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CAPTIVEINSURANCETIMES

ISSUE043
19.03.2014 WEDNESDAY
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NAIC wants Dodd-Frank capital clarifications

The US Senate Banking Committee must consider amendments to the US Dodd-Frank Act so that policyholders are not put at risk, according to the National Association of Insurance Commissioners (NAIC).

Officers of the NAIC, including association president and North Dakota insurance commissioner Adam Hamm, were signatories to a letter sent to the committee on 10 March, praising it for looking at Dodd-Frank, but warning that changes must be made.

Reforms outlined in Dodd-Frank, which was signed into law by US President Barack Obama in 2010 following the financial crisis of 2008, gave consolidated supervisory authority to the Federal Reserve over thrift holding companies and systemically important financial institutions engaged in insurance operations.

Large parts of Dodd-Frank have already been implemented, but the Senate's banking committee is conducting a hearing, Finding the Right Capital Regulations for Insurers, to find out if amendments should be made to protect insurers.

"We have to be sure that the insurance assets don't prop up banks to the detriment of policyholders," commented Hamm.

"Consent of the appropriate state regulator should remain a requirement for any capital transfer with the potential to affect policyholder protections. Individuals rely on insurance to protect their homes, livelihood and retirement. It is our job as regulators to safeguard that investment."

Senator Susan Collins, a former insurance regulator, authored a late amendment to Dodd-Frank, which was codified as Section 171.

Banking regulators were supposed implement provisions of Section 171 by January 2012. But the Collins Amendment, as it is also known, needs to be clarified to prevent federal regulators from applying capital

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Giving the folks a loan is a bit of a risk, says Fitch

Loans between a captive and its parent are "a potential liquidity risk that could arise if claims volume rose unexpectedly", according to Fitch Ratings.

Its Captive Insurers and Intercompany Loans report, released 7 March, said that the liquidity risk may further limit the captive's credit profile and cause it to be rated lower than the sponsor.

Donald Thorpe, senior director at Fitch, explained: "The presence of material intercompany loans highlights the linkage between the solvency of the captive and the solvency of the parent company sponsor."

"This linkage makes it difficult, or even impossible, to develop a credible opinion about the captive's credit profile without a thorough understanding of the sponsor's credit profile. Intercompany loans present a potential liquidity risk that could arise if claims volume rose unexpectedly."

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Capstone and PoolRe win $1.4 million from captive client

An arbitrator has awarded $1.4 million in damages to PoolRe and Capstone Associated Services after clearing the companies of negligence and fraud charges brought by a captive client.

The Texas arbitrator ruled in their favour on 6 March.

David Rivero and Gary McNelley, owners Market Health, an internet affiliate network, set up two captives through Capstone.

The captives, Nutrition Casualty Corp and Solution Casualty Corp, jointly underwrote insurance to Market Health with PoolRe, which served as the stop-loss insurer.

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NAIC wants Dodd-Frank capital clarifications

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standards for banks to insurance entities that are already regulated by states, according to its author.

She told the Senate's banking committee during a Finding the Right Capital Regulations for Insurers hearing that her Dodd-Frank amendment was designed to address the "failure of these over-leveraged financial institutions [that] threatened to bring the American economy to its knees".

"Section 171 is aimed at addressing the 'too big to fail' problem at the root of the 2008-2009 crisis by requiring large financial holding companies to maintain a level of capital at least as high as that required for our nation's community banks, equalising their minimum capital requirements, and eliminating the incentive for banks to become 'too big to fail'."

But the Federal Reserve has frustrated Collins with its refusal to distinguish between insurance and banking when implementing Section 171.

"While the Federal Reserve has acknowledged the important distinctions between insurance and banking, it has repeatedly suggested that it lacks authority to take those distinctions into account when implementing the consolidated capital standards required by Section 171."

"As I have already said, I do not agree that the Fed lacks this authority and find its disregard of my clear intent as the author of Section 171 to be frustrating, to say the least."

Collins has recently introduced legislation that would clarify "the Federal Reserve's authority to recognise the distinctions between insurance and banking".

"My legislation would add language to Section 171 to clarify that, in establishing minimum capital requirements for holding companies on a consolidated basis, the Federal Reserve is not required to include insurers so long as the insurers are engaged in activities regulated as insurance at the state level."

"My legislation also provides a mechanism for the Federal Reserve, acting in consultation with the appropriate state insurance authority, to provide similar treatment for foreign insurance entities within a US holding company where that entity does not itself do business in the United States."

Giving the folks a loan is a bit of a risk, says Fitch

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Parent companies and their captives often use intercompany loans to optimise the sponsor's consolidated cash profile, centralise cash management or enhance returns on invested cash.

Intercompany loans have become commonplace and can be material to the captive, often exceeding 95 percent of its invested assets, according to Fitch.

"[I]nsurers writing property risks tend to require more immediate liquidity than those writing casualty risks, and the presence of intercompany loans may pressure the liquidity profile of a property-oriented captive," commented Fitch.

"That said, the pure captive presents a unique twist to the normal perception of liquidity risk in that a pure captive insures its sponsor. The implication is that in some cases the sponsor itself may be the claimant."

"This situation may allow the captive greater flexibility in settling claims if the loan agreement, the insurance policy, regulatory policy, the type of coverage and the captive's claims-handling practices allow the captive to simply reduce the amount of the intercompany note as a means of settling claims for which the sponsor is the claimant. The ability to net claims against outstanding loans, if any, is likely to vary from case

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to case, and each situation needs to be judged given its unique circumstances."

Fitch added in its report that the terms of the intercompany note are critical, a fronting arrangement adds another layer of complexity to understanding liquidity risk, and a captive may have access to sources of liquidity other than its sponsor.

