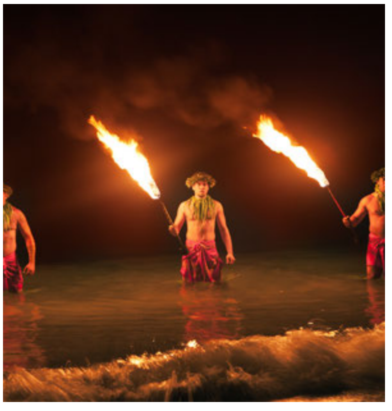


stable and continue to provide specialised coverage to their insureds.

Douglas Powell, the author of the report and an analyst at Demotech, said: "In reviewing the reported financial results of risk retention groups, one gets the impression that this is a group of insurers with a great deal of financial stability. Based on third quarter 2013 reported financial information, RRGs continue to effectively provide specialised coverage to their insureds."

Labuan has an understanding with INCEIF

The Labuan International Business and Financial Centre (LIBFC) and INCEIF, the Global University of Islamic Finance, have signed a memorandum of understanding to establish a collaborative framework towards raising awareness on Islamic wealth management.

The research topics proposed will cover key components of Islamic wealth management including shariah-compliant wealth acquisition, risk management, Islamic wealth preservation and wealth distribution.

According to Saiful Bahari Baharom, CEO of LIBFC: "This strategic partnership will benefit both Labuan IBFC and INCEIF in terms of pooling our resources to conduct more research into understanding shariah issues in wealth management. We hope to feature the findings from this research into an annual journal focusing on wealth management."

Daud Vicary Abdullah, president and CEO of INCEIF, said that the university is honoured to add another important industry partner to its growing pool of strategic collaborations.

Duad said: "This collaboration with Labuan IBFC is a perfect fit for INCEIF as we both share a vision to develop and promote knowledge in Islamic finance particularly in Islamic wealth management. As the only university in the world to focus exclusively on Islamic finance education and research, INCEIF has become a preferred partner and place of study for many."

Belgian reinsurance market staying afloat

The reinsurance market in Belgium is relatively small, but still buoyant following the financial crisis, according to a report from Timetric.

Written premiums in the Belgian reinsurance segment increased from €795.2 million in 2008 to €805.3 million in 2012, at a compound annual growth rate of 0.3 percent during the review period.

The global financial crisis and rising sovereign debt in the country and other EU member states have combined to keep growth subdued.

The treaty reinsurance category accounted for 60.4 percent of the total reinsurance written premium value in 2012, followed by the facultative reinsurance category with the remaining 39.6 percent.

Timetric's report concluded that the Belgian reinsurance segment is relatively small when compared to other EU member states.

It comprises a number of multinational corporations and no pure domestic reinsurers, forcing Belgian insurers to look to foreign insurers, primarily from Switzerland, the UK, Bermuda and the US, for support.

Cayman event puts tax under the spotlight

A seminar hosted by Cayman Finance aims to take a closer look at tax and information sharing.

The seminar, sponsored by PricewaterhouseCoopers, Ignition, and Markit, will closely examine onshore international tax initiatives, the Foreign Account Tax Compliance Act (FATCA), the IRS online portal, as well as other topics.

Speakers will include Martin Livingston and Justin Appleyard of Maples and Calder, as well as Duncan Nicol from the Cayman Islands Tax Information Authority.

Former Cayman Islands Monetary Authority chairman Timothy Ridley will be looking at the 15 points action plan created by the OECD and the implications for Cayman's financial sector.

Duncan Nicol of the tax information authority will offer perspective on the move towards the automatic exchange of information as the new international standard.

FATCA will also be on the agenda. Delegates will discuss its implementation, the registration process, and its impact on specific industry sectors.

Cayman Finance CEO Gonzalo Jalles said: "FATCA, among other new regulations, will have an impact on a great many facets of our financial services industry and is expected to be followed by many others that are likely to change the shape of our industry."

"Cayman Finance believed it was important to bring together experts and leaders working in the field of taxation and to put together a seminar to provide answers to many of the questions industry professionals may have as new policies are implemented beginning as early as next year."

Taiwan insurers look beyond the island

Keen rivalry between conventional insurers saw a declining Taiwanese reinsurance sector in 2012, with insurers looking to mainland China for new opportunities.

A Research and Markets report, Reinsurance in Taiwan, Key Trends and Opportunities to 2017, looked at the reinsurance market in the state.

