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Bermuda gains Solvency II equivalence

The European Commission has formally recognised Bermuda as fully equivalent with Solvency II.

Bermuda's captives and special purpose insurers (SPIs) remain out of scope of the Solvency II equivalence assessment.

This means that the regulations governing class 1, 2, 3, A and B insurers and SPIs remain largely unchanged going into 2016.

According to the Bermuda Monetary Authority (BMA), the insurance prudential framework for these insurers is fully aligned with the standards outlined by the International Association of Insurance Supervisors (IAIS).

Jeremy Cox, CEO of the BMA, commented: "It is extremely fortunate to have succeeded in becoming the world's leading insurance-linked securities market, premiere captive domicile, as well as a global reinsurance and insurance hub. The authority has ensured that these important markets are being supervised appropriately."

The regulatory standards applied to European reinsurance companies and insurance groups are now in accordance with the requirements of Solvency II, according to the BMA.

The EU legislation that will recognise Bermuda fully equivalent with Solvency II was adopted on 26 November and is currently in its three-month review by the European Parliament and Council.

The legislation will cover full equivalence for Bermuda reinsurers licensed as class 3A, 3B, 4, class C, class D and class E reinsurers, insurers and Bermuda insurance groups. Cox added: "This is significant news for Bermuda and the island's future as a strong financial services centre."

"Solvency II equivalence would mean Bermuda's commercial reinsurers, insurers and insurance groups will not be disadvantaged when competing for, and writing, business in the EU."

"Being an early adopter of Solvency II has granted certainty to commercial reinsurers and insurers operating from Bermuda."

IAIS approves captive insurer regulation paper

The International Association of Insurance Supervisors (IAIS) has approved its application paper on the Regulation and Supervision of Captive Insurers.

The IAIS adopted the paper at its annual general meeting on 12 November.

The paper provides guidance to insurance supervisors on the application of aspects of regulation and supervision specifically relevant to captive insurers or reinsurers.

The approval of the paper further provides an update on the guidance available to insurance supervisors on the application of aspects of regulation and supervision that are specifically relevant to captive insurers or reinsurers.

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FloodRe to secure £2.1 billion reinsurance programme

FloodRe has completed the first stage of the process to secure outward reinsurance protection, in one of the world's largest global programmes.

The three-year programme is one of the five largest 'natural peril' reinsurance deals globally and second in Europe.

Industry reinsurers have offered £1.29 billion of cover per year, with Munich Re and Swiss Re contributing significant support, according to FloodRe.

The procurement process involves reinsurance broker Guy Carpenter and has now entered its second phase, with a further £720 million of reinsurance protection being sought.

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IAIS approves captive insurer regulation paper

Continued from page 1

The update reflects the IAIS Insurance Core Principles (ICPs) subsequent to their revision in 2011 and highlights matters specifically relevant to captive supervision.

Vermont's Captive Insurance Association (VCIA) voiced concerns with the paper in October and argued that US captives do not need broad regulation as proposed.

The VCIA said that as most captives in the US primarily insure the risks of their owners and/or affiliates and represent the lowest level of regulatory risk, it does not make sense to impose a burdensome supervisory scheme on them, particularly when their insureds can otherwise self-insure, without any regulatory authority being imposed.

The VCIA added that while it does not believe certain ICPs should apply to captives at all, its interpretation of the paper is that flexibility and discretion exist in applying them to captives.

FloodRe to secure £2.1 billion reinsurance programme

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The second phase is expected to close in January 2016, which will ensure that Flood Re is on track to accept its first policy in April 2016 after UK flood minister Rory Stewart signed the regulation approving Flood Re in early November.

Brendan McCafferty, chief executive of Flood Re, commented: "The successful completion of phase one of the reinsurance procurement process is an important milestone on the road towards Flood Re becoming a reality."

"We are delighted by the strong demand within the reinsurance market, which saw the programme being significantly oversubscribed."

"This bodes well for phase two and means we are on course to provide protection up to the planned £2.1 billion annual liability limit."

He added: "Flood Re is a complex scheme and while we are pleased with the progress which is being made, we are not complacent. Plenty of hard work remains ahead of us."

"Over the next few months we need to ensure that every insurer who wishes to test with Flood Re is able to do so, that we successfully complete phase two of the reinsurance process and that we continue to work closely with the financial regulators."

In July, Flood Re submitted an application for authorisation to the UK's financial regulators.

US and EU to level the playing field

The US Treasury and Trade Representative are planning to begin negotiating a covered agreement with the EU over reinsurance collateral requirements.

The aim of the agreement will be recognition of certain prudential measures to ensure a more level playing field for reinsurers in the US.

In 2013, the Federal Insurance Office (FIO) recommended the US pursue a covered agreement for reinsurance collateral based on the National Association of Insurance Commissioners's (NAIC) Credit for Reinsurance Model Law and Regulation.

Under current rules, foreign reinsurers must post qualifying collateral equal to 100 percent of the actuarially estimated reinsurance liabilities that it has assumed from the ceding insurer.

The NAIC has attempted to overcome this requirement, which does not apply to US reinsurers, by introducing the Credit for Reinsurance Model Law and Regulation on a state-by-state basis, but this "is not uniform in structure or implementation", according to the FIO.