"When an intercompany note from the sponsor represents a material portion of the captive's invested asset base, liquidity risk is introduced. This risk may further limit the captive's credit profile and cause the captive to be rated lower than the sponsor. However, there are a number of ways that liquidity risk can be mitigated," concluded Fitch.

"Ultimately, the presence of a material intercompany loan requires the captive insurer to have credible plans in place for how it will pay claims. To be credible, these plans should consider both a base case where claims develop as expected and a stress scenario where a major catastrophe, or other sudden event, accelerates the captive's need to pay claims."

Capstone and PoolRe win $1.4 million from captive client

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In 2011, McNelley contacted Capstone's Stuart Feldman and claimed that Market Health was being overcharged for the services it was receiving for its captives. He claimed that they had agreed a price of $45,000 per captive per year.

Feldman agreed to the fee, but only for 2011, according to the arbitration decision. McNelley then attempted to re-negotiate the fee again in 2012, but when Feldman refused, the Market Health co-owner threatened to terminate their deal.

"Because McNelley got away with it once, he tried again to renegotiate the terms of the engagement letter again. Possibly as a negotiation tactic, McNelley threatened to fire Feldman and the firm if the fee was not reduced. However, this time McNelley was hoist to his own petard," explained the Texas arbitrator.

Feldman attempted to receive assurances that he would and his firm would not be fired. Market Health ignored repeated requests and instead continued to request a reduction in fees.

Capstone subsequently informed PoolRe of the dispute, resulting in the Nutrition and Solution captives being expelled from its insurance pool in late 2012. Market Health's co-owners then claimed that Feldman and Captstone were in breach of their agreements, leading to the arbitration dispute.

Dismissing all of Market Health's claims, the Texas arbitrator said: "Were it not for the actions of McNelley acting on behalf of [Market Health] to renegotiate the terms of the engagement letter to save $78,000 over the remaining life of the agreement, this arbitration would not have occurred."

"All of the claims brought by [Markit Health] against [Feldman and Capstone] are merely making a creative attempt to obfuscate this issue. None of the testimony of any of [Market Health's] witnesses did anything to overcome the express terms of the agreements..."

The Texas arbitrator awarded $564,000 in damages to Feldman and Capstone, as well as a further $633,598.73 in attorney fees and expenses.

Capstone, Feldman and PoolRe were jointly awarded a further $157,668 and $45,925 in attorney fees and expenses, taking the total sum to just over $1.4 million.

In a statement, Feldman commented: "Thank you to all for your help in achieving this fine result. We find it unfortunate that the very poor advise accorded Market Health Inc along with the injudicious actions of its owners, Gary McNelley and David Rivero, lead to their multi-million loss."

"This was the 2nd challenge to PoolRe Insurance Corp in the last year, both of which resulted in $1 million-plus decisions in PoolRe's and Capstone's favour."

He added: "Since 1998, Capstone has built its reputation on having 130-plus happy clients who want quality alternative risk planning services, overseen by skilled professionals, including tax, financing, corporate and regulatory lawyers. We do it right."

UK captive ruling offers lesson to US

The Court of Appeal for England and Wales's decision to uphold a lower court's ruling in the dispute between AstraZeneca Insurance Company (AZICO) and Bermudian reinsurers could teach US captives and their management firms some important lessons.

The British appeals court ruled in favour of Bermuda reinsurers XL Insurance (Bermuda) and Ace Bermuda in December, after they refused to pay certain claims to the pharmaceutical company's captive, AZICO, based on no finding of actual liability in accordance with the terms of their reinsurance contracts.

Several lawsuits were brought against the London-based pharmaceutical company AstraZeneca and one of its products, an antipsychotic drug named Seroquel.

It was alleged that Seroquel, used to treat schizophrenia and bipolar disorder, had caused diabetes, and in some instances sudden death, in its users.

Before the suits, the drug had sales of $5.3 billion and was the company's second-biggest seller behind cholesterol-reducing drug Crestor.

Without admitting wrongdoing, AstraZeneca settled more than 28,000 claims in the US, paying out approximately $25,000 to each patient to the grand total of $647 million.

The company also agreed to pay $520 million to settle a suit brought by the US federal government, which claimed that the drug had been illegally marketed to be used for anxiety, sleeplessness and post-traumatic stress disorder (PTSD)—for which the US military regularly prescribed it.

AZICO reimbursed the costs and then turned to its reinsurers to indemnify the claim. But its Bermuda-based reinsurers, XL Insurance and Ace Bermuda, which had a potential coverage exposure of $200 million, refused the claim on the grounds that the cases were settled, arguing that a court had not entered a liability ruling.

Disputes over insurance policies are typically settled through arbitration, but this case was battled out in the UK's Commercial Court, which ruled in the reinsurers' favour.

It is not uncommon for major insurers to settle claims before filing reinsurance claims. In finding for the reinsurers in this case, the court applied case law relating to traditional insurance companies to the captive programme, according to Thomas Hodson, a legal and reinsurance expert who heads up JLT Towner Insurance Management in Connecticut.

"English court cases may have no precedential value in the US, but there is analogous law here that applies to non-captive insurance companies," commented Hodson.

"Since a captive, at its core, is an insurance company, I could see a US court coming to the same conclusions as the AZICO ruling."

Hodson recommends that captives—with the help of their captive managers—always solicit input and get agreement from their reinsurers in any settlement discussion.

But, any business—captive or otherwise—should include contractual language protecting itself from situations such as these.

"Captives must have the freedom to settle and recover legal and settlement costs from reinsurance companies," said Hodson.

"But good practice dictates that if a captive is ceding risk to reinsurers, it should make sure the reinsurance agreements include a `follow the settlements' or `follow the fortunes' clause. Worded properly, these clauses bind the reinsurer to pay settlement costs, without needing to establish clear liability under the insurance policy."

South Dakota makes captive changes

A new bill revising aspects of South Dakota's captive insurance legislation has been signed into law.

