captive insurance times
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Conference Special

Latin America

Tides are turning for the financial market

Dan Towle

CICA is broadening its focus on professional development

Fresh Leadership

Stephen Roseman of USA Risk talks education and thought leadership

Captivating Collaboration

The industry is working together to make the captive world the best it can be

Captive formations continue at steady pace in 2017, despite soft market

US and offshore domiciles have continued to see a steady flow of new captive insurance company formations in 2017, despite the soft commercial market, according to JLT Insurance Management (JLTIM).

Despite the steady influx of new captives, many domiciles saw a reduction in the number of new formations last year, in comparison to 2016.

The Vermont Captive Insurance Division licensed 24 new captive insurance companies in 2017, compared to the 26 it licensed the previous year.

The Cayman Islands licensed 33 new captives, compared to 39 in 2016.

The District of Columbia welcomed eight new captives, the fewest formations in a year since 2013.

Utah welcomed 60 new captive insurance companies, after licensing 68 in 2016.

Captive insurance companies' premiums exceeded $1 billion in written premiums in Tennessee for the first time in 2017, while 52 new risk-bearing entities were licensed, of which nine were captives, four were protected cell companies (PCCs) and 39 were cell companies.

Bermuda welcomed 17 new captive insurers, an improvement on the 13 that it licensed in 2016.

In Arizona, 11 new captives were licensed last year, while Alabama welcomed nine captives, one protected cell company and one risk retention group (RRG).

South Carolina licensed a total of 15 new captives, which included two RRGs, three pure captives, nine special purpose captives and one incorporated cell.

Of the 30 licenses issued by Hawaii last year, 24 were captives, two were RRGs, three were reinsurance companies and one was a leased captive facility captive.

A JLT IM poll also revealed the following number of new captive formations in 2017: Missouri, eight; Montana, 42; Nevada, 22; North Carolina, 57; and Texas, eight.

JLTIM CEO Guy Ragosta said: "With so many domiciles to choose from, it is important to match companies needs in a captive insurance domicile with a domicile's strengths and experience."

Other domiciles are expected to report their 2017 growth throughout the next few weeks.

captive insurance times

Domicile Guidebook 2018

A guide to traversing the captive terrain

captive insurance times

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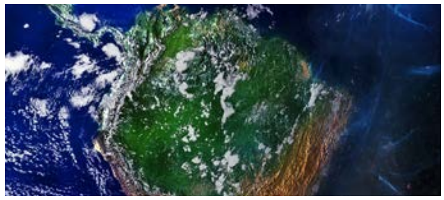

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Stewart Feldman of Capstone explains how the company's structure helps it to thrive in the captive market

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Tonga receives record insurance payout following Cyclone Gita

Tonga has received a record insurance payout of $3.5 million from the Pacific Catastrophe Risk Insurance Company (PCRIC) following the destruction caused by Cyclone Gita.

PCRIC is a captive insurance company owned by the Pacific Catastrophe Risk Insurance Foundation, which is directed by participating Pacific Island countries.

The payout was based on insurance cover against tropical cyclones purchased by the government of Tonga, one of five Pacific Island countries that purchased catastrophe risk from PCRIC.

Cyclone Gita, which formed on 3 February 2018 and dissipated 19 days later, reached its peak intensity as a category four cyclone before making landfall on Tonga and causing widespread damage largely due to destructive wind strength.Funds were transferred seven days after the cyclone, providing the government with rapid-response financing to support disaster-relief efforts and effective service delivery to the affected areas.

David Traill, PCRIC CEO, suggested recent events highlighted the importance of having coordinated disaster management capability across the Pacific region.

Traill said: "Despite the tragic circumstances, we are proud to have been able to provide rapid funding to the Tongan government seven days after Gita making landfall which will provide immediate support to help meet the needs of local communities."

He added: "It is clear that the increased level of coverage provided to Pacific Island countries through the establishment and capitalisation of PCRIC by our donor partners has made a positive impact on the support we are able to deliver to the Pacific Island region."

Apogee captive rated 'excellent' by A.M. Best

Prism Assurance has had its financial strength rating of "A- (Excellent)" and its long-term credit rating of "a-" affirmed by A.M. Best.

The outlook of these credit ratings is stable.

Prism's ratings reflect its balance sheet strength, which A.M. Best categorises as strongest, in addition to its adequate and consistent operating performance, limited business profile and appropriate enterprise risk management.

Also contributing to the ratings, is the parental support and financial flexibility that Prism gains from its strategic role as a captive insurance company of Apogee Enterprises.

The ratings are also reflective of the captives low overhead cost structure and extensive loss-control programmes, which have led to decreased claims frequency and severity across Apogee business units.

According to the ratings agency, an offsetting rating factor is Prism's degree of dependence on Apogee as a captive insurer, which results in concentrated focus on products and geographic distribution.