The FIO recommended a covered agreement between the US and the EU that would recognise prudential measures in Europe that achieve a level of protection for insurance or reinsurance consumers that is substantially equivalent to the level of protection achieved under US state regulation, based on the NAIC's Credit for Reinsurance Model Law and Regulation.

"Negotiating a covered agreement with the EU is a critical step toward levelling the playing field for American insurers and reinsurers," said FIO director Michael McRaith.

"As we begin negotiations with our European counterparts, I look forward to consultation and engagement with Congress, state regulators, and other stakeholders so that we can pursue a covered agreement that provides tangible benefits for the US insurance industry and consumers."

Cristina Mihai, head of international affairs and reinsurance at Insurance Europe, commented: "Insurance Europe is pleased that negotiations can finally begin for a covered agreement on reinsurance and insurance between the EU and the US."

"In particular, Insurance Europe welcomes the intention to afford nationally uniform treatment to all EU reinsurers and insurers operating in the US. At the same time, it hopes that the final agreement will be ambitious and will include equal treatment for both EU and US reinsurers and insurers, by eliminating the current discriminatory collateral requirements that are applied to EU reinsurers and insurers."

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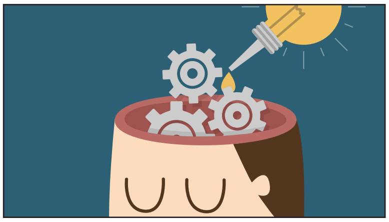

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Monica Lindeen, president of the NAIC commented: "We have assurances from both agencies that state regulators will have direct and meaningful participation in those discussions, and our goal will be to preserve the integrity and strength of the state-based regulatory system for the benefit of US consumers and companies."

Novae and Securis Investment launch special purpose syndicate

Lloyd's insurer Novae Group and insurance-linked securities (ILS) fund manager Securis Investment Partners have launched a new special purpose syndicate.

The new syndicate, Syndicate 6129, has received Lloyd's approval and will go live on 1 January 2016 with a stamp capacity of $75 million.

The syndicate is capitalised by funds from Securis and is focused on US property excess and surplus lines business.

The SPS will expand the portfolio of US facilities business through a combination of Novae's existing income stream and through access to additional business by both parties.

Matthew Fosh, CEO of Novae Group, said: "This collaboration with Securis allows us to harness new capital in a variety of forms."

"The structure of Syndicate 6129 enables us to broaden the scope of business we can write, bringing more business to the London market and demonstrating that we can offer new opportunities to innovative industry investors."

Rob Procter, CEO of Securis, added: "This is an important development for Securis, which helps further build our Lloyd's and specialty presence."

"SPS 6129 will allow us to support risks in the US primary business, as well as various in specialty lines risks."

"This helps facilitate support from alternative capital in areas of the insurance market other than pure property catastrophe exposed programmes, where the impact of ILS has been felt most keenly to date."

"The principal beneficiaries will be our investors, who can now support our Lloyd's and specialty activities either directly through our LCM Fund, or can participate via a number of our products which become better diversified and differentiated as a result."

R&Q acquires Maltese Insurer

Randall & Quilter (R&Q) Investment Holdings has signed an agreement to acquire the entire share capital of FNF Title Insurance Company (FNF), a Maltese subsidiary of Fidelity National Title Group in the US.

The acquisition is subject to change of control approval from the Malta Financial Services Authority.

FNF was licensed in 2012 and provided protection to policyholders for breach of covenants in property transactions, for chancel repair insurance and for rights of way and rights of light.

The insurance company predominantly wrote business in the UK but also Poland and Czech Republic. It ceased underwriting in 2014.

FNF will be transferred into R&Q's EU consolidator company, R&Q Insurance Malta.

Ken Randall, chairman and CEO of R&Q, commented: "We are delighted to have entered into this agreement to acquire FNF Title Insurance Company Limited."

"This transaction continues to demonstrate our ability to attract and execute deals across Europe and further build our consolidation vehicle in Malta. This is one of a number of European transactions where the main driver appears to be exit ahead of Solvency II. This new risk based capital regime continues to provide opportunities for us across the EU."

Nissan captive receives 'excellent' ratings

Bermuda-based Nissan Global Reinsurance (NGRe) has had its "A- (Excellent)" financial strength and "a-" issuer credit ratings affirmed.

A.M. Best said the ratings reflect NGRe's strong capitalisation and improved underwriting performance over the past three years and its conservative underwriting strategy.

The ratings also consider NGRe's role as a captive insurer for its parent, Nissan Motor Company.

A.M. Best believe that these factors are partially offset by the company's concentration in asset-backed securities account for nearly two times policyholders' surplus and are composed of the higher risk automobile loans originated at Nissan's financing company.

NGRe is a single parent captive of Nissan and provides a range of insurance coverages in the US and a variety of other countries.

Coverages include global property, global marine transport, global product and general liability, workers' compensation and a global platform for extended service contract and extended warranty business.

NGRe also benefits from the group's proprietary data warehouse, extensive risk management practices and loss control programmes, according to A.M. Best.

A.M. Best believes the ratings and outlook for NGRe are well-positioned at their current level, however, the company's rating outlook could see positive movement if the company's operating performance continues to improve and investment returns remain solid while maintaining a strong level of risk-adjusted capitalisation.