South Dakota governor Dennis Daugaard signed HB 1051, an act to revise certain provisions regarding the regulation of captives, into law on 7 March.

Section 58-46-4 has been amended to say that the insurance department must receive "a statement under oath of an officer, manager, trustee, or other appropriately authorised representative" before the captive's certificate of authority will be issued.

Title 58 of South Dakota's state laws, which concerns insurance, previously required statements under oath from the captive's "president and secretary"

Instead of providing "articles of incorporation and bylaws", a captive must now also supply the insurance department with its "governing documents".

Under the new bill, Section 58-46-13 will also give "any captive" the privileges of Title 47, concerning corporations, or Title 55, covering fiduciaries and trusts.

"In the event of conflict between the provisions of this chapter and those of title 47 or title 55, the provisions of this chapter control," it added.

Jersey court clarifies that cells are companies

The Jersey Royal Court has confirmed that the cell of a protected cell company incorporated under the Companies (Jersey) Law 1991 has the right to enter into arrangements with its members.

In the matter of Ashburton Global Funds PCC, it was decided by the court that a cell of a PCC can be the subject of an application to seek the approval of the Royal Court for a scheme of arrangement, and can bring such an application in its own right.

The case arose at the first stage of two schemes of arrangement concerning cells of Ashburton Global Funds PCC, known as Dollar International Equity Fund PC and Sterling International Equity Fund PC.

Dollar and Sterling wanted to pool their assets as a SICAV incorporated in Luxembourg, but were unsure if they could do so. Although Ashburton Global Funds PCC joined in the applications, the court held that the cells could themselves enter the arrangement and bring the application in their own right.

The potential issue that the court had to consider was that an article of the law stated that a cell of a protected cell company is not a body corporate and has no legal identity separate from that of its cell company.

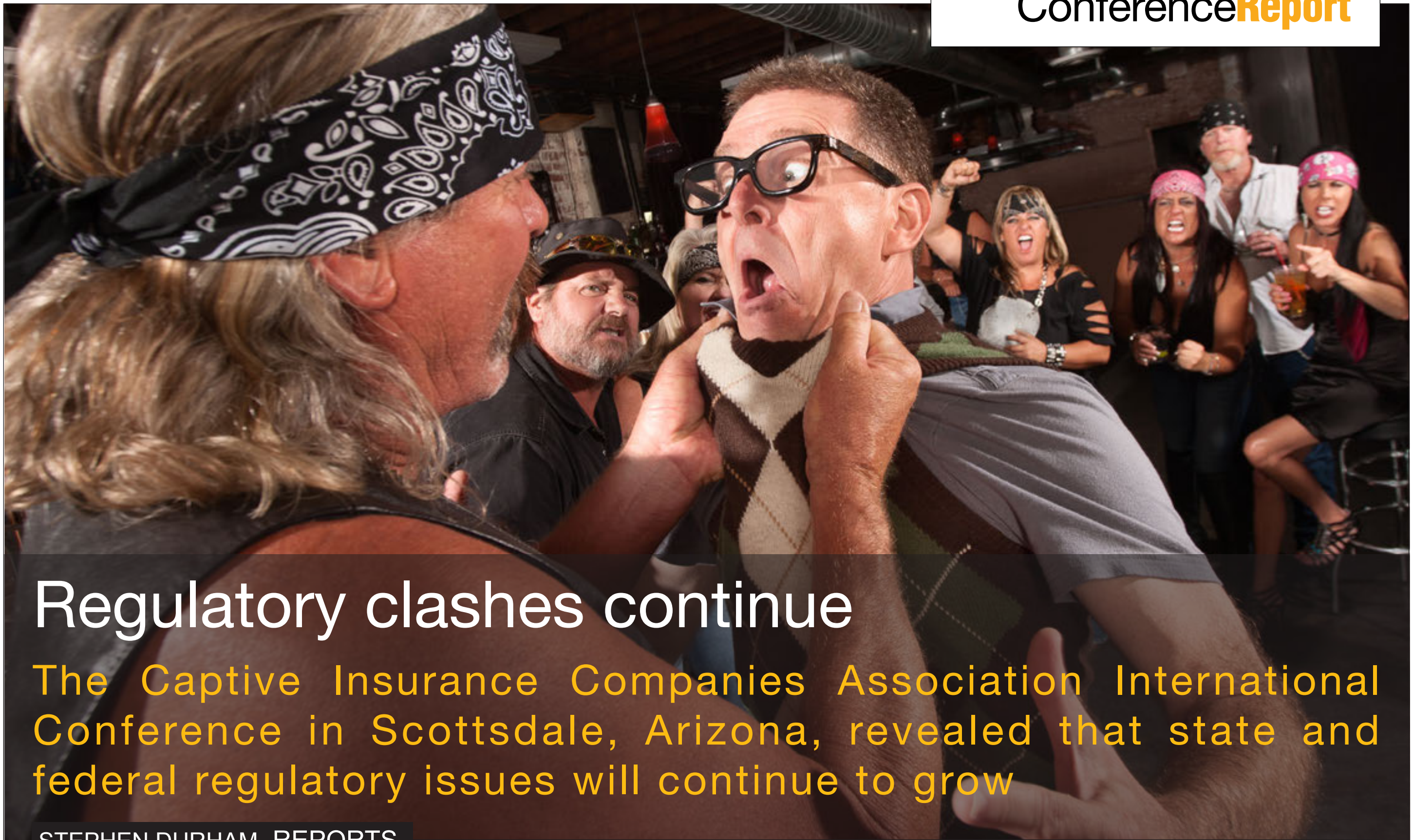
Legal and fiduciary and administrative services provider Ogier commented that the court was content that the lack of corporate personality or separate identity of the cell did not affect the ability of a cell to be treated as a company for the purposes of the scheme of arrangement provisions contained in the law.

