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UK pledges to pursue ILS

The UK government has vowed to take the necessary steps to attract insurance-linked securities (ILS) business, such as catastrophe bonds, into the country.

As part of the 2015 Budget, chancellor George Osborne said that the government would work with the industry and regulators to develop competitive corporate and tax structures to allow ILS to be domiciled in the UK.

Osborne also raised the government's intentions to back financial technology and pursue the possibility of conducting global reinsurance.

Colin Graham, UK insurance tax leader at PwC, commented: "The announcement today of a commitment to develop an ILS regime in the UK is a boost for the insurance sector and should stimulate growth."

"This is good news and a direct response to engagement with the industry in the last few months on global competitiveness from a regulatory and tax perspective."

Despite being a "boost" for the insurance sector, Graham also aired his disappointment at not hearing any feedback on the broader competitiveness review that was announced in the Autumn Statement.

He continued: "The ILS announcement is very positive, but arguably does not go far enough."

"We also wait to see the detail of the diverted profits tax that takes effect on 1 April to see whether government has listened to the industry's concerns in relation to its scope and associated concerns over complexity and global competitiveness."

Paul Traynor, international head of insurance at BNY Mellon, commented: "The budget announcement to explore options for ILS to be domiciled in the UK is a natural choice given the breadth of the industry capability here, combined with access to the capital markets and the necessary professional services firms."

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Towers Watson spots employee benefits savings

Financing employee benefits through a captive provides substantial savings opportunities for multinational companies, according Towers Watson's multinational pooling and benefit captives study.

The 2014 research, which analysed 52 captive reports across five insurance networks and 14 research study participants, showed that multinationals using a captive for financing global employee benefits yielded annual median returns of 11.3 percent on total plan premiums.

Their annual average returns were 5.1 percent, with the difference between the median and mean largely attributable to the experience of one company with significant losses, according to Towers Watson.

"Annual costs for multinationals' employee health and risk benefits are enormous," commented Mark Cook, senior international consultant at Towers Watson.

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New captive manager forms

Michael Stern and Mark Ouimette have launched Stern Risk Partners, a new specialty insurance brokerage and captive management firm.

The new firm offers its clients creative traditional and alternative risk solutions for their insurance needs.

Stern Risk Partners's leadership has more than 60 years of combined experience, across multi-family real estate, construction and numerous other industries.

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UK pledges to pursue ILS

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"ILS is an excellent instrument to mutualise risks. To date ILS has typically been used to mutualise well modelled natural catastrophe risk, such as hurricanes and earthquakes, and has put downward pressure on premiums as new investors have entered the market."

"Finding a way to put this new capital to work to insure new risks, in emerging economies, would be good news for insurers, the capital markets and society at large. One could argue that insuring against cyber terrorism will require a new approach and ILS may well play an important role."

Towers Watson spots employee benefits savings

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"Global benefit leaders need to manage these long-term costs if their companies are to remain competitive in the global war for talent and keep pace in their marketplaces."

"Captive arrangements can help them manage these costs while providing data and insights critical to effectively managing their employee benefit programmes around the world."

The study also revealed wide variations in the profitability of individual contracts within captive arrangements based on geography.

Guernsey policies produced the largest dividends of 65 percent, while benefit contracts in Denmark, with average returns of –77 percent, were the worst performers.

Life and accident insurance contracts were the most consistently profitable, with returns of 23 percent, while standalone medical contracts were consistent deficit producers, with average returns of –2 percent.

"Captives are becoming an established part of the employee benefit landscape for multinationals alongside a variety of other techniques," said Cook.

"Companies with large multinational pooling arrangements tend to have an easier transition to a captive strategy and solution, especially if they pool with a network that is also strong in captives."

"As our data illustrates, captives can provide an even greater opportunity for financial savings, particularly for companies with the capacity and desire to take on additional risk in employee benefits on a global basis."

"Captive strategy and solutions should be considered carefully and most large to mid-size multinational companies that assess this properly find they have such capacity."

New captive manager forms

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The firm's captive management capabilities will initially be focused on US domiciles with future plans to expand offshore.

Kirk Mooneyham, previously of Wilmington Trust and Beecher Carlson, will lead the firm's captive management operations as executive vice president.

Also joining are Brendan Healy as vice president and Aubrie DesCombes as programme manager, with responsibility for managing the specialised multi-family and tenant insurance programmes.

Ouimette, president of Stern Risk Partners, commented: "I'm very excited to launch this new company, and to be joined by a group of highly talented insurance professionals who are passionate about delivering innovative solutions to our clients."