The report found that in terms of gross written premium, the Taiwanese reinsurance segment declined from $300 million in 2008 to $280 billion in 2012, at a compound annual growth rate of -2.9 percent during the review period.

The negative growth in the segment was partly due to intense competition in conventional insurance segments, resulting in low earnings.

Fierce pricing competition among conventional insurers and low profit margins also led to declines in reinsurance premium rates, which subsequently discouraged reinsurance business in Taiwan during the review period.

The report noted that there is a trend in Taiwan for reinsurance firms to look beyond the island. It concluded that positive economic development and government policy reforms, including the establishment of trade services with mainland China, will support this goal.

Another finding of the report included the percentage of premium ceded to reinsurers by the life insurance segment. It was 2.3 percent in 2012 and is expected to rise to 3.4 percent in 2017.

Guernsey cites ILS in latest licence numbers

The Guernsey Financial Services Commission (GFSC) licensed 89 new international insurers during 2013.

This includes 10 limited companies, six protected cell companies, 63 PCC cells, two incorporated cell companies and 8 ICC cells.

It means that there were 758 international insurers licensed in Guernsey at the end of December 2013. This number comprised 242 limited companies, 69 PCCs, 414 PCC cells, 7 ICCs and 26 ICC cells.

It compares to a total of 737 international insurers being licensed by the GFSC at the end of December 2012, which means there has been net growth of 21 entities during the year.

Fiona Le Poidevin, chief executive of Guernsey Finance, said that a significant proportion of the licences issued last year were associated with structures related to insurance-linked securities.

“It is pleasing to see that Guernsey remains a popular international insurance centre. These figures build on last year’s very strong performance and together mean that nearly 200 international insurance entities have been licensed in the island during the last 24 months. The increases continue across the different types of entities, although there is particularly strong growth in PCC and ICC cells and especially in relation to ILS structures.”

“Guernsey’s international insurance expertise, our close proximity to both London and Zurich and our access to major global capital markets mean that we are increasingly viewed as a centre of choice for ILS. We are looking to build on this during 2014 through a number of different marketing and promotional activities which will highlight that Guernsey not only has a particularly experienced insurance sector but also a large investment funds community so is able to bring together both sides of the ILS equation.”

The Guernsey office of Bedell acted in an ILS deal that was devised by the legal team on the island, led by partner Mark Helyar.

Bedell was Guernsey counsel to the issue and the issuer and worked alongside the European Islamic Investment Bank, Rasmala Group and legal firm Morgan, Lewis and Bockius. Aon Guernsey was appointed as the insurance manager and a primary listing is being sought on the Channel Islands Securities Exchange.

Paul Sykes, managing director of Aon Guernsey and chairman of the Guernsey International Insurance Association, said: “Guernsey continues to provide an attractive environment for establishing a wide variety of international insurance entities, including ILS structures, and we see significant opportunities for growth in the management of Shariah-compliant insurance products.”

“Of particular importance is our regulatory regime which continues to respond to innovative proposals while also offering proportionality through meeting the insurance core principles of the International Association of Insurance Supervisors.”

Future bright for Spanish reinsurers

A new report on the Spanish reinsurance market showed better than expected results, and bright prospects for future growth.

Reportstack, a market research firm, produced the report, Reinsurance in Spain, Key Trends and Opportunities to 2017.

The Spanish reinsurance segment continued to grow at stable rate during the review period, despite the variable nature of the industry during this time.

The report found that despite the global financial and European debt crises, the Spanish reinsurance segment registered a review-period compound annual growth rate of 9.6 percent, increasing from $4.6 billion in 2008 to $5.9 billion in 2012.

The data enabled Reportstack to forecast growth figures for the 2012 to 2017 period.

With gradual economic improvement and increasing public confidence in insurance products, the segment is expected to post a forecast-period growth of 7.1 percent between 2012 and 2017.

The report also noted that the implementation of Solvency II is expected to increase demand for reinsurance as minimum capital requirements will rise and firms will concentrate on adopting risk mitigation strategies.

European investors taking bigger risks

European insurers' investments are becoming riskier, according to a new report from Fitch Ratings.

The report acknowledged that although the increase in risk is small and likely to remain so, it could ultimately have negative rating implications.

Fitch believes that generating sufficient investment yield in the current low interest rate environment is the biggest challenge currently facing the European insurance sector.

The report concluded that shifting asset allocations out of bonds and into asset classes with potentially higher investment returns, such as equities, real estate and alternative assets, would be one way of militating against this trend.