It noted that in any event, a cell has its own board, memorandum and articles of association; has its own cellular assets and liabilities; and can be wound up under the law independently of its cell company.

"The court also held that for the purposes of convening the court meetings for each scheme, holders of management shares in each cell (which had no economic interest in the assets of the respective cell and no ability to vote) did not constitute a separate class for the purposes of convening meetings to consider the schemes," said Ogier.

Ogier concluded that the case has led to the clarification of protected cells to be treated as companies.

However, the firm added that the decision did not alter the position generally that a protected cell does not have corporate capacity, and accordingly, it cannot contract in its own right and would not have title to sue a third party.



Regulatory clashes continue

The Captive Insurance Companies Association International Conference in Scottsdale, Arizona, revealed that state and federal regulatory issues will continue to grow

STEPHEN DURHAM REPORTS

Captive Insurance Companies Association (CICA) board member Mike Mead, who chaired a panel discussion on the association's most recent market survey at the International Conference in Scottsdale, Arizona, warned that state and federal regulatory issues are guaranteed "to grow exponentially, every year".

Keeping up with regulatory changes is certain to continue costing captive managers time and money, according to Mead, who claimed that they should strive to research changes as rigourously as possible, in order to stay on top of regulatory requirements.

The prominence of fronting carriers was also raised by survey respondents, as they are more plentiful than ever.

According to Mead, their rise in prominence brings certain benefits to the industry, but its was claimed that they still struggle to accommodate group captives, such as those covered by the 831(b) election in the US.

Sean Rider of the global captive practice at Willis, Joel Chansky of Milliman, Ryan Ralston of Spring Consulting Group and Sara Pucini of Advocate Healthcare also participated on the panel.

NERA Economic Consulting vice president Dr Anne Gron presented predictions about insurance premiums for 2014 at the conference.

She revealed that, in line with predicted GDP growth in developed economies, real premium growth is expected to rise between 2.5 and 5 percent in the coming year, while emerging markets have been forecast to grow by 7.1 percent.

Growth is also expected for non-life insurance, with the market forecast to grow by 3.8 percent worldwide in 2014. Traditional life insurance is also expected to grow, though only by 0.4 percent.

Although this is good news for the captive market, uncertainty remains due to the rising cost of reinsurance, which is primarily due to shrinking interest rates.

This trend has led to an increase in the presence of alternative insurance capital vehicles, reducing the profitability of traditional insurers.

The rising prominence of alternative insurance is expected to affect capacity, pricing and investment in the insurance industry as a whole, with the pricing of new business set to feel the brunt of the impact.

Bruce Wright of Sutherland, Asbill & Brennan LLP and Tom Jones of McDermott Will & Emery LLP used their slot at the conference to warn industry professionals about some of the more complex tax issues for captives.

Cascading tax, which can lead to reinsurance transactions between US entities being taxed multiple times, was raised as a key issue that is likely to affect the captive industry.

Other points, such as the IRS's increased scrutiny regarding the nature of risks ceded, provisions in pooling agreements and the details of arm's length considerations for 831(b) companies, were also highlighted as being likely to affect the wider industry.

Wright and Jones cited examples such as the recent Rent-A-Center and Validus cases, and the proposed New York reforms for captives in order to illustrate the issues.

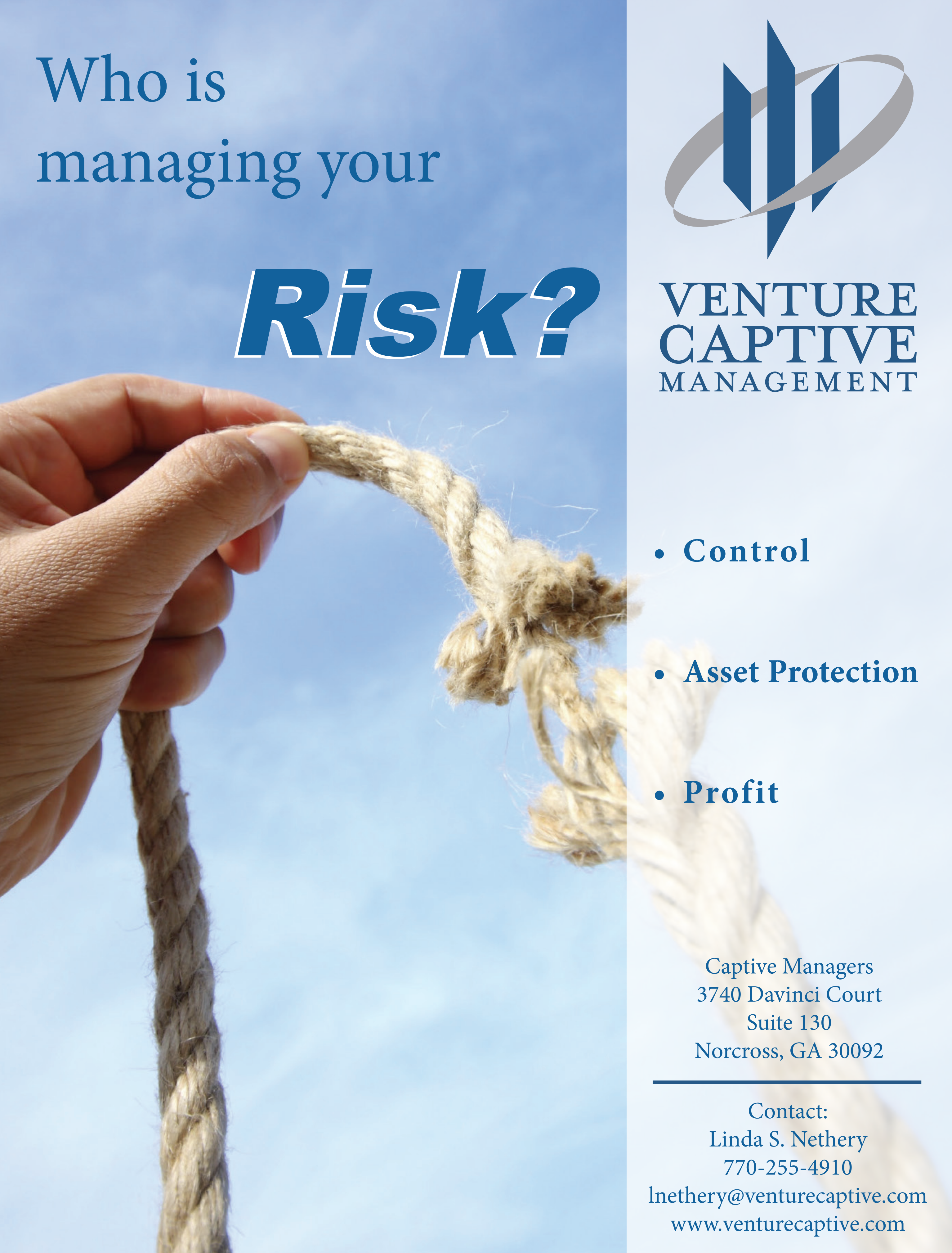
Lower catastrophe losses in the US during 2013 are expected to yield strong underwriting profitability in the coming year, according to another presentation at the conference.