Bermuda conference keynote speaker announced

Healthcare and technology futurist Joe Flower will be the keynote speaker at the Bermuda Captive Conference 2016.

The annual three-day captive insurance conference will be held at the Fairmount Southampton Resort in Bermuda, running from 13 to 15 June 2016 with more than 650 delegates expected from Bermuda and overseas.

Flower has emerged as a thought leader on the focus on changing healthcare in the US and worldwide.

He has previously served as a healthcare speaker, writer and consultant and has explored the future of health with clients from the World Health Organization (WHO) and the UK National Health Service.

Conference chair David Gibbons commented: "I am very happy to have speaker Flower here to provide context on what has happened so far and what we should be expecting in this space in the near future."

HAI Group is safe as houses

A.M. Best Company has reaffirmed HAI Group's financial strength and issuer credit ratings of "A (Excellent)" and "a".

The ratings cover the Housing Authority Risk Retention Group, Housing Authority Property Insurance and Housing Enterprise Insurance Company.

The group provides property and liability coverage to public housing authorities and their affiliated operations throughout the US.

In addition, A.M. Best affirmed the financial strength rating of "A- (Excellent)" of Housing Specialty Insurance Company.

According to A.M. Best, the ratings of HAI Group acknowledge its excellent capitalisation, very strong operating results, leading position, and proven expertise in the niche public housing authority market.

Dan Labrie, president and CEO of HAI Group, commented: "We are proud that A.M. Best had once again rated our companies as 'A (Excellent)' with a stable outlook."

He added: “The diligence put forth by our employees can be seen by our strong underwriting results. We will continue working hard to maintain our positive rating.”

Swiss captive successfully implements synergy2

Eurobase Insurance Solutions has completed the implementation of its policy administration platform synergy2 for Solen Versicherungen AG, the Switzerland-based captive insurer of Royal Dutch Shell.

Synergy2 is a fully integrated, flexible insurance solution and covers the complete lifecycle of the business. This includes client management, underwriting, claims, reinsurance, and accounting and management information, while offering instant access to quality data using market-leading management information tools.

The implementation has expanded Eurobase’s synergy2 client base, which includes Dorinco (Dow Chemicals), VICO (Volkswagen) and IKANO (IKEA).

With the implementation complete, Solen will realise greater control due to improved business functionality and reporting, as well as higher levels of independence, with Solen managing its master data.

Joe Locke, chief executive of Eurobase Insurance Solutions, commented: “We are pleased with the collaborative relationship between Solen and Eurobase which has allowed all parties to deliver a successful implementation and we look forward to this being a long term partnership.”

NAIC hosts captive conference

The regulation of captive insurers was the main focus of the captive conference hosted by the National Association of Insurance Commissioners (NAIC) president-elect and Missouri insurance director, John Huff.

The conference, which was attended by more than 400 regulators, consumer representatives and industry stakeholders, was coordinated by the Center for Insurance Policy and Research (CIPR) and in conjunction with the NAIC 2015 Fall National Meeting.

In his opening marks, Huff said: “Today, we have assembled a dynamic group of presenters and panellists to take a closer look from all sides at the benefits and challenges of using captives to determine impacts to the insurance industry and consumers, not just in my state, but across the country.”

The forum on the regulation of captive insurance companies highlighted issues facing regulators and the industry itself. Topics included recent trends in the use of captives, their capital, confidentiality, and disclosure and transparency. Regulatory solutions were also a hot topic.

London market ‘unprepared’ for cyber attack

Only one-third of insurers in the London market believe companies could withstand a major cyber attack, with approximately half feeling unprepared, according to a survey conducted by Xchanging.

The UK government revealed in September that 74 percent of small businesses and 90 percent of major businesses had a cyber breach of security in the previous year.

The survey, which was conducted at the Xchanging London Market Conference 2015, revealed that 36 percent of respondents said they definitely have sufficient measures in place to withstand a major cyber attack, 30 percent felt they were only partially protected, 16 percent said they are insufficiently protected, and 18 percent were unsure.

Adrian Guttridge, executive director of Xchanging Global Insurance Services, said: “The insurance industry is grappling with the extensive threat of cyber-attacks from an

underwriting and risk management perspective and, in the absence of enough meaningful data, modelling the risks involved remains a grave challenge.

"As custodians of vast amounts of data, insurers are also aware that they, too, are vulnerable to cyber breaches—and the reputational damage that this can cause."

He added: "The recent cyber-attack on TalkTalk is the latest in a lengthy list of high-profile hacks of personal data held by government and commercial organisations."

"Insurance companies must take very seriously the extent of the risks they face and ensure their cyber security measures are constantly reviewed and updated. They should also be mindful that, in some areas, a collaborative, industry approach in which knowledge and skills are shared among peers, may be the most effective way to strengthen cyber defences."

'AA+' rating for Jersey

Standard and Poor's (S&P) has affirmed Jersey's "AA+" credit rating.

"The AA+ ratings on Jersey reflect our view of its mature political and institutional setting, flexible policy environment, wealthy economy and a healthy financial position underpinned by low debt and a high net general government asset position," according to S&P.