Exposure to equities and real estate has actually declined on average in the European insurance sector over the past five years, and alternative assets still play only a minor role.

Although insurers' focus on alternative assets has increased, actual investment represents only a small proportion of total invested assets. Limited opportunities and complex processes are partly responsible, with investment in these asset classes generally limited to large insurance companies. Unfavourable treatment under Solvency II is also an obstacle.

Lion Re sparks in flooded Panamanian market

A.M. Best has affirmed the financial strength rating of "A- (Excellent)" and issuer credit rating of "a-" of Lion Reinsurance Company, but warned that the Panamanian insurance market is becoming increasingly competitive as local and large outside insurers continue to compete for market share.

The company is owned by Grupo ASSA, a financial services holding company publicly traded on the Panama stock exchange.

The ratings reflect ASSA's continued excellent operating results, favourable capitalisation and strong business profile. ASSA maintains a well-diversified book of business that includes property, casualty and life products.

In 2013, ASSA continued its strong underwriting and operating profitability, which it received in part from favourable overall earnings. The company has a proven track record of solid operating earnings, a superior capital position and extensive local market knowledge.

Additionally, the improved operating environment in recent years has outweighed the company's concentration and regulatory concerns. ASSA also benefits from established risk management systems and strong reinsurance programs across most lines of business.

Partially offsetting these positive rating factors is ASSA's risk concentration in a geographically limited insurance market, along with operating in a country that A.M. Best considers to have an elevated level of country risk compared to ASSA's ratings.

The ratings of Lion Re acknowledge its good capital position, conservative operating strategy and explicit parental support. The ratings also consider Lion Re's strategic role as a captive reinsurer of ASSA Tenedora.

Also inuring to Lion Re's ratings is its sound business plan, good underwriting performance and liquidity measures during its first three years of operation. Lion Re operates as a Bermuda-based reinsurer focused on writing a combination of property/casualty and health and group life business from affiliated insurers.

Survey shows cyber and terror risks under-rated

Cyber crime and terror risk are under-rated by captive directors, said a recent Aon survey.

The research was carried out with the aim of understanding more about organisations' attitudes to the top threats they face.

With a focus on analytics, Aon further explored some of the results of its biennial global risk management survey published in 2013. The company asked captive directors for their opinions on the rankings of the top 50 risks identified.

Stephen Cross, chairman of the Aon Centre for Innovation and Analytics, said: "We felt that

the results from the GRMS 2013 had thrown up some anomalies. With our expertise in the captive space, we approached captive directors for their opinions on the rankings of various risks to give us a more holistic view. As a result, we believe there is a real debate to be had across the risk management industry on insurable versus uninsurable risk."

"Understanding risk has always been a fact of business life, but today, the magnitude, complexity and speed have increased exponentially. That is why business leaders are concerned with how they manage risk."

Cyber crime was voted as the 18th biggest risk affecting businesses. Overall, 83 percent of captive directors agreed that this ranking was 'severely' or 'perhaps' under-rated.

Rory Moloney, CEO of Aon Global Risk Consulting, said: "Successful business are increasingly using technology to increase sales, maximise efficiency and reduce expenses, but evolving technologies such as cloud computing and social media increase a business's risk to cyber theft, fraud and sabotage."

"I believe the low rating of cyber threat might be due to a lack of ownership as often it's not clear where this risk rests in an organisation. Also, we still lack data which makes it difficult for the insurance market to respond."

Another area of concern for Aon was the attitude towards terrorism risk, which was ranked 46th in the survey.

More than 52 percent of captive directors agreed that this threat was ranked too low, and this rises to 62 percent in the Americas.

Aon's view is that with more incidences of political unrest and terrorist attacks, organisations must not become complacent, as terrorism attacks are not confined to politically or economically unstable regions, and the results are almost always devastating.

Kane cat bonds list on BSX

Kane SAC Limited, a subsidiary of Kane, has issued 50.12 million Series 1-2014 At-Risk Notes through the Kane SAC Limited Note Program, the firm's independent private catastrophe bond platform.

The notes have been listed on the Bermuda Stock Exchange (BSX).

This is the second issuance to have taken place since Kane launched the catastrophe bond platform in August 2013.

The first issuance was the nine and a half million Series 1-2013 Notes that was listed on the BSX in August 2013.

Kane SAC is a Bermuda exempted company registered as a Class 3 insurer, a Class C insurer under the Insurance Act 1978, and a segregated accounts company registered under the Segregated Accounts Companies Act 2000.