While natural cat losses, such as those caused by hurricanes, adhered to the status quo during the first half of 2013, the number of cat losses decreased drastically from 2012 in Q3 and Q4.

Over the decades, the US has traditionally been affected by more than two thirds of natural cat losses, but 2013 saw a shift in the balance. Due to extensive flooding in countries such as Germany and the UK in 2013, the largest proportion of cat losses were felt in Europe.

This profitability is expected to be offset, however, by declining rates as a result of business shifting to offshore domiciles and alternative insurance vehicles.

Cat losses for natural disasters increased worldwide in 2013 while losses from man-made events decreased. This trend is expected to continue in 2014, with natural cat losses projected to increase overall in the long-term CIT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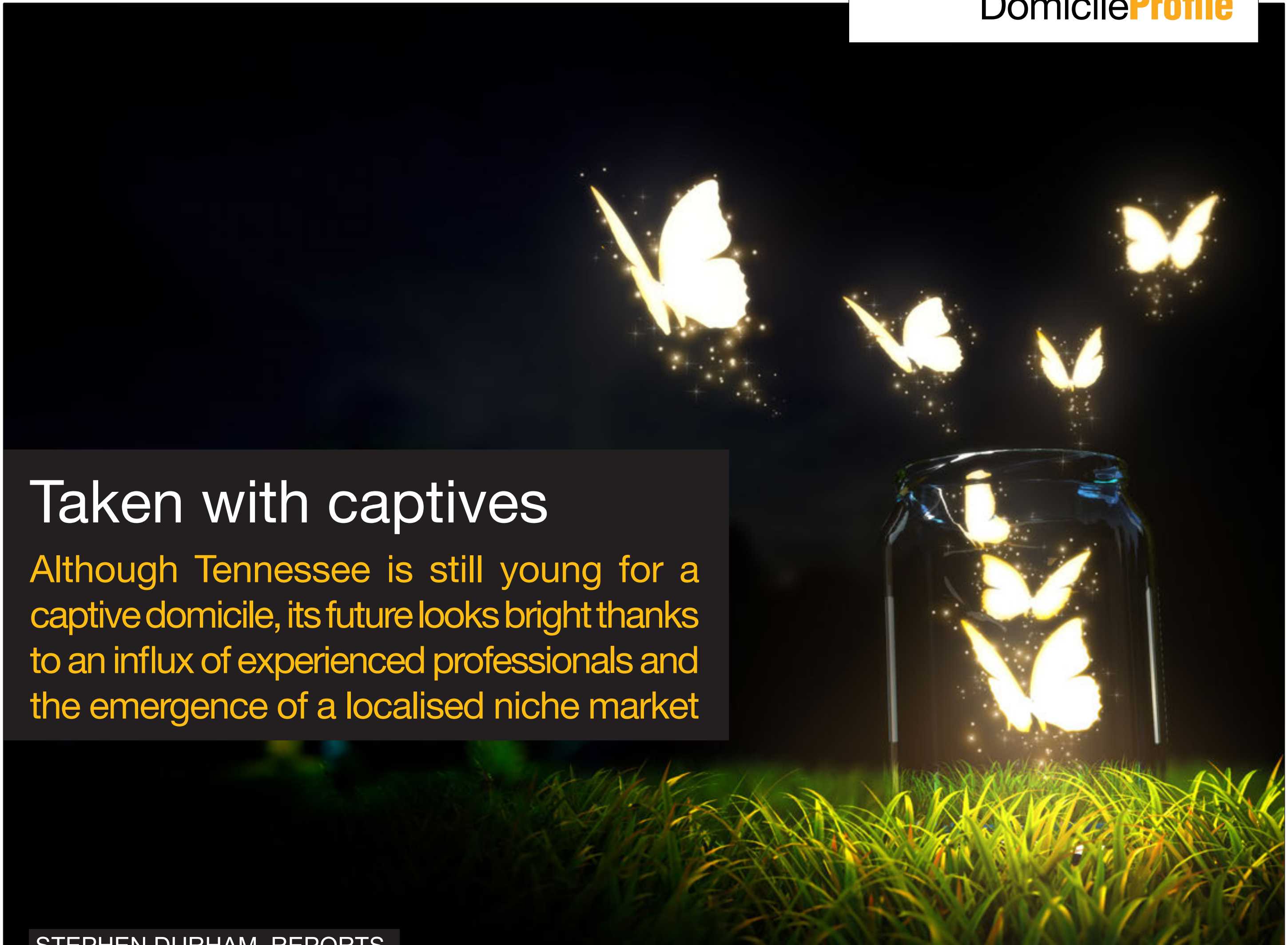


Taken with captives

Although Tennessee is still young for a captive domicile, its future looks bright thanks to an influx of experienced professionals and the emergence of a localised niche market

STEPHEN DURHAM REPORTS

Despite the fact that Tennessee has held an antiquated form of captive law on its books for some time, the industry proper did not kick-start until 2011, when the state government introduced new legislation designed to bring its captive insurance laws in line with other US domiciles. This revamp to the existing captive legislation was designed to create another reason for major companies to locate their US operations in the state of Tennessee.