Jersey's treasury and resources minister, Alan MacLean, said: "It is extremely positive news for Jersey that an international credit rating institution such as S&P continues to recognise our strong balance sheet."

Willis launches accounting platform

Willis Group has launched Willis Accounting, a new global electronic accounting platform designed to speed up cash flow and settle claims more quickly on behalf of clients.

Willis Accounting replaces traditional paper and email delivery statements with automatic electronic messaging though an online portal.

The new platform will speed up premium transactions and claim settlements with carriers and clients.

Willis will supply the online portal to around 1,100 carrier partners worldwide. Clients of Willis as well as underwriters will benefit from the new electronic system with enhanced cash-flow, reduced risk though guaranteed data delivery and quicker claims settlement.

The new investment is part of Willis' Operational Improvement Programme, which was first announced in April 2014.

David Shalders, operations and technology director for Willis Group, commented: "As we continue to implement operational improvements across Willis we are squarely focused on delivering better service for our clients and carriers."

"Improving our operations will make Willis more globally connected, improve our efficiencies and give us much better tools to do our job even better.

He added: "The steps we are taking in electronic accounting are a great example of this approach."

"Willis Accounting will accelerate the process of agreeing claim and premium transactions, support financial reporting and improve the reconciliation process."

A.M. Best backs J.P. Morgan captive

A.M. Best has affirmed the financial strength and issuer credit ratings of Vermont-domiciled Park Assurance Company.

The "A (Excellent)" and "a" ratings reflect Park Assurance's excellent risk adjusted capitalisation, operating performance, liquidity position, sophisticated risk management strategy and practices, conservative investment strategy, its management team and its role as a single parent captive of US bank J.P. Morgan.


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A.M. Best believes that partially offsetting these positive rating factors are Park Assurance's large gross underwriting risk appetite and the potential credit risk associated with its extensive use of reinsurance, which management utilises to mitigate these one-off risks.

Park Assurance provides J.P. Morgan with global property coverages, including terrorism workers' compensation, auto liability and general liability.

According to A.M. Best, Park Assurance's ratings and outlook are not likely to be upgraded within the next 12 to 24 months as its operating performance and capital position is not expected to change.

UK seeks legal basis for ILS

The UK has begun the process for introducing a new insurance-linked securities (ILS) framework.

A government amendment to the Bank of England and Financial Services Bill has been tabled and seeks a power for the UK Treasury to make regulations facilitating and regulating ILS business.

The main focus of the proposed amendment is the special purpose vehicle (SPV) structure commonly used in ILS transactions.

If UK Parliament accepts the amendment, treasury ministers will be able to make regulations for any part of ILS activity.

The introduction of the amendment follows the release of a report from Grant Thornton in October that predicted the UK is unlikely to become a centre for housing ILS business without significant regulatory changes.

The report pointed out that in the UK, SPVs and protected cell companies (PCCs)—two structures that are key components to an ILS marketplace—are not currently feasible. Primary legislation would be required to facilitate such a marketplace in the UK.

The report also argued that it would be necessary to design a regulatory process that can set up a new insurance vehicle in a time scale that makes the UK competitive with other domiciles, without compromising the regulatory objectives of the country's financial regulators.

Malcolm Newman, chairman of the International Underwriting Association, commented: "This is very good news for our work in innovation and growth. London is a centre of excellence for global specialty reinsurance and insurance business, and we want to lead the world in terms of new products."

"ILS is very much at the innovative end of the market and we want London to be the next big centre for this business."

"We are delighted that the government has worked so closely with the London Market Group to facilitate the creation of an onshore UK hub for the capital markets products and we look forward to further progress on implementing a new and competitive framework for ILS in 2016."

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.

Large rate increases for cyber insurance in Q3

Cyber insurance stood out in Q3 as the only line of insurance with consistent, large rate increases, averaging more then 15 percent in the US, according to Marsh's latest global insurance market quarterly briefing.

The average cyber insurance limits purchased exceeded the $20 million level for the first time and limits purchased were up more then 10 percent, on average, compared to the same period last year.

The report also identified that the UK and the Asia Pacific region posted the largest composite rate decreases, followed by Europe, Latin America and the US, respectively.

Property insurance had the largest rate declines, with decreases averaging more than 5 percent.

Rate decreases for property insurance occurred across all regions in Q3, led by the Asia Pacific, followed by Europe and the US, with Latin American and the UK showing the smallest decreases regionally.

According to the report casualty insurance rates, on average, had declines consistently from 2 percent to 4 percent across all major regions, led by the Asia Pacific and the UK.

Financial and professional lines of business presented mixed rate results during Q3.

The report revealed that the global composite index for financial products decreased 5 percent, however, the US and Latin America both posted small increases.

Marsh believes this is largely a consequence of cyber insurance, which increased in the US in Q3.

In addition, financial and professional rate increases declined steadily in other regions, particularly in the UK.

The report also showed that the Marsh Global Insurance Index stood at 0.944 in Q1 2015, down from 0.956 in the previous quarter.

Paul Denny of Marsh commented: “Cyber is a unique exposure—it continues to evolve and it is clearly here to stay.”

“Organisations that understand the nature of potential threats and their exposure to cyber attacks will be best suited to develop a comprehensive risk management strategy to counter them.”