Robert Eastham, managing director of Kane in Bermuda, said: "We are delighted to be able to announce the second notes issuance through the Kane SAC Limited Note Program less than six months since its launch. This clearly demonstrates investor need for an efficient and cost-effective mechanism for both the structuring and listing of smaller private transactions. We look forward to announcing further transactions in the coming months."

Continued growth in cat bonds anticipated

Continued growth in catastrophic risk bonds from state and government-sponsored insurance organisations is expected this year, according to a report by Fitch Ratings.

Investor demand remains considerable and the cost of sponsoring a cat bond has continued to converge with the cost of ceding risk to the traditional reinsurance markets.

The market has experienced a significant influx of deals from repeat sponsors such as Citizens

Property Insurance, Louisiana Citizens and the North Carolina JUA over the past five years.

Continued growth is expected to remain for these types of sponsors in the US, as well as internationally.

Well-structured cat bond deals are becoming a practical solution in the higher risk portions of sponsor reinsurance programmes, which is expected to drive further issuance in 2014.

Continued US growth is expected to come from repeat sponsors looking to expand their use of the capital markets.

It could also come from international organisations presented with increasingly innovative and viable risk transfer alternatives.

The availability of potential sponsors in the US will be moderated by the limited number of state wind pools and other publicly sponsored catastrophe insurance organisations currently operating.

Inactive captives under spotlight

The Vermont House Committee on Commerce and Economic Development is considering draft legislation that would allow captives to retain their licences while their business was on hold.

Four in 10 Vermont captives are considered inactive, and the legislation would allow them to pay a licence fee to maintain a legal dormant status. This would be renewed every five years.

In October 2013, state governor Peter Shumlin announced that the Department of Financial Regulation had licensed Vermont's 1000th captive insurance company.

Given the complexity and cost involved in setting up a captive the approach set out in the draft legislation could prove to be popular.

Under the proposed legislation (H.563), which only applies to pure captives, companies wishing to become active again would need to make an application to do so.

Captives wishing to go down this route would have to maintain a capital surplus of $25,000, as well as continuing to file annual financial reports.

A.M. Best affirms rating of reinsurance giant

A.M. Best has affirmed the financial strength rating of "A+ (Superior)" and issuer credit ratings of "aa-" of the US property and casualty subsidiaries of Swiss Re and Swiss Re Corporate Solutions.

A.M. Best has has affirmed the FSR of "A+ (Superior)" and ICR of "aa-" of Swiss Re's US life and health subsidiary, Swiss Re Life & Health America (SWLHA).

The ratings of SRLHA reflect its role as a key global operating subsidiary within the Swiss Re group.

SRLHA operates as a marketer of life and health reinsurance solutions for the US, an important global market for Swiss Re, whose life and health reinsurance segment generates approximately one third of Swiss Re group's worldwide net earned premiums.

The ratings also reflect SRLHA's adequate risk-adjusted capital position and its leading market position in both the US individual ordinary life and group life reinsurance segments.

Furthermore, SRLHA increased its US ordinary recurring reinsurance market share to 18.2 percent as of year-end 2012, while increasing assumed business production by 7 percent over the prior year.

Offsetting these positive rating factors is the ongoing volatility inherent in SRLHA's statutory operating performance and balance sheet metrics.

SRLHA has more recently encountered earnings challenges associated with its pre-2004 post level term US business and its March 2013 recapture of yearly renewable term business that had been ceded to Berkshire Hathaway in 2010.

Bringing it into focus

Paul Owens, CEO of the newly formed Willis global captive management practice, reveals why its North American, European and international captive operations are being brought together to form a single cohesive business

MARK DUGDALE REPORTS

Why did Willis decide to bring its North American, European and international captive operations together to form a single cohesive business?

Dominic Casserley joined as CEO of Willis in January 2013. The first focus was a strategic review of the group, particularly what clients really want. As part of this review, Willis had multiple big projects running last year, with one looking at how the various parts of the business connect for the client's benefit, 'Connecting Willis'. As a group, Willis is huge. It employs 17,000 people, but they are spread across the globe, and clients' increasing demands require access to all of its products and expertise. The question we had to ask ourselves was: how do we deliver the combined power of Willis to deliver the client's solution?