US insured losses to exceed $1 billion for February

Early estimates from Aon have suggested that aggregated economic losses from heavy snow, frigid cold, freezing rain and ice in the US during February will be in the low-digit billions of dollars, with insured losses likely to exceed $1 billion.

Five separate periods of weather affected large swathes of the US during the month, killing 72 people.

Steve Bowen, impact forecasting senior scientist and meteorologist at Aon, said: "As we begin to transition to the start of the severe weather season, it will be interesting to see if a cooler pattern lingers into the spring months."

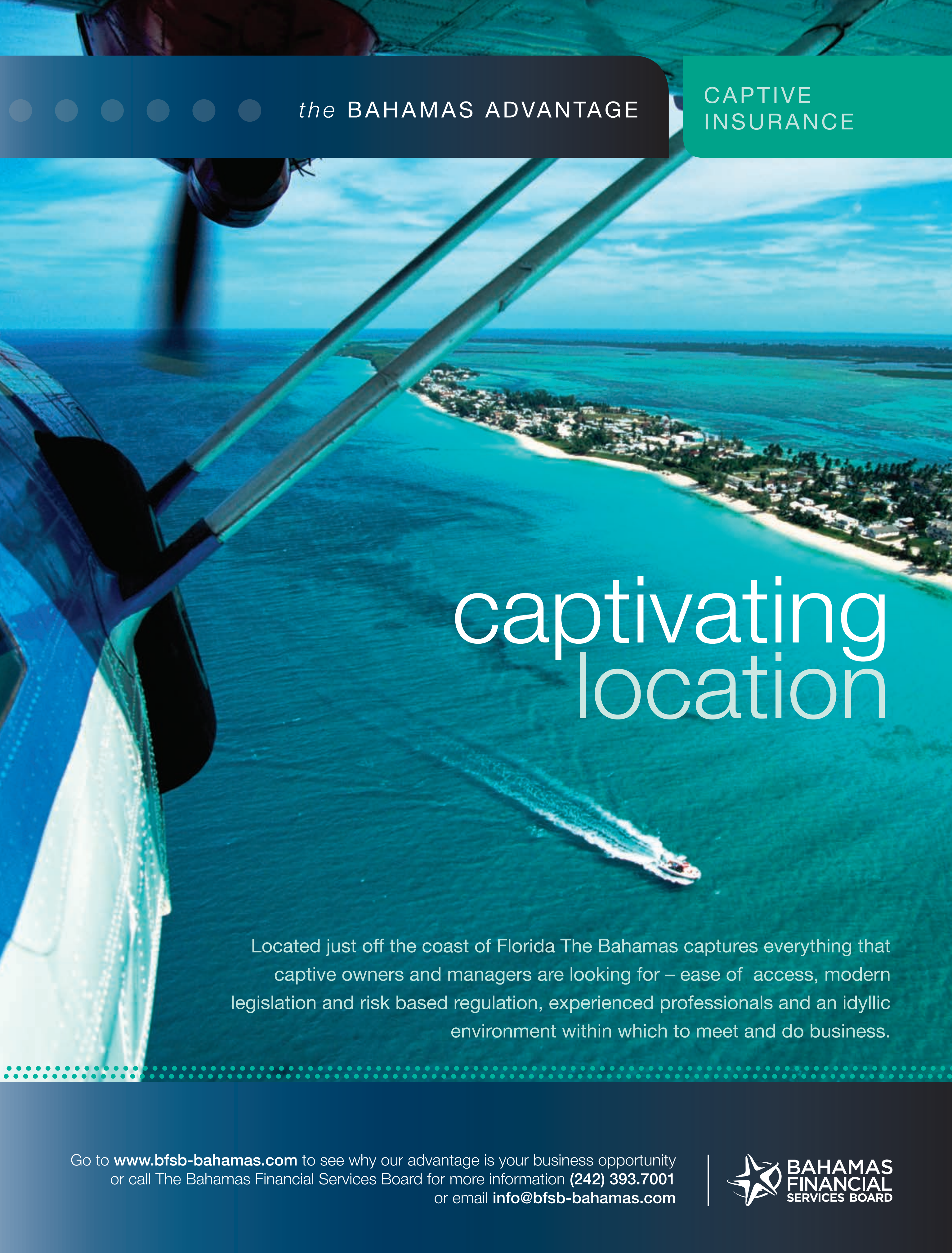
"Should such a scenario occur, it is entirely possible that US tornado totals could remain at historically low levels for a fourth consecutive year."

Elsewhere, two spells of winter weather affected parts of Europe and Asia. In Europe, 19 people died as heavy snow fell across large areas of the continent resulting in power outages and transport disruptions. While in Asia, large avalanches killed at least 286 people and destroyed 1250 homes in Afghanistan.