A.M. Best: positive outlook for Zale Indemnity

A.M. Best has revised the outlooks to positive from stable and affirmed the financial strength rating of “B++ (Good)” and the issuer credit ratings of “bbb+ for Zale Indemnity and its wholly owned subsidiary, Zale Life Insurance Company.

According to A.M. Best, the ratings for Zale Indemnity, which acts as a captive insurer for the customers of its intermediate parent, Zale Corporation, reflect the strong underwriting and operating results.

The ratings for Zale Life reflect its role as a provider of credit insurance within Zale Corporation and its favourable level of risk-adjusted capitalisation.

A.M. Best believes that the ratings for Zale Life reflect its role as a provider of credit insurance within Zale Corporation and its level of risk-adjusted capitalisation, strong liquidity and the high credit quality of its investment portfolio.

Positive rating factors for Zale Indemnity include continued stability at both the captive and the parent while maintaining strong operating results and risk-adjusted capitalisation, according to A.M. Best.

Gibraltar launches new PCC

Gibraltar has launched a new category of protected cell company (PCC) tailored for the insurance-linked securities (ILS) sector.

The new category of PCC, which will be known as the SPV PCC, will be regulated under Gibraltar’s Insurance Companies (Special Purpose Vehicles) Regulations 2009.

The SPV PCC will only be permitted to establish cells that are 100 percent collaterised.

Albert Isola, Gibraltar’s minister of financial services, said: “The launch of SPV PCCs is the next step in our ambition to become the premier ILS jurisdiction within the EU.”

“The SPV PCCs will complement Gibraltar’s existing standalone insurance SPVs.”

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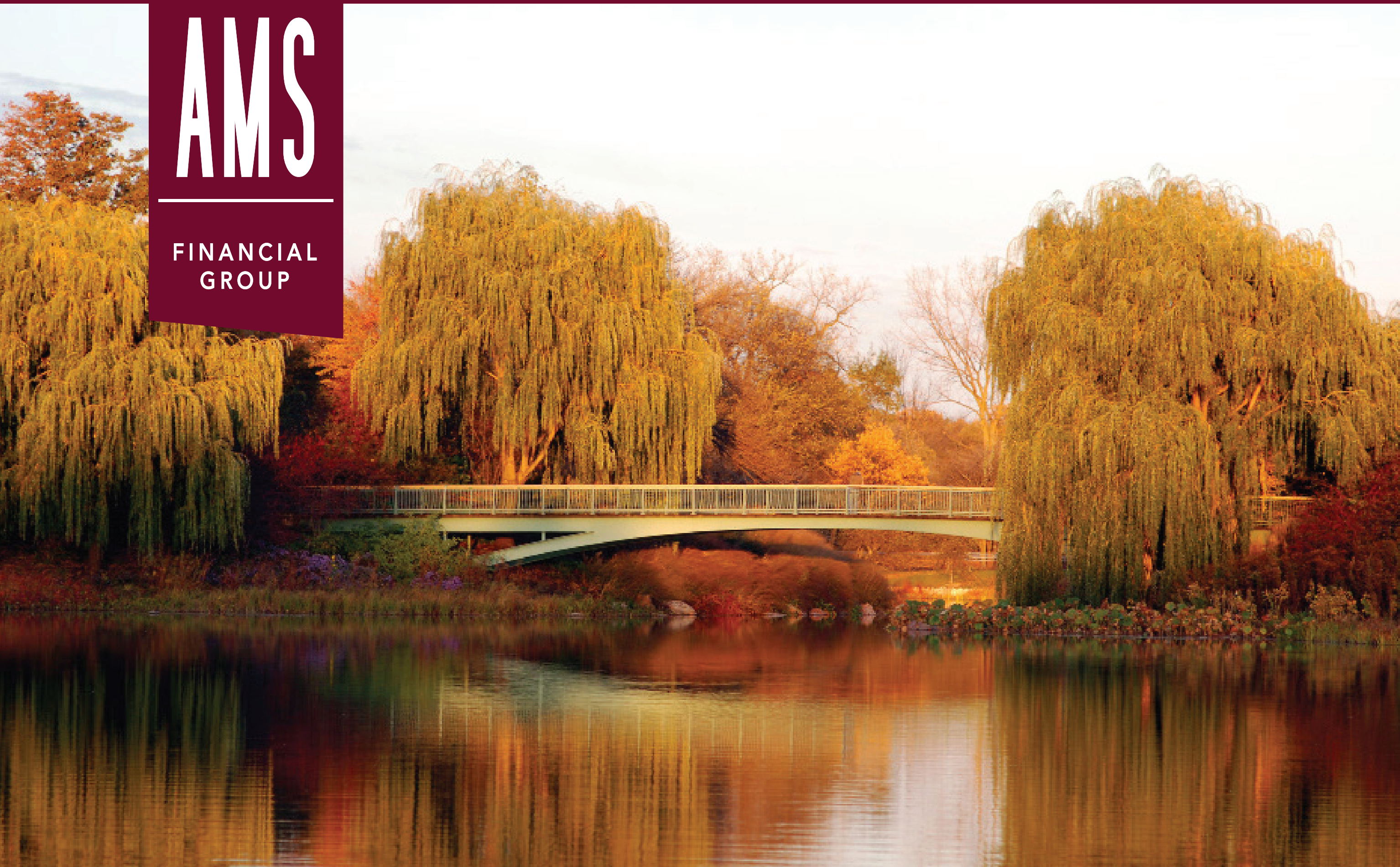

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Delaware it's at

Following the licensing of Delaware's thousandth captive, Department of Insurance commissioner Karen Weldin Stewart reveals why businesses have turned to the state to meet their risk management needs

BECKY BUTCHER REPORTS

When taking up the position of commissioner at the Department of Insurance in 2009, what did you plan to achieve?