The answer, after a huge amount of work, was to begin refocusing the way Willis serves its clients into a matrix structure, so that geography and industry groups lead the way, with product groups supporting those dimensions. Let me give an example of this in practice: Willis is the market leader in the global aviation market and has been the flagship broker for a large US airline for years.

However, Willis only delivers hull and liability solutions to it. With the way the market is moving, the airline is looking at different ways of retaining, managing or offloading its risk. Following the refocus, each industry group—initially there will be six: transportation, financial institutions, construction, natural resources, healthcare, and technology, media and telecommunications, but increasing every year—is charged with delivering all of Willis's capabilities to that industry. Product, which supports the industry groups across all geographies, will deliver specific solutions from broking to alternative risk financing, needs to access and support that strategy, which is why Willis is bringing captives together—for our clients benefit.

How will this refocus affect the global captive management business?

Until now, the global captive management business has been fragmented around the group, so it has had pockets of captive advisory expertise and captive management teams. With the refocus, we have consolidated North America and Europe, and then all of the outlying international operations. Bringing the captive business together was an obvious next step, because most of Willis's clients and prospects are global. We have clients that may have captive solutions in Dublin, Bermuda, and are looking at expanding into other domiciles such as Vermont, so the captive business needs to be able to respond to those clients' needs.

How can the new global captive management practice benefit clients in practice?

Our real captive expertise is sitting in domiciles and under the refocus, we can start to share that expertise with other areas. For example, in Vermont, we are very strong in risk retention groups (RRGs), particularly in the medical malpractice area and non-for-profit organisations. This has been driven by the economics of those organisations.

We also see an increasing demand arising out of Obamacare that is creating problems for our clients for which our captive expertise can provide solutions. Now, those activities and ideas are potentially solutions for other global clients, and by joining the captive business up, Willis can begin to share and deliver that expertise.

Staying with the RRG example, they are very much US-focused. But there is interest in the concept in other parts of the world, so Willis can use our existing framework to potentially provide similar solutions to other client groups.

Thinking out of the box such client groups could be professional firms—solicitors, architects in Europe or engineering firms in Asia. We have the expertise to deliver this, and as well as the systems, processes and way of thinking.

Is Asia a target for Willis?

Willis has been instrumental in supporting the establishment of the second Chinese captive, Sinopec (China Petroleum & Chemical Corporation), and we believe that, along with recent pronouncements coming out of the region that the domiciles are looking at growing captives, by picking out the expertise around the entire Willis global captive business, we can help to develop those markets for our clients.

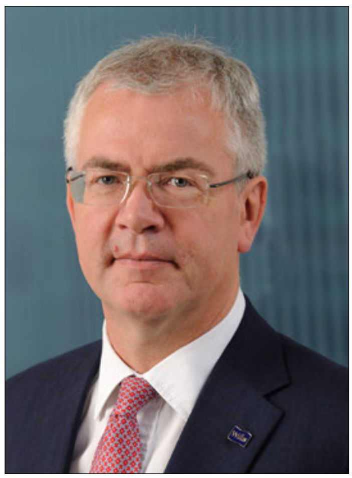
We see Asia as a long-term play, working with local companies, regulators and government officials to establish their captive frameworks. But of course, Willis is the largest broker in China, with more than 20 local offices, so one leads to the other and a lot of our clients are talking and asking the questions. They hear this going on and talk to us because we have the solutions for them.

As we know, Chinese companies are also global and are now asking for alternative risk financing solutions for their overseas operations. We only see this demand increasing.