The Kroger's captives rated 'excellent' by A.M. Best

A.M. Best has affirmed the financial strength rating of "A (Excellent)" and the long-term issuer credit ratings of "a" for Queen City Assurance and Vine Court Assurance.

The outlook of these ratings is stable.

The ratings are reflective of the group's balance sheet strength, categorised by A.M. Best as strongest, in addition to its strong operating performance, limited business profile and appropriate enterprise risk management.

As single-parent captives of The Kroger Co, the ratings are based on the individual and combined profiles of Queen City and Vine Court.

The financial resources and support available to both captives are also recognised in A.M. Best's ratings.

Additionally, impacting the ratings are both captives' excellent risk-adjusted capitalisation, substantial net income and underwriting profitability, as well as a growing capital base, conservative investment and a strong adherence to Kroger's robust risk controls and overall risk culture.

Offsetting these positives partially is the company's risk concentration, which is the result of being single-parent captives of The Kroger, coupled with a substantial aggregate limit retained by the captives.

A consistently profitable operating performance in combination with a substantial increase in risk-adjusted capitalisation could result in a rating upgrade. Fluctuation in the companies' risk-adjusted capitalisation or risk-adjusted capital strength could result in up- or downgrades in ratings, as could a rating enhancement or deterioration in the capitalisation of the parent.

Funds approved for 'crumbling foundations' non-profit captive

The Connecticut State Bond Commission has approved $350,000 to set up a non-profit captive insurer, which is a state government solution for an issue impacting a reported 5000 homes in the state.

The funds, approved in the State Bond Commission's meeting on 16 February, will provide the initial capital and fund the services of a superintendent to begin the operations of the Connecticut Foundation Solutions Indemnity Company.

The captive will administer the Crumbling Foundations Assistance Fund, which was set up by the state government to distribute the remediation funds to homeowners across Connecticut affected by the 'crumbling foundations' issue.

The issue was caused by concrete made using a stone aggregate mined from a quarry containing pyrrhotite, which has resulted in cracks forming decades after the foundation was constructed.

According to the Connecticut Mirror, around 5000 homes have been affected and with the cost of re-pouring a complete foundation estimated at between $150,000 and $200,000 the overall exposure to loss could be billions of dollars.

Commercial insurance companies have generally refused to cover the issue but the state government has developed a potential solution utilising a non-profit captive insurer.

A.M. Best: investing in tech will benefit insurance companies

Investing in technological upgrades would benefit insurance companies financially and help them maintain a strategic advantage, according to a new report by A.M. Best.

The industry appears to concur with these findings, with the report revealing planned upgrades to legacy underwriting and claims systems, business processing systems, and website functionality, are underway at nearly every company A.M. Best rates.

The report, 'Insurers—Behind the Technology Curve, and They Know It', noted that customer experience, legacy administrative and claims services, data aggregation and mining, and underwriting were the four primary areas considered in need of most technological improvement.

According to the report, the insurance industry has long collected data but has yet to tap into the full potential of it.

Associate director of industry research and analysis at A.M. Best, Jack Hopper suggests an approach that combines this data with insurtech companies' wealth of innovative and enhancive analytics processes data could be effective.

Hopper said: "Insurtech companies will find deploying these capabilities difficult as they lack scale, while insurers may lack the depth about the power of computing and machine-learning techniques."

He continued: "Still, the combination of the two could be powerful and may lead to an inflection point that could change the typical insurance model."

Sridhar Manyem, director of industry research and analysis at A.M. Best, explained that technology must flow throughout a company culture and cannot just be relegated to IT departments by CEOs.

Manyem said: "They need to have an in-depth understanding of technological concepts and how they relate to specific business operations and strategy, given the potential for industry disruption."

He added: "If done properly, technological improvements and increased automation can increase efficiency and offer better insights."

State legislature SB 1502, passed in October 2017, authorised the formation of the non-profit captive to cover the exposures caused by the 'crumbling foundations'.

The commission also approved a measure expanding eligibility for a previously approved $5 million in funding for foundations testing.

Following the change, the Department of Housing commissioner can approve reimbursements for households outside the originally approved radius, which was within 20 miles of J.J. Mottes Concrete Company in Stafford Springs.

According to Connecticut Captive Insurance Association president, Stephen DiCenso, the captive would essentially provide retroactive insurance coverage.

DiCenso explained: "At this preformation stage, it appears that the proposed and likely non-profit captive will not be a risk-taking vehicle; it will operate with a maximum payout, likely established by the actuarial estimate."

State senator Tony Guglielmo has been working on this issue for years and said he was relieved to see the first step in the plan to help those affected.

He added: "At the end of the day we are making progress to help these homeowners and starting to fix this horrible problem. To that end, we must remain vigilant in watching this private entity and make sure that they are giving the homeowners the relief they so desperately need."