Flooding affected all six inhabited continents during February, with the costliest event occurring in Indonesia, killing six people. Total damages in Jakarta alone were listed at $235 million.

Another record year for Nevada

Nevada's captive insurance programme has outperformed its growth and speed expectations by approving 26 captives in 2014, resulting in a captive premium increase of $3.8 billion.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BAHAMAS FINANCIAL SERVICES BOARD

The state's insurance commissioner Scott Kipper said, following the results, that 2014 was once again a record breaking year for the Nevada captive insurance industry. Nevada now has 160 domestic captive insurers.

"As one of our nation's oldest and largest captive domiciles, Nevada prides itself on its ability to maintain consistent and high regulatory standards, while also providing good service and a business friendly regulatory environment," said Kipper.

Nevada now offers regulatory options for captive formations including series limited liability companies (LLCs) and segregated cell captive programmes.

"We saw a lot of companies choose to take advantage of Nevada's efficient application approval and series LLC legislation," said deputy commissioner Michael Lynch.

"After another record breaking year, it is obvious that business owners worldwide consider Nevada to be a leader as a captive domicile."

Nevada has licensed more than 200 captive insurers since the inception of its captive insurance programme in 1999.

In recent years, the state has seen rapid growth in captive utilisation by a number of new segments including: biotechnology, alternative energy, multi-national transportation and manufacturing, as well as what the insurance division has called "significant growth" in captives for financial institutions.

Nevada continues to be a leader in the nation in formations of risk retention groups.

Admin Re appoints HSBC Securities Services

Admin Re has appointed HSBC Securities Services to provide global custody and investment accounting services.

Part of HSBC's global banking and markets business, HSBC Securities Services will service about £16 billion in policyholder assets under management in the UK.

Admin Re is a closed-book consolidator of life and pensions policies. A large part of the HSBC team for Admin Re will be based in Scotland.

Carl Andrews, head of HSBC Securities Services in Scotland, said: "We are delighted to have been appointed by Admin Re and look forward to building a fulfilling and successful partnership."

Mike Woodcock, global financial controller for Admin Re, added: "We expect HSBC to help Admin Re provide even better service to our customers to meet their evolving needs."

Micro captives on thin ice

A panel of captive insurance experts have reviewed a number of recent actions taken by the Internal Revenue Service (IRS) as well as the Senate's finance committee in over micro captives, or 831(b)s.

The IRS is currently examining several companies that market captive insurance to small and medium businesses as well as those that form captives.

Former IRS acting commissioner and Alliantgroup national director of tax, Steven Miller, and former senior counsel to the US Senate's finance committee and alliantgroup national managing director, Dean Zerbe, were present at the roundtable discussion, which was hosted by the American Bar Association.

"The IRS is looking hard at captive insurance to make sure it looks and acts like insurance, Alliantgroup is representing before the IRS a number of companies that have utilised captive insurance and it is clear that the IRS wants to understand how the captives are promoted and marketed as well as administered," said Miller.

During the hour-long roundtable, the panel discussed the addition of micro captive insurance abuse to the IRS's 'Dirty Dozen' scams list for 2015, the proposed amendments to Section 831(b) and senator Charles Grassley's request that the US Treasury "perform a study on the abuses of captive insurance for estate planning purposes".

Combined all together, the panel concluded that these actions point to a renewed emphasis on micro captive insurance compliance and highlighted the need for both micro captive owners and providers to be up to date on the latest regulations, case law and other guidance.

The panel noted that several audits of micro captive providers and their clients were already underway and confirmed that more audits will be coming as the IRS increases its enforcement activities.

"The Treasury has placed captives on their priority guidance list and the Senate's finance committee has already asked the Treasury for feedback on rumoured abuses with a requested report," commented Miller.

"Companies that have utilised captive insurance want to get ahead of this and make sure their operations are in order and not wait until the IRS calls."

Zerbe added: "With captives on the Dirty Dozen list it is clear that the IRS and Congress's interest as to captive insurance is quite broad—including use of captives for estate tax, life insurance and other tax planning."

"Having an actuary or a piece of paper from the state insurance commissioner isn't going to be enough to get a company past an IRS audit."

Isle of Man launches ISPV legislation

The Isle of Man's government has launched new legislation that will allow the establishment of Insurance special purpose vehicles (ISPVs).

This legislation has been designed specifically to facilitate insurance-linked securities (ILS) and similar transactions including catastrophe bonds, mortality bonds, sidecars and industry loss warranties, as well as other collateralised reinsurance structures.