As a result of this overhaul, Tennessee has seen favourable growth in its captive insurance market—expanding from two captive entities to 35 in the space of two years. Since 2011, the state has also run a department of economic development with its own specifically designated resources and staff to help focus on captive regulation. Additionally, the captive section has been blessed with robust support from the Tennessee Captive Insurance Association (TCIA).

Another government initiative in 2011 was to bring Julie Mix McPeak in as the new insurance commissioner. According to the director of Tennessee's captive insurance section, Michael Corbett: "[McPeak] must be given full credit for seeing the great potential that a vibrant captive domicile could bring to the development of employment and investment in the state. Her efforts led directly to the revitalisation of the Tennessee captive statutes and the development of a 'best in class' regulatory team, of which I am humbled to be a part."

With the proliferation of competing domiciles across the US, captive owners and service providers are actively looking for domicile locations that best suit their budgets as well as their needs.

For many, the main job of a captive is to provide a mechanism for companies to control risk. Corbett comments: "At its essence 'controlling risk' means that people go home safe at night. Any captive that comes to Tennessee and meets the spirit of this test will have the full support of the Tennessee captive section. On a more granular level, the Tennessee captive section seeks to ensure that all captives are properly capitalised and that our section fosters an environment and commitment to the captive insurance industry that supports all present and future captives."

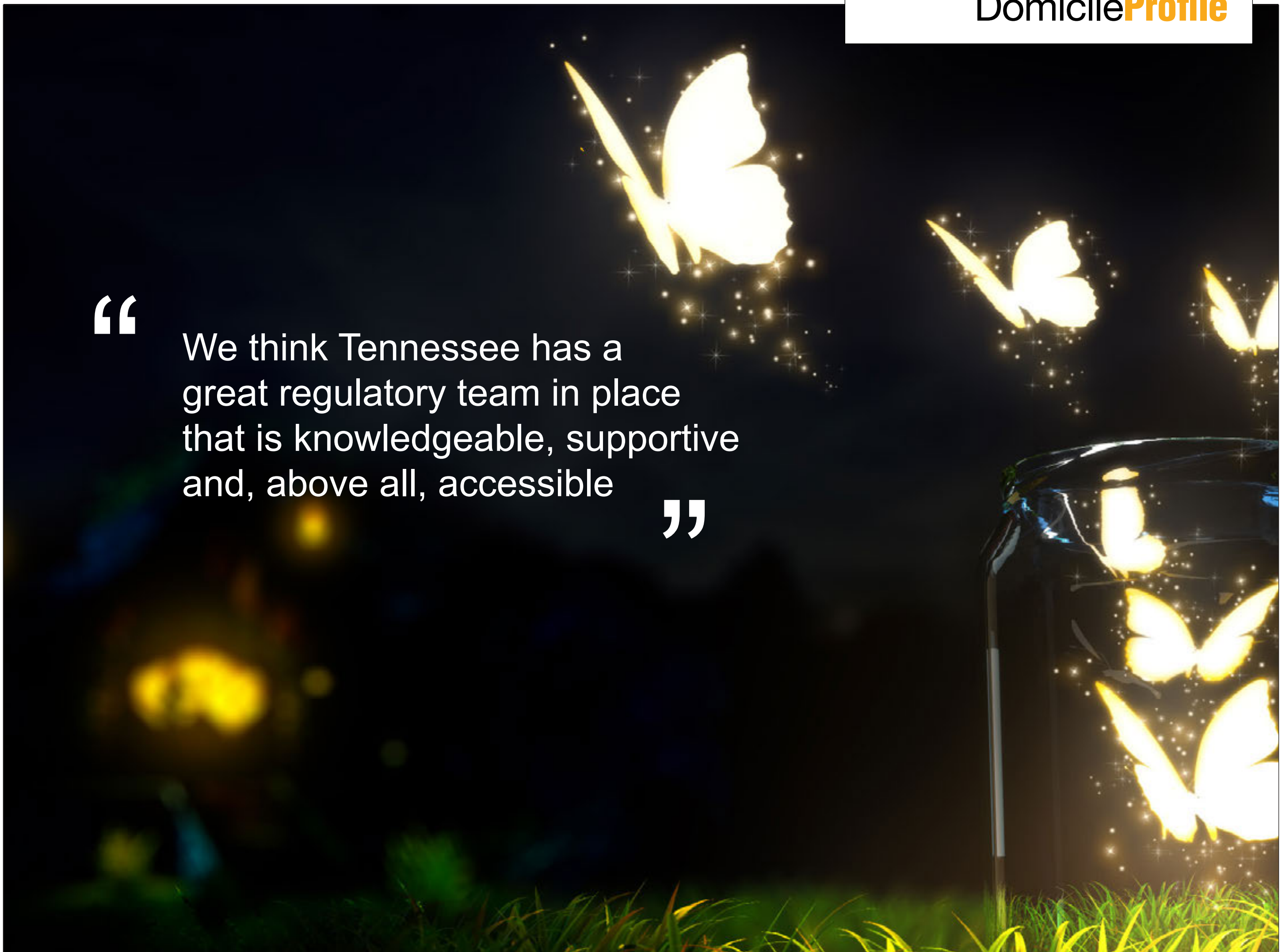
In particular, Tennessee is primarily dedicated to serving the 'middle market' US companies. These companies, particularly the ones covered by the 831(b) election, are smaller in the market compared to those favoured by other domiciles, and Tennessee has begun to cater to that niche.