Crawford & Company launches workers compensation service

Crawford & Company has expanded its service portfolio in Australia to include workers' compensation.

The workers' compensation offering will support existing customers and large insurers, corporations and government departments.

It will be provided by Broadspire, Crawford's third-party administrator (TPA) solution.

Broadspire will offer an approach that reduces overall claim costs while helping to ensure that employees receive the support they need to safely return to work.

Broadspire's approach includes injury management services, legal cost containment, subrogation and a full suite of analytics, in combination with medical management and multi-disciplinary expertise.

Stuart Greaves, head of Broadspire Australia, said: "The expansion enables us to further Crawford's mission of restoring and enhancing lives, businesses and communities as we work to provide the best care for those affected by injury."

Global president of TPA Solutions for Broadspire, Danielle Lisenbey added: "Providing professional claims management on workers compensation claims, along with appropriate clinical oversight for injured employees is a critical aspect of the services we provide."

Kansas to alter captive laws

The Kansas state government has submitted a bill to update and modernise captive insurance laws in the state.

Senate Bill 410, which was introduced by the Senate Committee on Financial Institutions and Insurance on 14 February 2018, proposed to create two new types of captives, branch captives and special purpose insurance captives, as well as specify the regulatory structure for each.

The bill, amongst other changes, also proposes to amend the law relating to companies subject to premium taxes. The new law would specify the tax rate for direct and assumed reinsurance premiums, the maximum tax annually, and require tax to be calculated annually unless allocated for multi-year policies or contracts. Additionally, the bill, which was submitted on behalf of Department of Insurance, would permit Ken Selzer, commissioner of the state, to adopt rules and regulations establishing standards for pure captives.

As part of the amendments, there would be a small additional cost to regulate an increased level of captive activity in Kansas. The extra money would eventually be offset by fees charged to register and maintain the captive in the state, according to Ken Selzer, commissioner of insurance for the Kansas Insurance Department.

In a testimony written in support of the bill, Selzer said: "This small additional cost and effort by the Kansas Insurance Department would be far more than offset by the additional economic development benefits to Kansas."

He added: "These benefits include retaining in our state those captives that Kansas based corporations would already create to serve their risk management needs, rather than having them look to Missouri, Texas or other jurisdiction for a location for their captive."

The new changes will come into effect and be in force from and after its publication in the state's statute book.

A.M. Best downgrades ZIC and Zale Life ratings

A.M. Best has downgraded the financial strength rating from B++ (good) to B+ (good) and the long-term issuer credit ratings from "bbb+" to "bbb-" of Zale Indemnity Company (ZIC) and its wholly-owned subsidiary, Zale Life Insurance Company (Zale Life). The outlook of these ratings remain stable.

As a captive insurer of Signet Jewelers, the largest diamond jewelry retailer in the world, ZIC has provided third-party credit insurance and warranty coverage to the customers of its affiliated retailers.

The majority of this business has either been reinsured or will be discontinued hence the change in ratings.

According to the ratings agency, the ratings are reflective of ZIC and Zale Life's balance sheet strength, categorised as very strong, in addition to each company's marginal operating performance, very limited business profile and appropriate enterprise risk management.

The ratings were downgraded based on the recent decision by management to discontinue writing all credit products, and most warranty and extended service products, which dramatically lessens the future business prospects and long-term profitability prospects for the two insurers.

Despite the rating downgrades, the ratings reflect ZIC's very strong balance sheet, solid cash flow and what is predicted to be a very orderly business run-off.

Zale Life's ratings reflect its solid level of risk-adjusted capitilisation, strong liquidity and the high credit quality of its investment portfolio.

Offsetting rating factors include a very limited business profile and the immaterial net levels of net premiums due to high utilisation of an offshore reinsurance affiliate.

Tax shelter micro captives bubble set to burst, says Adkisson

The tax shelter micro captive bubble is set to burst in 2018, resulting in large numbers of such companies to surrender their licenses, as many did last year, predicts Jay Adkisson, partner at Riser Adkisson.

According to Adkisson, these captives, which are set up to appear to meet the requirements of the Internal Revenue Code to create a deduction and choose the 831(b) tax election but in fact lack true economic substance, may face a punishing 2018.

An example of these micro captive tax shelters are the Puerto Rico micro captives, set up as an insurance company under the ownership of a Puerto Rican local.

Adkisson says these captives "are being openly marketed as deduction-generating vehicles as opposed to true insurance vehicles".

He added: "They suffer from the same defects of ordinary domestic 831(b) tax-shelter captives, for example, the premiums are unjustifiably large, there is no true risk distribution, there are few if any claims being paid, and nearly all the premium money winds back up in the owner's pocket tax-free or tax-deferred."

Adkisson identified the Puerto Rico captives as a danger to those involved as "in addition to the ordinary penalties that all abusive 831(b) captive arrangements face, they may also face additional penalties as controlled foreign corporations".