John Garland, head of corporate financial services with the Isle of Man government's Department of Economic Development, said: "We have been working and consulting closely with industry and the Insurance and Pensions Authority on introducing this legislation and already have enquiries in the pipeline."

"We believe that our framework for ISPVs offers excellent features for potential users as well as the proportionate and focused legislation that we are renowned for."

The licencing process is designed to take just five days following receipt of fully prepared applications.

Garland continued: "We can also offer a highly competitive fee structure—that may be fixed for the lifetime of any ISPV with a determinable lifespan—along with simplified regulatory requirements, including returns."

Simon Nicholas, partner at KPMG Isle of Man and deputy chair of the Isle of Man Captive Association, commented: "ILS is a very exciting and fast evolving area of insurance and the Isle of Man legislation has been market tested by several global well respected players in the ILS market, including some of those who already have a presence on the island."

"With a promising pipeline, we expect this to complement the Isle of Man's already successful and diverse financial services industry."

Asia Pacific strives for solvency

A.M. Best has released a new briefing that explores the impact of China's second-generation solvency regime, the China Risk Oriented Solvency System (C-ROSS), on insurance companies operating in the country.

C-ROSS, which was implemented by the China Insurance Regulatory Commission (CIRC) in February 2015, is effective immediately, however, a transitional period will allow insurance companies to follow the current solvency regime while simultaneously submitting a solvency report based on the new requirements.

Direct insurers will likely need to revise their reinsurance programmes, or panel of insurers, in order to better manage their solvency requirement arising from reinsurance credit risk under C-ROSS.

The credit risk charge on reinsurance recoverables is expected to bring significant change to the reinsurance marketplace.

A.M. Best expects more reinsurance placements to be diverted to onshore reinsurance companies, with a corresponding reduction of offshore reinsurance.

"In the longer term, more international or regional reinsurance companies will seek to build a presence in China, which will strengthen the CIRC's governance on reinsurance companies that aim to take a share of China's insurance industry as a whole."

According to a recent report from Aon Benfield, the rest of the Asia Pacific region is also strengthening its solvency regulations.

As well as China, markets such as Hong Kong and Sri Lanka are moving towards risk-based capital (RBC) while developed markets are bringing their existing RBC to a new level, like Singapore's introduction of RBC 2 and Japan moving towards an economic value-based solvency regime.

Sifang Zhang, head of Aon Benfield Analytics's rating agency advisory team for the Asia Pacific, commented: "This region presents many opportunities due to currently low insurance penetration rates, fast-growing economies, an active infrastructure building and the forthcoming [Association of South East Asian Nations] Economic Community."

"Regulatory regimes are evolving quickly and [RBC] regimes are already implemented

in half of the countries. The report's standard structure will enable easy comparisons to be made when insurers are making strategic decisions."

BNP Paribas to assist French insurer

BNP Paribas Securities Services has provided CNP Assurances with a first set of look-through reports to assist the insurance company with its Solvency II requirements.

In 2014, CNP Assurances mandated BNP Paribas to provide look-through reporting for 130 of its open-ended funds, which hold a significant proportion of its OPCVM (mutual fund) assets.

As part of this mandate, BNP Paribas is responsible for gathering and aggregating data from 43 asset managers working with CNP Assurances in order to calculate the Solvency Capital Ratio (SCR) of its funds.

Mikaël Cohen, director of investments at CNP Assurances, said: "Given the huge volumes of data to manage, we selected BNP Paribas Securities Services, a Solvency II and data management expert, following a competitive tender."

"The first results have proved convincing and will enable us to enhance our risk management under the directive. BNP Paribas Securities Services has become a real partner."

Patrick Colle, general manager at BNP Paribas, said: "Our investment reporting and performance analysis team has developed a strong expertise in data management, helping ensure the quality of the data and of its sources required by the Solvency II directive."

'Excellent' ratings for Pfizer captive

A.M. Best has affirmed the financial strength rating of "A (Excellent)" and the issuer credit rating of "a+" of Blue Whale Re. The outlook for both ratings is stable.

The agency stated that the ratings reflect Blue Whale`s "strong capitalisation and conservative operating strategy".

The ratings also consider the company`s critical and central role and favourable profile as part of the Pfizer Group, as well as the "excellent performance" of its operations.

Partially offsetting these positive rating factors are Blue Whale`s large gross and net underwriting exposures to property losses and its dependence on reinsurance.

Blue Whale is a single parent captive of Pfizer, a leading global pharmaceutical company.

As Blue Whale reinsures Pfizer`s global property exposures, it plays an important role in Pfizer`s overall enterprise risk management and assumes a critical role in protecting the Pfizer Group`s assets.