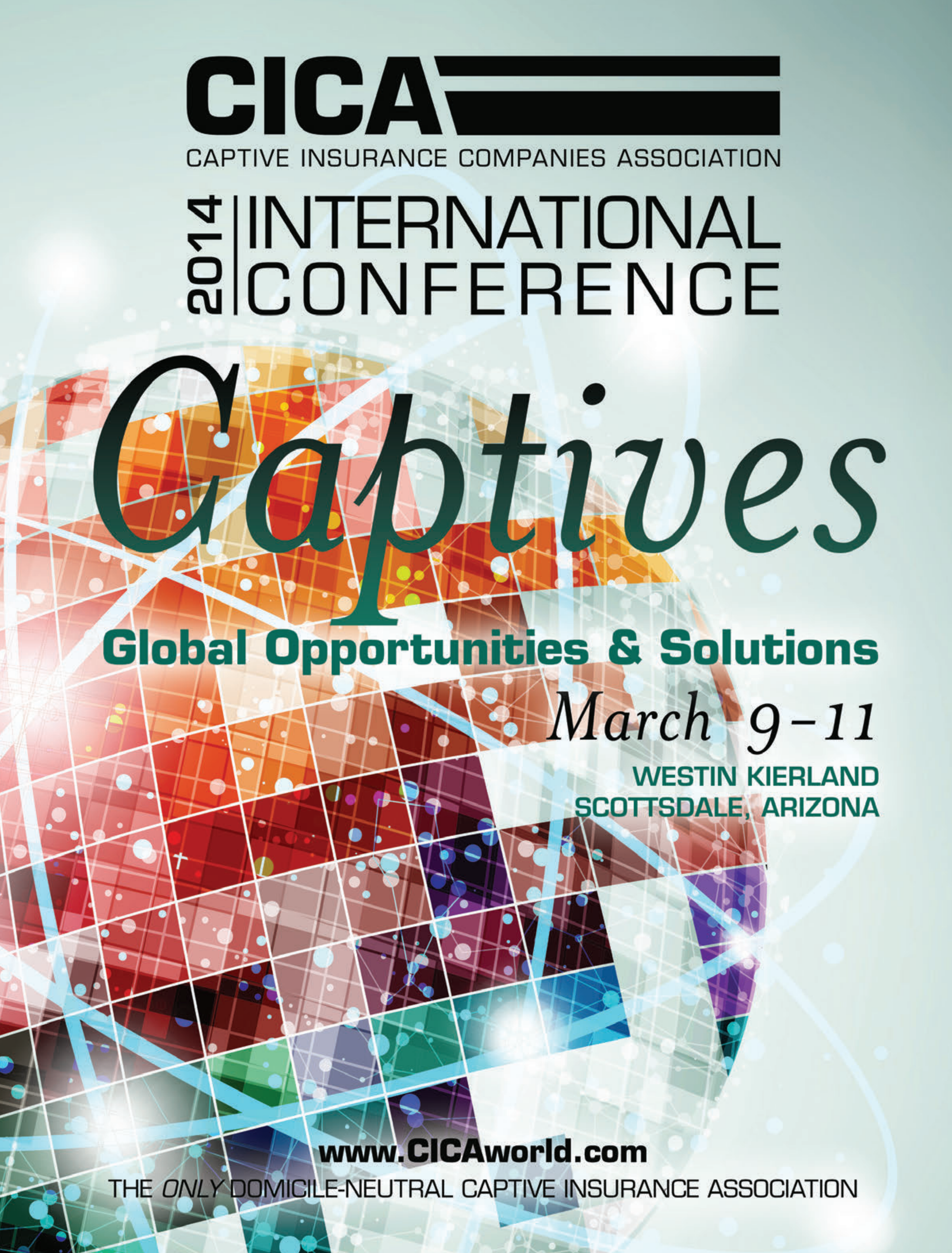
What is on the cards in terms of hiring new employees and investing in new technology?

I'm trying to build the business for our clients and we need, see and have opportunities to do that, so we are always on the look out for new people.

Another advantage of bringing this business together is that it becomes visible within Willis. It's no longer, as per my conversation with a number of the brokers here, the 'black art of insurance'. It used to be seen as something that is not really understood but is done in these funny places. Now, by bringing the Willis captive business together and connecting with Willis, we will be able to serve more and more clients and thus be able to attract investment in people, locations, operations and systems. CIT



Paul Owens
CEO
Willis Global Captive Management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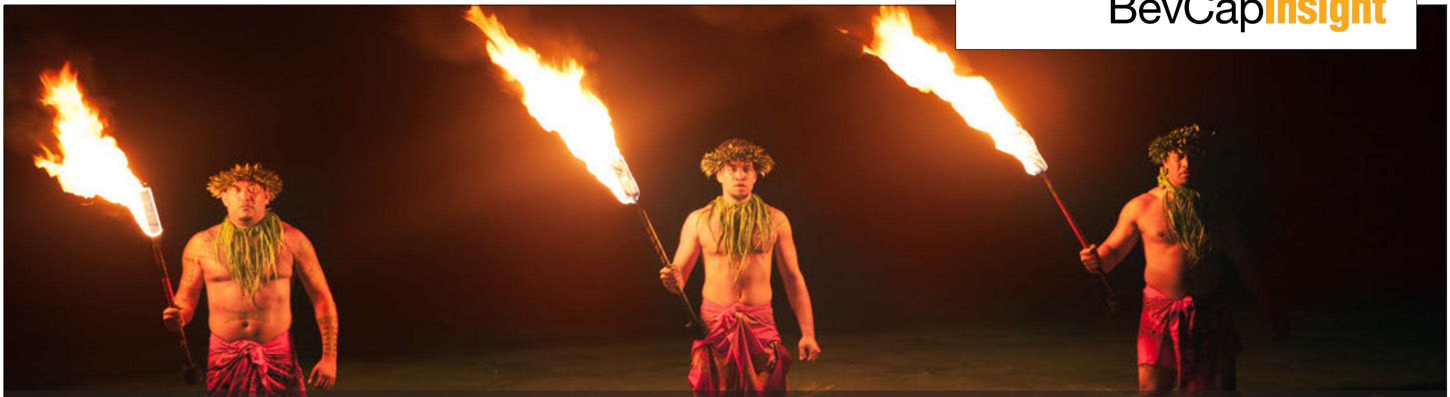