Adkisson anticipates that the end may be in sight for these abusive captive arrangements.

He said: "The Avrahami decision certainly serves as a stark warning to those who are abusing 831(b), but of course not all 831(b) captives are abusive."

"It is going to be a tough year for those attempting to sell 831(b) captives as tax shelters, as it should be."

"In other words, I expect the licensing of captives qualifying under 831(b) to return to the numbers that they should be at, prior to the recent bubble of 831(b) tax-sheltered captives."

"I also expect large numbers of 831(b) companies that were formed as tax shelters to surrender their licenses, as companies did in substantial numbers in 2017."

Vermont proposes branch captive legislation updates

Vermont has proposed to update its branch captive legislation to require branch captives to designate the state's commissioner of the Department of Financial Regulation as its agent for service of process.

A Vermont Captive Insurance Association (VCIA) memo explained that the concept is from the Liability Risk Retention Act, which requires risk retention groups (RRGs) to appoint the commissioners of insurance as agents for service in all states where they operate.

The second change to the branch captive legislation includes deleting section 8 V.S.A. §6044, which requires the branch captive to petition the commissioner of the Department of Financial Regulation for a certificate of general good.

In all other captives, this certificate is then presented to the Secretary of State as part of the entity organisation process. According to VCIA, since the branch does not form a Vermont corporation, or other Vermont business entities, this section of the statue services "no useful purpose".

After adopting governance standards for RRGs during the past two legislative sessions, the state has decided to propose one amendment to section 8 VSA §(g)(2) to require annual certification of director independence.

The memo stated: "Accreditation standards require that our laws be 'substantially similar and no less effective' than the National Association of Insurance Commissioners (NAIC) adopted model law."

"Upon review, the NAIC found that our 'upon request' language would only be 'no less effective' if we made such request annually."

In addition, the state has also proposed to extend the annual report deadline for association and sponsored captives to 15 March deadline.

A few years ago, Vermont amended its captive legislation to allow most captives more time to prepare statements, excluding RRGs and special purpose financial captives because they report to other states.

The state has also requested that premium tax due dates and taxes of loss portfolio transfers match up to the due dates for annual statements and tax returns on 15 March.

When the state granted companies more time to prepare their annual statement, it didn't adjust the premium tax due date to coincide.

As it stands, premium taxes are due before the statement in which the tax return that it's based on is prepared. This has caused a "significant number of errors" and requires re-filing of tax returns.

The proposal explained that companies that continue to file their annual statement on 1 March will not have the same issue.

It noted that there is no impact on revenue, and the collection of the tax will fall in the same fiscal year.

Delaware to extend captive insurance reporting deadline

Delaware is set to extend the deadline for a captive's annual report and annual premium tax payments from 1 March to 15 April each year.

The Delaware Department of Insurance has said that the state's commissioner Trinidad Navarro "strongly supports" the captive programme. The commissioner also suggested that the new legislation will make for "a better programme".

The underlying legislation, Delaware House Bill 289, has been put together by the state's department of insurance and the Delaware Captive Insurance Association (DCIA).

The department of insurance explained that the "bulletin has been very well received by the captive industry".

The drafting of the bulletin was the idea of deputy commissioner Mitch Crane, who will soon step down from his role at the department of insurance.

The department of insurance said that Crane has been "instrumental in the discussions with the DCIA on all captive matters and commissioner Navarro really appreciates Mitch Crane's support on this specific matter".

Georgia introduces new captive insurance bill

A new bill has been introduced into the Georgia House of Representatives that introduces sponsored captives, incorporated protected cell captives and dormant captives.

House Bill 939, which amends Georgia's insurance code so as to extensively revise chapter 41 relating to captive insurance companies, was introduced on 14 February 2018.

The bill is sponsored by Republican representatives Darlene Taylor, Richard Smith, Eddie Lumsden and James Shaw, and is now pending with the Georgia House Insurance Committee.

It also amends a number of definitions of terms relating to captive insurance, such as 'captive insurance company', 'protected cell' and 'risk retention group captive insurance company'.

Additionally, the bill amends the title's relating to permissible business and limitations of risk retention groups, agency captives and sponsored captives.

The bill noted that all laws in conflict with the new act will be repealed.

Georgia altered its captive law in May 2017 with the introduction of Senate Bill 173, which offers businesses and captive managers a more efficient method of forming and domiciling in the state.

The state also revealed that it welcomed 18 new captives insurance companies in 2017.

All 18 of the new captive formations were single-parent captives.

Statistics from the Georgia Captive Insurance Division show that there were a total of 42 active captives domiciled in the state at 31 December 2017.

The 42 active captives currently domiciled in Georgia are made up of nine association captives and 33 single-parent captives.

A.M. Best plans post-Brexit Amsterdam office

A.M. Best plans to launch an Amsterdam office in 2018 as part of its Brexit contingency plan.