As a result, Blue Whale benefits from Pfizer Group`s extensive risk management and loss control programmes.

The captive operates at what A.M. Best has called "conservative" underwriting leverage levels, however, it provides coverages with "extremely large limits", and its gross exposures per loss occurrence are elevated.

Although Blue Whale benefits from reinsurance protection, its net retentions remain substantial.

Reinsurance is provided by a large panel of reinsurers, and Blue Whale relies on significant capacity to be able to support its obligations. As such, it is heavily dependent on reinsurance.

Nevertheless, A.M. Best has recognised the quality of the reinsurers and the substantial financial resources and support available to the captive as part of the Pfizer Group.

The agency said that positive rating actions could occur if there is a sustainable and long-term improvement in the operating performance and capital strength of Blue Whale and Pfizer.

Conversely, negative rating actions could occur as a result of material operational and performance issues at both Blue Whale and Pfizer.

We’ve grown in line with people’s confidence in us.

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Gibraltar embraced captive insurance in the 1980’s and in 2001 became the first EU jurisdiction to offer Protected Cell Company (PCC) legislation – widely used within insurance company structures writing both general and life insurance business.

In 2012, captive insurers achieved total gross premium income of nearly £800m. Three are PCCs managing over 30 cell companiwes. One insurance manager has created 50 cells with its PCC being the largest in the EU providing solutions for cell captives and fronting cells.

Gibraltar’s vibrant insurance sector has almost 60 insurance companies currently writing new business and in 2012 wrote over £3.8bn of gross premium income – with Gibraltar motor insurers accounting for 16% of the UK market.

Gibraltar offers bespoke insurance solutions for companies not currently domiciled with the European Union.

For more information visit the Gibraltar Finance website::
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Rating pressure would also be "likely", according to A.M. Best, if there were any adverse changes to many of the regulatory standards to which Pfizer adheres.

Legal victory for G4S captive

Carey Olsen's restructuring and insolvency team has succeeded in applying to the Royal Court of Guernsey for the restoration of K2 Insurance Limited, a liquidated and dissolved company, enabling the company to subsequently recover a substantial asset.

Advocate David Jones and associate Harry Stirk, both of Carey Olsen, acted for Ian Damarell of BDO Limited, the liquidator of K2.

K2 was as a captive insurance company ultimately owned by G4S, for which it wrote insurance policies.

Following a group reorganisation, it was decided that K2 was no longer needed and should be voluntarily liquidated on a solvent basis.

K2 was removed from the Register of Companies on 29 September 2010, but in 2012 it was discovered that K2 had overpaid for certain insurance premiums and was owed a substantial refund from its reinsurer.

The reinsurer could only make repayment to K2 which, technically had ceased to exist at the date of its dissolution.

It was therefore necessary to restore K2 to the Register of Companies so that it could receive the repayment and distribute it, before being dissolved again.

Detailed evidence was presented to the Royal Court in relation to the chronology of events leading up to K2's dissolution and its entitlement to repayment.

Consideration was also given to reappointing K2's former liquidator and devising a mechanism by which the repayment could be received, processed and subsequently distributed to K2's members.

Jones persuaded the Royal Court that it was just to restore K2 and to reappoint Damarell as its liquidator.

Prior to this case, it was not possible in Guernsey to restore a company that had been dissolved following liquidation, whilst it was possible to restore a company that had been struck-off as a result of administrative failings or voluntarily.

Jones commented: "This case was the perfect example of the benefits of the latest changes to the legislation. The liquidator diligently performed his role prior to dissolution. When new assets came to light he was enabled to return further value to the former members of K2 by restoring it."

Aon launches White Rock USA

Aon Risk Solutions has launched White Rock USA, which will be domiciled in Vermont.

Aon-owned White Rock Group has operations in a number of other domiciles, including Bermuda, Gibraltar, Guernsey, the Isle of Man and Malta, and is primarily concerned with the formation of protected cell companies (PCCs) and incorporated cell companies (ICCs).

White Rock Insurance Company PCC Limited was the first PCC to be formed under new legislation in 1997, making it the first of its kind anywhere in the world, while White Rock Insurance (Guernsey) ICC Limited was the first ICC in the world to be insurance licensed.

"We are thrilled to announce the launch of White Rock USA," said Vincent Barrett, managing director of White Rock.

"White Rock is committed to adapting its structures and domicile infrastructure to help drive results for clients, and the formation of White Rock USA is a clear example of this."

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Fair game

It's captive insurance business as usual in the Treasure State

MARK DUGDALE REPORTS

Officials at Montana's insurance department are confident that this year will be a continuation of the Treasure State's push to solidify its position as a go-to captive domicile.