Strength in numbers

President David Ramer and programme manager Lance Abbott of BevCap Management discuss why their new cell captive had to domicile in Hawaii

DANIEL JACKSON REPORTS

What attracted you to the state of Hawaii?

David Ramer: The move to Hawaii was precipitated by a couple of things. We were domiciled in Nevada from the inception of our captive, and as we started to expand into healthcare, we were under the impression that they would endorse our healthcare cell. Ultimately, they would not support that.

Lance Abbott: Nevada did try to accommodate us, but they just don't have cell structure. It was frustrating for us, but it was out of Nevada's control.

Ramer: We had to look for other locations so we could have that cell. Having taken advice from some of our partners we looked at several different states. Hawaii was chosen because of the ease of entry, and the fact that they don't have premium taxes also made it very attractive. They don't have an annual meeting requirement like some other states, although we are going to hold a meeting there anyway.

We are in the process of moving our core captive into Hawaii, and so we will be out of Nevada completely.

How has your experience with the Hawaii Department Of Insurance been so far?

Ramer: It has been very good—they have been very receptive. They like the captive concept. We've had our hiccups, but overall they are very receptive to our group.

Abbott: I had a chance to meet with Sanford Saito, the captive examiner in Hawaii, and they have been very business friendly towards us.

They have just sponsored a cell law in Hawaii, which has worked well for us and our programme. We think we will have the opportunity at some point to open some new cells in Hawaii.

Are there any challenges specific to working as part of a group captive?

Abbott: We have been very selective with the members that we have brought into our homogenous group, and they are all, without exception, outstanding business people and run great operations. They approach our challenges from a different perspective, and have been very pragmatic in the way we handle difficulties when they do come up. They are good business people, and when you get folks like that in a room things tend to go pretty smoothly.

Are you open to other distributors joining the captive?

Abbott: We are open for business. We are open to working with new brokers, we have 19 distributors in the programmes that BevCap manages, and we are interested in talking to anyone who wants to know more about what we are doing.

This calendar year, by the end of Q1, our casualty captive will have two new members, as will our healthcare captive. The companies coming on board to our healthcare captive are Tri-Eagle Sales in Tallahassee, and Markstein Sales in the Bay Area. On the casualty side, we have General Distributing in Salt Lake City and Virginia Eagle, in Virginia.

How important is the active involvement of each member in running the captive?

Abbott: All of our members are involved to a different degree. Some members are not hugely involved, but there is a great core group that stays very involved.

Ramer: Every single one of our members, on either side of the captive, is very involved in the day-to-day business of beer distribution. They see first-hand the safety risks, which makes us a much stronger organisation. We have owners and operators sitting in board meetings who are very engaged in their business.

Is BevCap Health large enough to withstand a major claim?

Abbott: We think so. We have a stop-loss policy in place for individual claims, as well as an aggregate stop-loss, so we have been fairly conservative in how we have set it up.

Will Obamacare have any effect on your business?

Abbott: I think Obamacare is one of the things driving the interest in our healthcare captive, because one of the things we are able to do is unbundle the programme. Large service providers typically have everything bundled up, and so there is no cost transparency in there. We have been able to unbundle the different components beneath the black box package.

Because middle-market companies may have 250 employees, on their own they don't have great buying power.

Together in a captive, they can increase their buying power, and it gives them an opportunity to control what is going on in the healthcare space. We are proud of that, because although we have taken more risk in developing this programme, the level of care that is provided to the employee has been heightened.