The ratings agency is currently registered with the European Securities and Markets Authority (ESMA) in Paris through its London-based subsidiary A.M. Best Europe Rating Services, which allows it to provide its rating services throughout the European Union (EU) on a cross-border basis.

Post-Brexit, A.M. Best will need to have a registered operation within the EU to continue to provide ratings to be used for regulatory services.

As a well-established financial centre with an excellent talent pool and transportation links to major European locations, Amsterdam closely matches the ratings agency's strategic priorities.

A.M. Best's London office will continue to act as its hub for the Europe, Middle East, Africa (EMEA) region.

According to the ratings agency, these plans are open to adaptation dependent on future developments, such as any future agreement agreements between the UK and EU.

Roger Sellek,CEO of A.M. Best's EMEA and Asia Pacific operations, said: "The EU is, and will continue to be, a very important market for A.M. Best and we are fully committed to providing continuity of rating services throughout the member states post-Brexit."

SRS Europe launches carbon emission risk programme

Strategic Risk Solutions Europe (SRS Europe) has launched its carbon emission risk programme, which will run in conjunction with Kenneth Miger, director of Carbon Risk Solutions (CRS).

CRS, which was established in 2015 to identify how risk management techniques can support corporate commitments to becoming carbon neutral, developed a risk identification methodology in 2016 that included the use of captives.

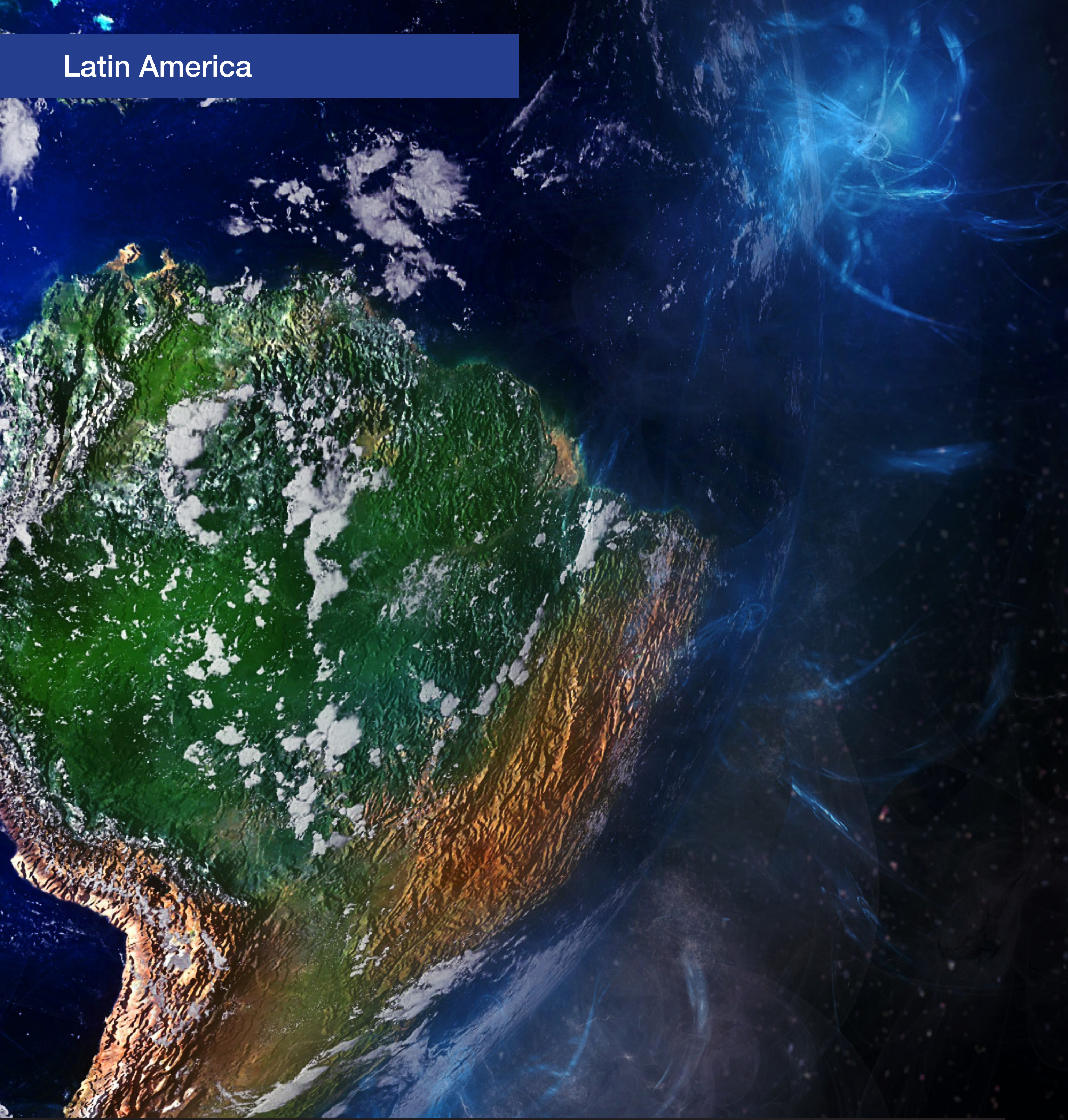
The methodology was a response to a comprehensive analysis undertaken by CRS on the impact an unforeseen increase consolidated carbon emissions might have on a multinational's ambitions to become carbon neutral.