Having licensed its first captive in 2002, the state is now on course to license its 200th within the next 12 months, following a 2014 that saw it add 34 new formations to its roster.

Although Montana did lose seven captives last year, its net gain of 27 entities demonstrates that it's undergoing a period of growth at a time when domicile competition is increasing in the US. In 2013, Montana secured 47 new captives, bringing its then total to 150. The state lost 11 entities that year, so 2014 was a little slower, admits Steve Matthews, director of captives in the Office of the Commissioner of Securities and Insurance.

"I think we are going to be the same as what happens in the rest of the country. I'm expecting us to do what we've done the last few years. We've got the expertise and the infrastructure here that make us an attractive domicile for plenty of companies out there."

Putting forward's Montana's pitch for new business, Matthews explains: "We cater broadly, we're open to any type of captive. We are looking for captives that make business sense and meet our regulatory requirements."

"We have a couple of captive management firms here in the state that do great work and we really want to see them grow and continue to prosper. We also have several law firms in the state that do a lot of captive work for captive clients. Our in-state infrastructure is growing and getting more excited about the business, but we also allow some out-of-state captive managers, too."

Regulatory tweaks

Among the legislative changes made last year was Montana's adoption of a series LLC (limited liability company) capability for protected cells. In essence, the LLC capability is another level of protection for a cell within a protected cell captive, allowing cells to erect partitions between each other's liabilities. Montana's decision to allow series LLC captives makes it only the second to do so in the US, with Delaware being the first domicile to adopt the capability.

> "We've got the expertise and the infrastructure here that make us an attractive domicile for plenty of companies out there"

Matthews says: "2014 was our first full year with the series LLC capability. The aim of its introduction was to keep up with the other states and be on the cutting edge and allow captives to take advantage of that. All that has to happen is a captive, the captive manager and their attorney decide that the series LLC is the vehicle they want to use and they have to fill out the appropriate form. So far they seem to be working fine."

Montana's legislature is currently considering multiple captive insurance bills. One in particular aims to make business fairer in the Treasure State.

It will allow for a pro-rata distribution of taxes within the year of a captive's closure, so as to make leaving the domicile less punitive. Matthews explains: "We have a minimum premium tax and we have prorated that on the year of formation of the captive. What we didn't have was a way of adjusting the minimum premium tax when a captive closes. At the moment, even if a captive dissolves at the beginning of the year, it pays the same tax as a captive that closes right at the end of the year."

Under Montana's current captive laws, the minimum premium tax was also set higher, with it having to be prorated on a quarterly basis beginning at $5,000 in Q1, $3,750 in Q2, $2,500 in Q3 and $1,250 in Q4.

The new bill would amend Montana's legislation to add a whole new section on minimum premium taxes for the year in which the captive dissolves, with thresholds set at $1,250 in Q1, $2,500 in Q2, $3,750 in Q3 and $5,000 in Q4.

Matthews says: "With this new bill, we will be able to use a pro-rata distribution for the minimum premium tax when the captive dissolves. If they dissolve in the month of January, they pay considerably less tax, which is always the fairer way to do it." CIT

Don’t tread on me

Since the summer of 2014, captives’ membership of the FHLB has been a contentious issue. Interested parties have been putting their comments forward until January this year, and the results are in

STEPHEN DURHAM REPORTS

The Federal Home Loan Bank (FHLB) System was at the centre of a regulatory maelstrom in the second half of 2014, causing widespread reaction and debate across a number of industries. In particular, concerns over captive insurance entities’ membership of the FHLB System served to stop this growing sector in its tracks.

These concerns arose in earnest when Redwood Trust’s special purpose captive insurance subsidiary, RWT Financial, received approval as a member of the FHLB of Chicago on 6 June 2014. This led all 12 banks of the FHLB System to agree on a three-month moratorium on admitting captive insurers as members, following the mounting concerns of the Federal Housing Finance Agency (FHFA) regarding the risks of such memberships.

Initially, US Congress created the FHLB System to serve as a reliable source of funds for local lenders to finance housing, jobs and economic growth. The 12 banks that make up the system are cooperatives owned by more than 7,500 community financial institutions throughout the US. Prior to this unrest, a real estate investment trust (REIT), such as Redwood Trust, could gain access to financing offered by an FHLB for certain assets—provided its insurance subsidiary captive was a member. This use of the system became a particular concern for regulators as they became worried about the structure of, and capital invested in, such insurancers.