Ramer: I agree completely. Most of us are zero-based budgeting companies, so when it comes time for renewal or even the initial, the member knows exactly what that premium is and what the fees are going to be. CIT

Texas Captive Insurance Association's 1st Annual Captive Conference

Location: Austin
Date: 18-19 February 2014
www.texascaptives.org/events

With its abundance of Fortune 500 companies, a booming economy fueled by oil and gas, and a friendly business climate, Texas promises vibrant growth potential for the captive insurance market.

CICA 2014 International Conference - Captives: Global Opportunities & Solutions

Location: Illinois
Date: 9-11 March 2014
www.cicaworld.com

The captive insurance industry continues to evolve, expand and change. To meet these needs we must understand the issues and opportunities to create solutions in our markets. This year's CICA 2014 International Conference - Captives: Global Opportunities & Solutions highlights the results that come from addressing challenges impacting small domestic captives and large multinational captives equally.

Industry appointments

Randall & Quilter has appointed **Bradley King** as COO of R&Q Triton.

R&Q Captive Management manages a range of captives worldwide. It consists of five captive management companies, based in Bermuda, Norway, Gibraltar, the US and the Isle of Man. It has more than 100 captives under management across 15 different domiciles.

Triton, based in Norway, is part of R&Q Captive Management. The company acts as an advisor and consultant on the administration of insurance and reinsurance portfolios, within the field of captive management. Triton also offers claims management services to its captive management clients.

King has more than 25 years of experience in the insurance industry, including roles in both the US and Norway. He will be responsible for business development and day-to-day management.

Severin Stirnes will remain managing director of Triton and will be focused on managing, supporting and servicing its existing client base.

Tim Riddell, CEO of captives and US insurance services at R&Q, said: "We are extremely pleased to be able to appoint King as COO of R&Q Triton, which forms part of the planned expansion of the business. He brings a wealth of industry experience and expertise, and knows the Norwegian market very well. We look forward to King's contribution as we enter our next phase of growth within the Norwegian market."

Burnham Benefits has hired benefits consultant **Edward Gow**. He will join the office in northern California.

Burnham is an employee benefits consulting and brokerage firm based in California. Gow will play an integral role in growing Burnham's business in the region by providing insight and consultation to clients as they structure their employee benefit packages.

With roots in southern California, Burnham expanded its operations into northern California in 2013 and has been bolstering its personnel in the past months to support this growth.

Michael Michalski, Burnham's regional president, said: "Bringing Gow onto our team further develops our growing staff in northern California.

"Our team will benefit greatly from his experience in the employee benefits industry, specifically his relationships and prior work with local schools in the Bay Area."

Gow is familiar with presenting cost containment options to groups of all sizes. As a result of his experience, Gow is able to provide details on the risks and nuances for many products, offering Burnham's clients the most comprehensive evaluation of their available options.

He has held previous positions at Alliant Insurance, Andreini & Company and AFIS Insurance Services, and his expertise also includes captive benefits programmes, which is thought to be a rising trend in the industry.

Gow said: "I was drawn to Burnham's forward-thinking leaders and commitment to investing in resources for its clients. As an established firm, they have figured out what clients want, which translates into a great product and unparalleled service."

USHEALTH has promoted **Troy McQuagge** to serve as the insurance holding company's president, effective 1 February.

The move follows the announcement of positive financial results for the American health insurer. McQuagge joined the company in late 2010, as president and CEO of its insurance sales subsidiary, USHEALTH Advisors. Since then, USHEALTH Advisors has experienced record annual sales results each year.

Ben Cutler, CEO and chairman, said: "McQuagge brings a vast amount of Insurance industry experience on both the sales and administrative side.

His agency experience coupled with his years of successful insurance company management know-how has helped us bring the company to this point and certainly make him the ideal choice to guide USHEALTH Group to our shared goal of significant long-term share price appreciation."

McQuagge began his career with the Allstate Insurance Company in 1983. He joined UICI in 1995, where he built the two largest captive career insurance sales organisations in the US.

As president and CEO of USHEALTH Advisors, he has led the company to multiple annual sales records and growth of 500 percent since 2010.

McQuagge said: "I am honoured by the confidence Cutler and the board have placed in me and I am humbled to be following in his footsteps as president of USHEALTH Group.

Cutler's work over the last decade has brought USHEALTH Group to its breakthrough moment, in the insurance marketplace. My job now is to continue working with Cutler, the board of directors and with our respective leadership teams to guide USHEALTH Group to continued profitable growth." **CIT**

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