The new programme will involve a series workshops helping sustainability directors and risk managers to identify, manage and finance the carbon emission risks their firms face in the transition to the low carbon economy.

Miger commented: "By educating and equipping sustainability and risk management departments with the necessary methodology and tools we are confident challenges can be overcome."

Stuart King, president of SRS Europe, said: "With our strong network of industry partners and independent global captive management capabilities, we are pleased to partner with Carbon Risk Solutions to bring this programme to market and enhance the options available to finance carbon risk."

He added: "We see an opportunity to develop these programmes within captives and cells, while the commercial market develops and becomes more comfortable with this emerging risk."



Turning the tide

The Latin America financial market is predicted to show growth for the first time in six years. Ned Holmes investigates the factors driving the region's change in fortunes

Ned Holmes reports

Following a period decelerating growth, caused by a combination of factors, including the global financial crisis and political instability, predicted figures from the World Bank show increased growth in the Latin American market in 2017 for the first time in six years.

According to the data, across all Latin American countries, excluding Venezuela and the Caribbean, growth in gross domestic product (GDP) is predicted at 2.5 percent in 2017, up from 2.2 percent the year before. The economic tide seems to have turned in Latin America.

"On the whole, I think the figures show a strengthening of the economy," Bartolome Massot, head of Latin America at Quest explains.

"The latest outlook by Mercosur, the common market in Latin America, tells us that the outlook is very good and it will continue for the foreseeable future. In our opinion, we are expecting better and better growth."

This growth in the Latin America market has, as a whole, had positive ramifications for the captive insurance industry.

"The wider economy has an impact on captive insurance. If the wider economy does well we have a healthier captive insurance market," states Massot.

Big players making a splash

According to Massot, the economic turnaround in the region has been driven by better economic policing, strong checks on inflation and banks lowering interest rates.

He adds: "We've seen growth in the industrial sector in most countries, this is due to an improved monetary policy which has attracted increased foreign investment."

Potentially the most important improvements have been seen in some of the region's biggest countries. Brazil and Argentina have the first and third biggest populations in South America, and their economic turnarounds have been amongst the largest.

The World Bank forecast for 2017 shows GDP growth in Argentina at 2.5 percent, in comparison to a deficit of 2 percent in 2016. It is a similar story in Brazil, where the forecasted GDP growth for 2017 is 0.7 percent, a 4.3 percent increase on the minus 3.6 percent growth in 2016.

He explains: "The Brazilian and Argentinian governments got their act together in 2017 and are becoming better at managing economic policy, and they're going to do much better this year. Their economies are accelerating, and they are doing a really good job in lowering inflation and keeping lending interest rates in check, which allows enterprises to recycle fixed assets at last. Argentina has also done a great job in adjusting wages as much if its recovery is also employment-led."

"We've seen this over the last year and, with the current policy that they have in place, we see that trend continuing for the foreseeable future. Industry wide these countries (Brazil and Argentina) have become true players in the international economic arena. That is because they have strong ties with the EU and, because they have a more developed infrastructure than many other countries in the region, they can cope with rapid growth easier than less developed countries like, for instance, Guatemala or Salvador. They are huge economies that are doing very well, and they offer lots of potential for investors from both home and abroad."

Political changes

Another of the elements impacting the change in fortunes is the political situation in Latin America. As evidenced by the recent Odebrecht scandal revelations among other issues, political instability, bribery and corruption remains present in many of the Latin American countries, but Massot is hopeful that political factors are beginning to have more of a positive impact economically.

Massot explains: "There is movement in the pro-business political class, there are exceptions of course, but overall it's looking more neoliberal in the political arena. We have to take into account that this is happening after a more than a decade-long widespread socialist movement across South America. Now with the liberal politicians in power, those economies are becoming more active and being boosted."

One of the key impacts of the political change in the region over the past two decades has been its effect on the middle classes.

"The truth is that we've seen 10 to 15 years of left-wing and centre-left governments in most of these countries," says Massot. "The centre-left governments allow the middle class to improve their situations."

"Now the middle-class ratio is 35 percent in Latin America, an increase of 14 points in 10 years. That has not happened anywhere else, and that shows the underlying progress of the region. There are more small and medium enterprises expanding and this is due to neoliberal governments gaining power all across these countries."