The FHFA proposed a rule change last year that, if adopted, will effectively exclude captive insurers from membership to any one of the 12 FHLBs. The definition of an acceptable ‘insurance company’, under the proposed rule, would mean a company that has as its primary business the underwriting of insurance for non-affiliated persons. This would continue to include traditional insurance companies but not captive insurers. As a result, existing membership of captive insurers would be ‘sunset’ over five years with defined limits on advances.

The comment period was originally set to close on 12 November 2014, which itself was 60 days after publication of the proposed rule in the Federal Register, though this was extended until 12 January 2015. The FHFA extended the comment period “in light of the importance of the issues addressed in

the proposed rule, the high level of interest in the proposal and requests from multiple stakeholders for more time to evaluate the proposed rule".

All told, the FHFA received 1,300 comments about the proposed rules. FHFA director Melvin Watt said in a statement before a Congress financial services committee in January that the agency is reviewing and considering the comments. "Getting input and feedback from stakeholders is a crucial part of FHFA's policymaking process, and we will carefully consider comments made by members of this committee as well as the public in determining our final rule," he explained.

"A captive insurance company provides benefits only for its parent company, which itself is often not eligible for FHLB membership. While captive insurers may in some cases be involved in housing finance, allowing them to have access to the FHLB system raises a number of policy issues that are discussed in the proposed rule."

If it ain't broke

The general feedback from the captive industry was as to be expected from a sector potentially facing the end of one of its newest opportunities. While the overwhelming majority, perhaps unsurprisingly, stood in opposition to the proposed rule change, a number of respondents also raised a few more specific concerns of their own.

Steve Kinion, speaking on behalf of Delaware insurance commissioner Karen Weldin Stewart, claimed that the proposed prohibition is the result of the FHFA's "lack of understanding and knowledge" of the captive insurance industry.

Kinion suggested that, by collaborating with captive insurance regulators and others in the captive insurance industry, it could make an "informed decision" on whether to continue with the proposed rulemaking.

He also suggested that the FHFA should withdraw the its proposal and agree to form a joint task force consisting of the FHFA, insurance regulators, representatives of the commercial and captive insurance industry, and FHLB member banks. The first mission of this task force would be to enhance the FHFA's knowledge about the captive insurance industry and illustrate why captives value FHLB membership.

The Risk and Insurance Management Society (RIMS) president Rick Roberts reiterated the point made by Kinion that, according to himself and Roberts at least, there is a feeling from the industry that the FHFA is in need of some education regarding the fundamentals of captive insurance.

Roberts said that, by carving out captives from the definition of insurance company because of "supervisory concerns", the FHFA would also be questioning the ability of state insurance regulators to regulate a whole category of insurance companies.

In his letter, Roberts commented: "Insurance companies are permitted to be members of the banks as a way to diversity the membership base. Banning captive insurance companies from membership would lessen that diversity."

Roberts was also at pains to point out the seemingly self-evident fact that captives are subject to "significant" state insurance regulation. He continues: "Captive insurance companies often underwrite the risks of both affiliated and unaffiliated companies."

"Just like other types of insurance companies, captive insurance companies are subject to state regulatory requirements regarding supervision, solvency, receivership and liquidation. The fact that a captive insurance company insures affiliates does not mean that it is not subject to regulatory requirements designed to ensure that it is financially sound."

David Weiser, general counsel and assistant secretary at RiverSource Life Insurance Company, also raised an important point in his letter to the FHFA. In the letter, he cited the long-standing nature of the arrangement as something to preserve and reminded the FHFA that the proposed rules could weaken a system that has "worked well for more than 80 years".

Weiser said: "The FHFA has provided no data indicating that this hypothetical issue has created any actual systematic issues, but merely asserts the possibility of an issue as grounds for a new and more restrictive regulatory scheme."

Even those companies that are not the targets of the captive prohibition, such as risk retention group ICI Mutual Insurance Company, have asked the FHFA to consider technical revisions to its proposal.

In his letter, ICI Mutual president David Steiner said: "We remain concerned that the proposed rule, in its current form, could create uncertainty as to ICI Mutual's ability to continue its bank membership in years to come". This again leads to the conclusion, as far as the captive insurance respondents are concerned, that the FHFA has not fully thought through this proposed rule.

While it is easy to sit back and simply observe that 'time will tell', that platitude is of little comfort to the masses waiting for the FHFA to take these comments on board and, ultimately, make a decision.

As far as captive insurers and those associated with the industry are concerned, state regulators should be more than capable of keeping an eye on any potential abuses of the FHLB System.

As Roberts said in his letter: "Captive insurance companies are regulated by the states, and the regulatory approach to assessing qualifications for an insurance company's membership in a bank should remain intact." CIT

Industry appointments

RIMS has named **Rick Roberts** as president for the 2015 term.