My intent was to make Delaware a world-class captive insurance domicile. Today, Delaware is the third largest captive domicile in the US and the sixth largest in the world. While I am pleased with the progress made, I continue to strive to make Delaware the best domicile.

How has Delaware changed as a domicile since 2009?

Delaware has changed with the creation of a dedicated captive bureau during the 2008/2009 financial global crisis.

At that time, I strategically reviewed and assessed peer-reviewed suggested changes to the existing captive domicile. I also was able to attract talented staff who shared my vision and goals in creating and regulating a world-class captive domicile.

After licensing 1,000 captives, what would you say has been the key to Delaware's success?

There have been a number of keys to our overall success. Delaware has long been known as the favoured state of incorporation for US businesses. Delaware offers many benefits to traditional businesses. More than a million business entities are incorporated here, including 65 percent of the Fortune 500. These benefits extend to captive entities as well, creating the ideal domicile for captive business.

More than any other state, Delaware provides a variety of legal forms of organisation that a captive insurance company may take.

Captive insurers may organise as limited liability companies, partnerships, limited partnerships or statutory trusts.

A company may consider utilising a foreign entity, offering expanded structural flexibility.

Of course, Delaware's highly respected corporations court, the Court of Chancery, has a long history of handling business and corporate issues.

Don't let me forget the insurance department's captive bureau. Director Steve Kinion and his staff are dedicated to serving and regulating all of our captive entities. Our team is knowledgeable and hard working. As our colleagues in the Delaware Captive Insurance Association (DCIA) like to say, Delaware has traditional insurers, licensed captives, licensed series business units and regulators who know the difference.

I should also mention that the DCIA has been a great partner with us in helping captive companies get a running start and navigate Delaware's legal landscape.

Finally, Delaware's General Corporation Law has been a model for many other states, and our Court of Chancery's case-by-case application of it has created a common law of corporations that is respected and accepted throughout the country.

Delaware's corporate jurisprudence has greatly benefitted our reputation as a stable and predictable place for captives to do business.

Has 2015 been a good year for Delaware? How many captives have you licensed and what types of captives have you signed up?

We do expect it to be a good year for new applications. To date, we have licensed 35 entities: 20 pure captives and 15 series captives. However, because Delaware permits the filing of captive applications until the very end of 31 December, we always have a last minute rush of electronic filings, which makes it difficult to predict the final number.

What separates Delaware from its onshore competitors?

Delaware offers a streamlined application process for prospective captive entities. One need only file a single application document, and our staff is happy to help you get started. The captive does not need to be formed under Delaware state law.

Delaware also permits applicants from outside the US to use International Financial Reporting Standards (IFRS), which enable the captive to file financial statements in Delaware using the same accounting standard as its parent company.

The use of IFRS also allows the parent to use one company-wide accounting standard.

What plans do you have to ensure Delaware's success continues?

Many companies from around the world do business in the US and therefore have risks stemming from that activity.

Because Delaware is a leading domicile for US and international business entities, many of those same companies already have a presence here.

We hope to convince those international entities to explore the advantages of forming a Delaware captive to handle those risks.

We will continue to reach out to firms in Europe, Africa and Latin America to let them know that Delaware is open for business. CIT

Karen Weldin Stewart
Commissioner
Delaware Department of Insurance

Creativity breeds captives

Any uncertainty in the US arises from external forces, says Vermont's Dan Towle

BECKY BUTCHER REPORTS

How would you describe the regulatory environment in the US for captives? Where is there uncertainty?

The environment can be described as stable from the point of view of the various states with captive-enabling legislation. Any uncertainty arises from external forces, primarily the National Association of Insurance Commissioners (NAIC).

The NAIC is not the bogeyman, but most regulators are focused on the regulation of traditional insurance, and often do not consider the potential adverse consequences of model laws and regulations vis-à-vis captives.

For example, changes to the Credit for Reinsurance Model Law and Regulation can have a direct impact on the many captives that act as reinsurers for the parent's business and it is imperative that those in the captive business monitor the activities of the NAIC, International Association of Insurance Supervisors (IAIS) and others to prevent the unintended consequences that may arise from their actions.

What is the IRS's current position on micro captives? Is it easing off?

When it comes to micro captives, the Internal Revenue Service (IRS) is primarily concerned with the abuse of the 831(b) provision by using it to transfer wealth to next generations tax-advantaged (or untaxed).

If we can resolve that issue, I think the 831(b) election can survive. Vermont still holds to the same position we've always held: we license captives based upon their insurance programme and financial solvency, and expect companies to follow the tax code.

What is the situation with REITs and the proposed rule from the FHFA?