Massot predicts this will continue over the next six to eight years, which "is going to shape events to come for at least a decade more."

> The most promising aspect of the improved economic situation in Latin America is the wave of young talent that is returning to the Latin American financial

He adds: "As long as that same centre-left movement keeps a check on those right-wing governments I think the growth and acceleration we've seen in 2016 and 2017 will continue".

The talent wave

Looking forward, perhaps the most promising aspect of the improved economic situation in Latin America is the wave of young talent that is returning to the Latin American financial sectors having studied abroad.

"The world is changing," says Massot. "A lot of young students went to Europe or the US to study economics and finance. They are accountants, lawyers and tax lawyers among others many professions. Very well educated young professionals that are returning to their home countries."

"These young people know what is done in more developed economies and they are now doing it now back in Latin America, they have been doing it for several years. They're doing what it took people in more developed countries 30 or 40 years to accomplish, and they're doing it in a very short period–that is what is interesting. They're doing it faster than we did it and they're doing it with the knowledge that we have in our companies."

A key focus of a recent the Organisation for Economic Co-operation and Development report on the Latin American economy was the amount of untapped potential in the region. According to the Latin American Economic Outlook 2017: "One-quarter of the Latin American population—163 million—are aged between 15 and 29. This demographic bonus opens a window of opportunity for inclusive growth in the region, and represents a potential driver of domestic growth to support future progress."

Massot, however, suggests that this is not a new idea: "These countries knew this years ago. They started sending students to EU and US universities through financial aid programmes that aim to bring them back after they have finished their degrees. Once they are back, they are placed in key financial and other value-adding positions such as research and development."

The report shows that in many cases Latin American countries have a limited ability in offering complex financial education such as sophisticated finance mechanisms and microeconomics.

"By sending those young students abroad and then bringing them back, they obtain ready talent. Those programmes are working and are working very well," says Massot. "Latin America has a growing employment rate, and there are a lot of opportunities for students with international experience to work in finance in the region."

"Now the consensus seems to be that these Latin American countries are joining the global economy and, this time, they are here to stay. I'm saying this because policymakers know that a sustainable economy requires investing in education, especially in financial education."

Captive impact

From a captive perspective, the benefits are twofold, as not only does a strengthened market result in a healthier captive insurance market, but the returning students are aware of captive insurance and its benefits.

Massot explains: "The young professionals are internationally educated, they know the stakes of competing in a global economy and they know that risk management is a crucial aspect of that. The captive solution tends to be a very suitable one because of the benefits it provides."

"If they studied economics or finance or law in the EU or the US they are aware of risk management mechanisms and the captive solution that, although is not for everyone, it does present a sophisticated and viable tool for reaping the benefits of adequate risk management."

He adds: "More educated professionals will see that better than people that have never heard of captive insurance or risk management." **CIT**

CICA

CAPTIVE INSURANCE COMPANIES ASSOCIATION ®

Challenge of change

Dan Towle, president of CICA, discusses what attendees can expect from this year's conference in Arizona

Ned Holmes reports

What is the main focus of this year's conference?

Our conference theme is the "Challenge of Change". Today's risk management professionals are seeing more simultaneous change than ever before. Being able to operate and succeed in a constantly changing marketplace is the challenge that captives and risk management professionals will need to navigate. By bringing together some of the most creative and innovative captive leaders and service providers in the world, the Captive Insurance Companies Association (CICA) can help the captive industry address the challenges of this continuous change. Captive insurance professionals need to be nimble in identifying opportunities to harness those changes. It is important to stay current and hear from thought leaders about new strategies. The educational sessions and networking opportunities put forth at the CICA conference will keep delegates prepared for handling today's "Challenge of Change".

Are there any sessions you are particularly looking forward to?

I am excited about many of our sessions this year. We received more than twice as many session proposal submissions than we ever have before. As a result, our programme committee was able to choose from the top submissions, which I believe has made for some extraordinary sessions at this year's conference.

We are an international association, as such, we have some incredible sessions from an international perspective. For the first time, a session will feature the leadership of the European Captive Insurance and Reinsurance Owners' Association (ECIROA), who will cover challenges facing European captive insurers. I'm also excited about several of the sessions addressing mentorship and young professionals. We have students from both Butler University and Temple University participating on several sessions.

We have sessions designed to help captives and risk managers address external changes such as cyber risk and new technologies. Joe Deems of the National Risk Retention Association (NRRA) will be leading a session focused on insuring cutting edge technologies. We also have sessions on new programmes, such as how captive insurance programmes are significantly contributing to healthcare cost containment.

One of the changes we are seeing is brand new industries, such as the cannabis industry, that may be entering the captive insurance market. We're pleased to have Camille Dixon, from the California Department of Insurance, and Joe Holahan of Morris, Manning & Martin, LLP and Greg Fanoe of Merlinos and Associates as a panel session on the opportunities for captives related to the rapidly expanding cannabis industry.