Roberts is the director of risk management and employee benefits at Ensign-Bickford Industries.

He has been a member of RIMS for 25 years and on its board of directors for seven.

He previously served as the society's vice president and board liaison to the external affairs committee.

Roberts commented: "No two days as a risk professional are ever the same."

"Current events, new technologies and global initiatives continue to keep risk professionals searching for the latest industry information and best practices."

JLT Insurance Management Bermuda (JLTIM) has appointed **Andrew Halls** as an underwriter.

Halls served as an underwriter in the London office of Aspen Risk Management and Sterling Insurance Company where he specialised in underwriting property and general liability business.

He also underwrote professional indemnity, marine, directors' and officers', and cyber coverage.

Steve Arrowsmith, executive chairman of the JLTIM Group, commented: "He has shown through his previous experience the ability to assess exposures and claims trends, and analyse captive insurance programmes to ensure they are fully optimised."

Robert Bilodeau has joined Wilmington Trust as senior relationship manager in the insurance collateral solutions group.

Bilodeau will serve as point person between grantors, beneficiaries, and insurance brokers in the onboarding of new transactions.

He will also serve as the group's point person for on-going relationships, and will assist in client development efforts.

Bilodeau has worked in the insurance and reinsurance trust space for more than a decade, and has experience with insurance-related collateral accounts.

He has international experience that includes transactions pertaining to Bermuda, London, France, Germany, Australia, New Zealand, the Cayman Islands, Guernsey, the Isle of Man, Luxembourg, and Switzerland.

Prior to joining the firm, Bilodeau was relationship and product manager in the corporate trust division at Wells Fargo.

Joe Nardi, head of Wilmington Trust's capital markets structured finance group commented: "Bilodeau will play a crucial role in trust agreement negotiations, due diligence acquisition, and administration of our client's transactions."

American Overseas Group has appointed three new directors to its subsidiary companies.

Effective 18 December, the board of directors of Orpheus Group (a subsidiary of American Overseas) has been expanded from five directors to seven as **David Pickering** and **Conrad Voldstad** have been appointed directors. Pickering has also been appointed to the board of directors of Reid Street Services.

Voldstad and **Trevor Carmichael** have been appointed to the board of directors of American Overseas Reinsurance Company Limited, an entity organised under the laws of Barbados, to replace Clement Dwyer and James Zech, who recently resigned.

Pickering has 30 years of experience in the insurance industry, focusing on captive management. He currently serves as president and CEO of four insurance companies, and director of a number of other insurance companies.

Voldstad has over 30 years of experience in the financial services industry. He was CEO of International Swaps and Derivatives Association and was founder and Senior Principal of Arlington Hill Investment Management.

Carmichael holds 30 years of legal experience. He is the founder of Chancery Chambers, a Barbados law firm engaged primarily in international business law, environmental law and law related to charities.

Liberty Speciality Markets (LSM) has appointed **Guillaume de Lestang** as senior underwriter for financial lines in its Zurich office.

Lestang will report to Zurich branch manager Felix Böni.

He will focus on Switzerland's French-speaking regions and will oversee underwriting and product development for director and officer liability, professional liability, and crime, kidnap, ransom and cyber risks.

He joins from Aon in Geneva, where he worked as a broker. Prior to this, Lestang spent five years as an underwriter in the Paris and Zurich offices of an insurer.

John McCammon, LSM's head of international network offices, commented: "Lestang brings to the team an impressive amount of market experience. His main focus will be to strengthen our presence and to further develop our financial lines book."

"Working alongside our existing Zurich team, his arrival marks a real enhancement to our underwriting capability in Switzerland." CIT

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CAPTIVEINSURANCETIMES

Editor: Mark Dugdale
markdugdale@captiveinsurancetimes.com
Tel: +44 (0)208 663 9620

Reporter: Stephen Durham
stephendurham@captiveinsurancetimes.com
Tel: +44 (0)208 663 9622

Editorial assistant: Becky Butcher
beckybutcher@blackknightmedialtd.com
Tel: +44 (0)208 663 9621

Account manager: Joe Farrell
joefarrell@captiveinsurancetimes.com
Tel: +44 (0)208 663 9627

Publisher: Justin Lawson
justinlawson@captiveinsurancetimes.com
Tel: +44 (0)208 663 9628

Marketing director: Steven Lafferty

Designer/Business development:
John Savage
johnsavage@captiveinsurancetimes.com
Tel: +44 (0)208 663 9648

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Provident House, 6-20 Burrell Row
Beckenham, BR3 1AT, UK

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