The Federal Housing Finance Agency (FHFA) published a proposed rule that would ban captives from membership in the Federal Home Loan Banks (FHLB) system.

Vermont's was one of the hundreds of letters written to the FHFA in opposition to the proposal. We believe that banning captives simply because they're captives has no basis in sound regulation. As long as the captive can support the mission of the FHLB, there is no reason to restrict their membership.

As noted already, our chief concern is in licensing a captive with a sound insurance purpose—any other benefit, such as membership in the FHLB or favourable tax treatment, is secondary.

There are more than a dozen Vermont captive members of the FHLB, and we expect that number to grow slowly. At this point, the FHFA has not withdrawn its proposed rule, but it doesn't appear to be enforcing it, either.

What has Vermont been doing to address the NRRA?

A bill has been introduced in congress and is sponsored by senators Patrick Leahy of Vermont and Lindsey Graham of South Carolina. The bill would clarify any confusion by making clear that the Nonadmitted and Reinsurance Reform Act (NRRA) does not apply to captive insurers. Vermont, along with the Vermont Captive Insurance Association (VCIA), has been active in our efforts in Washington DC to help move the bill forward.

Unfortunately, there is not much activity on moving much of any kind of legislation. We are actively trying to get more sponsors for the bill and would encourage other domiciles to get their congressional delegations to sign on as a sponsor.

Are there any new regulatory updates on the horizon in Vermont?

We're just starting the process of developing legislation for the 2016 session. It is a Vermont tradition that every year we evaluate our existing legislation and review all recommended legislative proposals. I don't foresee anything earth-shattering this year, but there's always something interesting.

We will have some minor changes to keep up with our NAIC accreditation, and the VCIA will bring us some changes as well. We are fortunate in Vermont that we have a very supportive legislature and governor and making modifications to our law is always seen in a positive light.

How is the year shaping up with new formations?

This year has been very active, and more applications are coming. We have licensed 25 companies to date, and have approved a number of new cells as well. The variety of programmes and diversity of parent companies shows that the primary trend is creativity.

We are seeing new cell companies being formed, redomestication activity, traditional property and casualty captives being formed by manufacturers and medical malpractice captives being formed by healthcare organisations. Construction remains an active source of formations, as does real estate, healthcare stop-loss, and reinsurance of life insurers. CIT

Dan Towle
Director of financial services
Vermont Agency of Commerce & Community Development

Industry appointments

Nelson Mullins Riley & Scarborough has added **Tony Greer**, the former chief legal counsel at the Tennessee Department of Commerce and Insurance, to its insurance regulatory practice in Tennessee.

He brings with him regulatory experience in alternative insurance vehicles, such as captives, risk retention groups, and self-insurance funds.

He also has experience drafting and promulgating regulations that have full force and effect on law on insurance regulation matters. These include rules relating to captive insurance companies, market conduct annual reporting and navigator registration.

In addition, Greer has experience in insurance company solvency laws and requirements, and he has worked on more than 25 department regulatory approvals for mergers and acquisitions of insurance companies.

Larry Papel, Nashville managing partner at Nelson Mullins, commented: "We welcome Tony Greer to the firm and to our Nashville team and look forward to introducing him to our clients."

He added: "His experience adds to the firm's regulatory and government relations practices and provides depth to our scope of client services."

Members of the National Association of Insurance Commissioners (NAIC) have elected the association's officers for 2016. They will assume their roles on 1 January next year.

John Huff has been elected to the role of president while **Sharon Clark** will act as president-elect.

Ted Nickel will be the new vice president, and **Julie Mix McPeak** has been elected to the position of secretary-treasurer.

Missouri insurance director Huff takes over from Monica Lindeen.

McPeak, Tennessee's insurance commissioner, is the only new addition to the NAIC's leadership, with Huff and Clark having previously served as president-elect, vice president and secretary-treasurer, respectively.

President-elect Clark is Kentucky's insurance commissioner, while Nickel is a commissioner for Wisconsin's insurance department.

Nick Duffin has transferred from JLT Re's London office to move to Bermuda as partner.

Duffin joined JLT Re in 2012 and through his 14-year career has gained experience across multiple classes, including property treaty and specialty lines of terrorism and contingency.

Charles Withers-Clarke, partner at JLT Bermuda, said: "Duffin will continue to work with existing clients, as well as providing further strength in expanding the JLT Re role in the Bermuda market from both an inward and outward production standpoint."

"He will work on all aspects of reinsurance in Bermuda and his addition will support the expansion of the capabilities of the current JLT Re team of myself, Guy Hengesbaugh, Gary Reynolds and Tom Doyle."

ACE Group has appointed **Cara Brown** as political violence and terrorism underwriter as it continues to invest in the growing area of insurance.

In her new role, Brown will be responsible for assisting in the development of global business within both wholesale and retail markets.

She will report to Piers Gregory, terrorism and political violence product head of ACE Overseas General, and will be based in London.

Brown brings with her five years of broking and underwriting experience and joins from Dual, where she served as senior terrorism underwriter, responsible for developing the political violence book of business.

Gregory commented: "Brown's expertise and experience working with international markets will enable us to continue to provide service to our brokers and clients as we strive to develop truly innovative solutions for this evolving risk.