An insurance company, including a captive, may elect under 831(b) to be taxed on its investment income only, so long as the company receives less than $1.2 million in premiums each year. The 831(b) election is filed along with the company's first tax return, and cannot be revoked without the consent of the secretary of the treasury. This election is an incentive provided by Congress to encourage the formation of new insurance companies.

This niche has allowed Tennessee to be selective in the captives that it will authorise.

The state strives for captives that provide steady growth and sustainability. These types of captives can then, in turn, do good things for the business owner, allowing them to, ultimately, save dollars and either deploy them back into the business or benefit the employees of the company.

Andy Rhea, managing director for Tennessee's first home-grown captive management company, Iroquois Captive Services, says: "Captive services have not, traditionally, been readily



available to companies in Tennessee’s immediate vicinity. The thought process for many people who have been apprehensive to establish a captive may have been that it would be too difficult to relocate to somewhere like Vermont. Now that they have the option to run a company from their current location, it becomes much more appealing.”

On Iroquois, Rhea says: “We recently saw an opportunity to form this company and we are really excited about it. Being the first captive management company to be domiciled here gave us the chance to bring together advisors who had previously been in the captive industry and put them all under one roof. We think, at the moment, that we are ahead of the curve in what we feel is going to be a lot of growth.”

Although approximately 30 states have captive legislation, there are only around seven that are actively involved with captive management on a daily basis.

Rhea continues: “While I expect that more states will try to pass legislation—if they do not commit to putting the regulatory expertise together, then they cannot be successful. They need the backing and resources of the government behind them—because a captive cannot be regulated in the same way as a traditional insurance company.”

Aside from start-ups such as Iroquois, some of the larger, national captive managers have seen the potential for captive growth that is currently endemic in Tennessee. One such company, Strategic Risk Solutions (SRS), has established an office in Tennessee that is currently staffed by a senior person who relocated from Vermont. Although it is a start-up office, president and CEO Brady Young is optimistic for development in the future.

Young comments: “At first we usually manage captives on a remote basis and, once a critical mass of clients is reached, we can begin to hire locally or move some of our own people in and grow from there. What’s different with Tennessee is that we are optimistic of the domicile’s success given the infrastructure and governmental support available. As such, we decided that we wanted to commit and be on the a part of Tennessee’s initial growth surge, instead of waiting on the sidelines.”

One of Tennessee’s largest growth areas for captives at present is employee benefits, following implementation of the Patient Protection and Affordable Care Act (PPACA), commonly known as ‘Obamacare’. This is a growth area for captives nationwide and Tennessee in particular—which is well positioned in terms of healthcare. Nashville has some of the largest hospital corporations in the US. Although becoming pigeon-holed into one niche is not the plan, the healthcare insurance industry is, according to Rhea, “without a doubt [Tennessee’s] biggest growth area”.

While many of Tennessee’s competitors see their own regulatory frameworks as a unique selling point, Young claims that this alone is not enough to guarantee success as a captive domicile.

Young says: “It is no use giving somebody a beautifully-made violin if they have never played one before—the same principal goes for captive domiciles. While Tennessee’s laws are competitive, I believe it is not the law that makes the domicile but the way in which that law is administered.”

“We think Tennessee has a great regulatory team in place that is knowledgeable, supportive and, above all, accessible. In addition to this, Tennessee captive owners and managers can rest assured that they are domiciled in a supportive business environment.” CIT

What lies ahead

Paul Owens of of Willis Global Captive Management looks at the key challenges for the insurance industry in the next 15 years

The traditional insurance industry will have to respond to a number of converging factors in the next 15 years and beyond, including an emerging threat landscape, an influx of new capital, the changing nature of competition, and seismic shifts in the characteristics of the world's workforce.

A new set of risks are emerging

Risk is now high on the agenda for every board of directors. Increasingly, they are looking beyond the traditional property and casualty risks to focus more attention on an array of emerging risks, including supply chain uncertainty, cyber security, extreme weather and executive liability issues.

Supply chain disruption is prominent on risk manager's agenda, driven in part by the global nature of manufacturing and the increasingly complex and interconnected global environment in which we now do business.

Another key risk for firms is cyber security. In a Willis survey of Fortune 500 companies, 46 percent of companies disclosed that their cyber risk was "material", "significant" or "critical". The situation now is not 'if' a firm will suffer a cyber breach, but 'when'.

Companies also need to guard against reputation and brand damage to maintain customer loyalty, ensure future profits and protect share prices. Willis research into corporate reputation last year found that the vast majority of large corporations have suffered at least one major reputational crisis in the last 20 years, but of these events, less than 10 percent were insurable.

Emerging risks are more complex and traditional risks are occurring more frequently. Research by Munich Re showed that five of the largest natural catastrophe losses have occurred within the last three years, with more than two events occurring each day. As a result, businesses are turning to risk advisers and brokers to help them build resilience in an increasingly risky world.

The history of new capital

Prior to 1970, most risk transfer solutions were provided by the traditional insurance market. This was followed by the formation of captives to create tax and regulatory efficiency and then came the asbestos claims that almost put Lloyd's out of business, and the formation of new carrier groups.

The 1990s saw the influx of Bermudian capital, which led to a reduction in the dominance of Lloyd's in the catastrophe insurance and reinsurance markets. In the late 1990s, the first cat (catastrophe) bond was formed. Further new entrants were attracted by the rise in rates, which preceded the 9/11 terrorist attacks, and the economic downturn, which saw alternative capital searching for better returns.

The period between 2003 and 2013 was defined by 10 very successful underwriting years, the development of models and analytics to more accurately quantify risk exposures, and the expansion of cat solutions to transfer these risks.