Aon Benfield has appointed **Russell Nevard** as chief commercial officer of its Global ReSpecialty business, effective of April 2016.

Nevard, based in London, will report to Robert Bisset, chief executive officer of Aon Benfield's Global ReSpecialty business and will work closely with Michael Moran.

He has become a member of the Global ReSpecialty executive team, which focuses on the development of ongoing value propositions and the strategic direction of the division.

The board of Guernsey Finance has appointed **Lyndon Trott** as its chairman, effective 1 December. Trott replaces Jim Gilligan, who is retiring from the position having served as chairman since 2006.

Trott commented: "I am delighted to have been invited by the States of Guernsey and the Guernsey International Business Association to support the promotion of Guernsey's finance sector in this way."

In 2004, Trott was elected as Guernsey's first treasury minister and progressed to become chief minister in 2008, a position that he held until 2012.

In addition, he has also been a member of the Guernsey Finance board since 2013.

Dominic Wheatley, chief executive of Guernsey Finance, said: "The executive team at Guernsey Finance have highly valued Jim Gilligan's support and input over his nine years as chairman."

He added: "We now look forward to Lyndon Trott carrying on Jim Gilligan's outstanding work as chairman and we are excited by the financial, political and international experience he brings to the role. This is a key time for Guernsey's economic development and to have Lyndon Trott involved will significantly strengthen the team's capabilities and effectiveness." **CIT**

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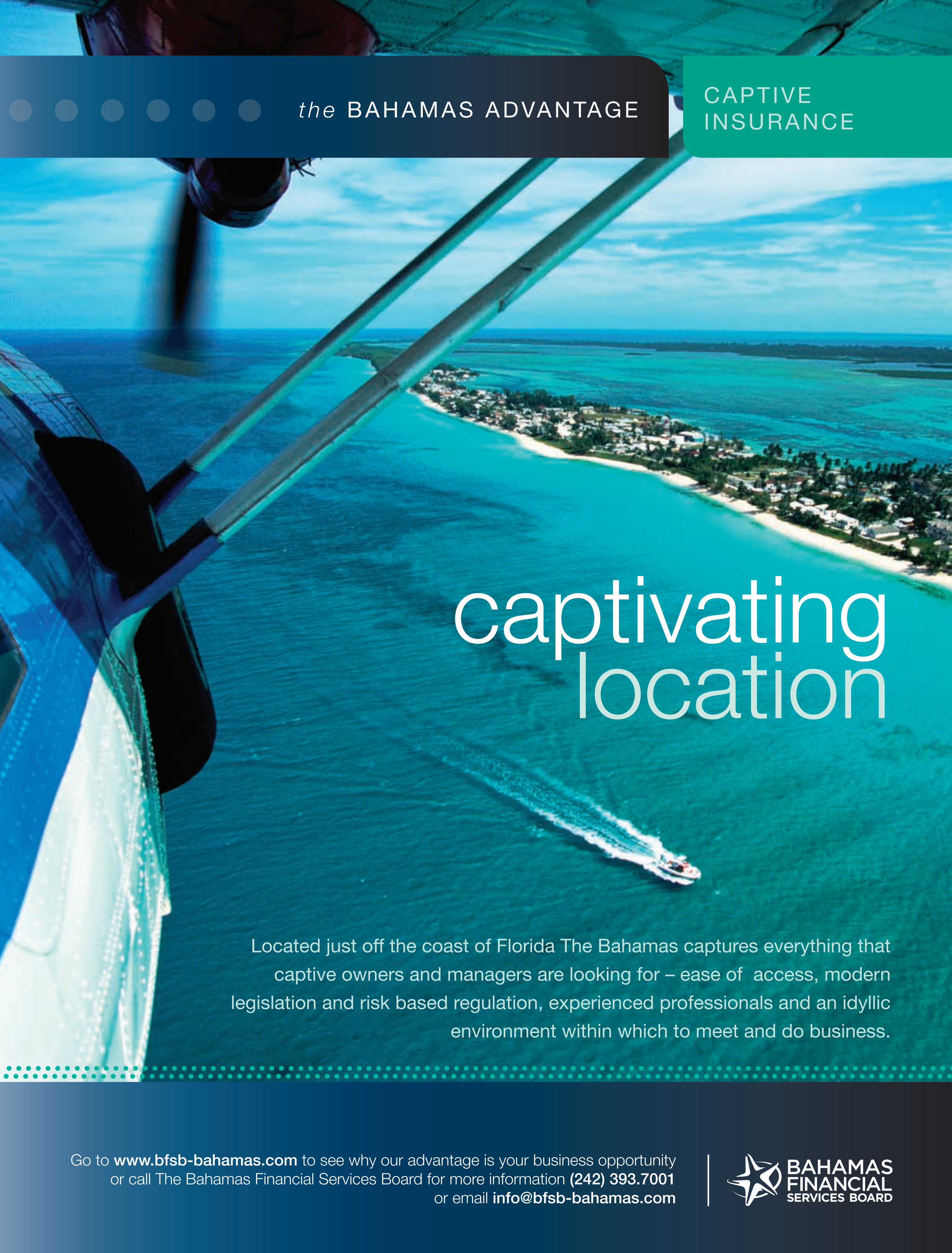
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