Changes in competition

The influx of new capital has altered the state of competition in the market. As traditional underwriters are being threatened by new entrants from non-insurance backgrounds, the traditional players are being forced to adapt to stay relevant.

And as businesses demand more sophisticated risk assessment, a new breed of 'analytical broker' will be born, managing both the front-end placement and reinsurance needs with the analytical skills of a consultancy. 'Old school' broking houses and carriers that focus solely on the insurance transaction will experience a shift from being market- and product-driven to more client- and industry-focused.

Already, analytics is moving from reinsurance into the direct insurance space, and with it comes the demand for a new set of skills. As the skills and experience required to manage and service the needs of the client change, a 'war for talent' will emerge.

Changing nature of the workforce

The insurance industry has traditionally been resourced by the 'baby boomer' generation. They are the current leaders of companies: loyal to the organisation, in a love-hate relationship with technology, career-oriented, workaholics, respectful of authority, and documentation heavy.

At the other end of the scale are the future leaders of companies. They are optimists, confident, team-oriented, more accepting of authority, embrace technology, and high achievers. They have embraced new technologies and ways of working, are flexible in regards to mobility, and are developing new skill sets not traditionally seen in the insurance industry.

Organisations must focus on the characteristics and needs of this new generation—call it 'Generation Y'—if the insurance industry is to attract and retain the talent of the future. CIT

Paul Owens
CEO
Willis Global Captive Management

Industry appointments

David Snowball has been appointed as the new director for the captive division of the Utah Insurance Department, replacing Ross Elliott who retires at the end of the month.

Under Elliott's stewardship, Utah went from 12th to 4th in the world in terms of domiciled captives.

"My focus as director is to maintain the legacy Elliott is leaving of being consistent, responsive and reasonable," said Snowball.

Snowball joined the Utah captive division in July 2010. As it grew from four to nine insurance professionals, he contributed to its growth from 148 captive companies to 340 and an additional 60 cells.

Before joining the captive division, Snowball owned an income tax preparation business, which included five offices and 50 employees. He was previously a comptroller for a construction company.

"I am excited that we have the experienced and technical staff in the division to be able to promote from within," said Utah insurance commissioner Todd Kiser. "By doing so we will maintain the critical continuity and consistency in the Utah captive programme."

David Bidmead is taking over as global multinational client service leader and chair of the multinational executive committee at Marsh, effective 1 April.

He is replacing Alban Laloum, who left Marsh in December. **Robert Bentley**, president of Marsh's US and Canada division, will take over Bidmead's current role.

In this new position, Bidmead will be responsible for the strategy and execution of Marsh's multinational client service team and delivery approach.

Over the course of his near 20-year career at Marsh, Bidmead has taken on roles of increasing responsibility, most recently serving as CEO of Marsh USA. His previous roles include west zone leader and Pacific region head, and CEO of Marsh Australia.

Joe McSweeny, president of global sales, and to whom Bidmead will report, commented: "As the number of multinational companies emanating from within and outside the US continues to grow, having someone of Bidmead's calibre overseeing our global client service delivery strategy will ensure that we are consistently bringing the best of Marsh to our clients working in a multi-country environment."

Bidmead added: "I'm delighted to lead this extremely talented team of dedicated multinational client service specialists and bringing an even greater focus to the value that we create for our multinational clients. With a rapidly changing risk landscape and a dynamic insurance market, we need to continually orientate our value proposition and the cohesion of our multinational network to the needs of our clients."

Guy Carpenter & Company has promoted **Massimo Reina** to the position of CEO of Europe and MENA, with immediate effect. He succeeds Peter Stubbings, who has taken up the position of chairman of the firm's Bermuda operations.

Formerly head of GC Fac International and the firm's Italian business, Reina is now responsible for all of Guy Carpenter's treaty and facultative operations in Europe and the Middle East and North Africa.

He will report to Nick Frankland, CEO of Europe, Middle East and North Africa operations.

Commenting on Reina's promotion, Frankland said: "In recent years, [Reina] has achieved considerable success heading up our GC Fac and Italian operations and we look forward to seeing him achieve similar success on a wider platform in his new role."

In his new position as chairman of Guy Carpenter's Bermuda operations, Stubbings will be responsible for the International and Retro business conducted on the island.

He will work alongside **Tony Fox**, who has been appointed head of the Bermuda office and promoted to the position of Bermuda CEO. They both report to **Kevin Fisher**, CEO of global specialties, who is relocating from Bermuda to the firm's London office in April.

Fisher commented: "We are delighted with [Stubbings's] move to the island, where his experience in the London and International markets will complement [Fox's] local Bermudan presence and US relationships. We expect the combination of the two to consolidate our position as the island's leading reinsurance broker."

Guy Carpenter also announced that **Malcolm Payton** has been promoted to head of GC Fac, London, having previously overseen the international property division. In addition, **Salvatore Nicosia** has been promoted to the position of head of Italy. They will both report to Reina.

JLT Towers Re has appointed **Embry Nichols** as vice president of JLT Towers Re public entity practice.

Having previously been at Willis North America, Nichols has experience in complex alternative risk management self-insurance pools, coordinating and negotiating terms and developing and deploying custom underwriting platforms.

She will focus her attention on account management and new business development.

Mike Waterman, public entity practice group leader, said: "Having worked in the industry for a number of years, [Nichols] has accumulated a wide knowledge base and extensive experience in this practice area."

Commenting on her appointment, Nichols, said: "I am thrilled to be joining JLT Towers Re. I am particularly excited to help grow the practice and assist in the development of new clients, as well as augment the current account teams in retaining renewal business." **CIT**

CIT CAPTIVEINSURANCETIMES

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Published by Black Knight Media Ltd
Provident House, 6-20 Burrell Row
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Company reg: 0719464