The Avrahami decision was big news this past year. We are pleased to have a great panel of captive tax experts, John Dies of Aliantgroup LP, Chaz Lavelle of Bingham Greenebaum Doll LLP, and former senior Internal Revenue Service (IRS) trial attorney Brandon Keim of Frazer Ryan Goldberg & Arnold LLP who successfully litigated Avrahami v. Commissioner, which should make for a great session.

How have your first nine months as CICA president been?

My approach as CICA President has focused on connecting with our members and our many partners across the industry. I have appreciated everyone's willingness to ask questions and engage in productive dialogue. The information and ideas generated have provided the foundation for new strategies to increase member value and enhance CICA's industry leadership and advocacy. I am pleased to report we have created significant positive energy going into 2018.

I am proud to have such a supportive board of directors and an engaging membership. The energy and excitement from speaking with our membership has been invigorating. Heading into the conference we have more speakers than ever, attendance looks extremely positive and our sponsorship commitment is very strong. I am looking forward to another outstanding CICA conference.

What does CICA have in the pipeline for 2018?

We want to continue building on the momentum and excitement that I see from our members. Our members want us to be more visible and active in the industry and that's our focus. Being domicile neutral means we have a holistic view of the industry, which gives us a larger potential audience than simply being aligned with a single jurisdiction. It also arguably gives us the most unbiased voice in the industry.

We also want to expand our professional development offerings. We plan to continue to grow our mentorship programme with more participants. I look forward to continuing our partnership with Butler University and we are open to partnering with other colleges and universities; and we will continue to enhance our professional development track at the conference.

We feel this is an area where CICA can play a significant role in the overall marketplace and our members are very excited about this. We want to help nurture and develop those new to our industry and to raise the awareness of great career opportunities in captive insurance.

CICA has a long history of leading the efforts for industry best practices. We are in the process of updating our publications and other guidance and I look forward to sharing those items later in the year. Our best practices guidelines are a standard in the industry and it is important that these are continuously updated to reflect current market conditions and other changes.

We are also working in cooperation with ECIROA on hosting the European Captive Forum in Luxembourg in November. CICA is excited to be partnering with ECIROA on this event and hope many of our members will consider attending.

What is CICA doing to help educate current captive professionals and the next generation of captive leaders?

We know our members and their companies need to have the skills and insights to be successful in their roles. Broadening CICA's focus to include professional development seemed like a good fit.

The professional development track is focused on skills captive and risk management professionals need to successfully engage human resources, finance, risk management, and executives in developing strategies for optimal uses of captive insurance companies.

CICA is taking a leadership role in promoting the dynamic nature of the captive industry and the career opportunities it provides. We are partnering with educational resources like Butler University as a way we can both learn from each other. Our industry needs to do a better job in both attracting and developing the next generation of captive leaders. I believe this is a role that CICA can play an important part.

Earlier this year, we announced our mentorship programme as one such way to help develop our industry by connecting leaders with newer to the industry individuals.

Any final thoughts as you are headed into the conference?

I am really looking forward to this year's conference. Putting together a successful event is a year-long endeavor with so many volunteers who have committed their time, expertise and energy to this event. I want to thank our programme committee and our programme chair, Joel Chansky of Milliman for all of the committee's and his efforts.

We have a record number of speakers this year and we appreciate all of the time they have committed to showcasing top-notch educational sessions. Attendance is extremely strong at this point, the exhibit hall is full, sponsorship is at an all-time high and all indicators are that this will be another CICA Conference not to miss. I hope to see you there! **CIT**

Opening the gateway

As the gateway to the Gulf, Bahrain's location and well-developed financial sector make it an attractive prospect for captive insurers. Ayman Al Ajmi, CEO of Braxtone, explains

Ned Holmes reports

Why is Bahrain an attractive domicile for prospective captives?

With zero corporate and personal tax, Bahrain is the most liberal tax regime in the Gulf, its financial sector is well-developed and diversified, consisting of a wide range of conventional and Islamic financial institutions and markets, including retail and wholesale banks, specialised banks, insurance companies, finance companies, investment advisors, money changers, insurance brokers, securities brokers and mutual funds.

Bahrain is the natural gateway to the Gulf, with particularly favourable access to Saudi Arabia, the region's single largest market and economy, as well as the $1.5 trillion market of the Gulf region.

With a track record of pioneering under its belt, the domicile continues to move forward with policies and reforms that empower businesses and industries to establish themselves and grow.

The government works closely with businesses and regulators to explore opportunities to enhance the business environment and nurture optimum commercial conditions. This collaboration has seen Bahrain take solid steps towards introducing initiatives that create an enabling and innovative ecosystem, which allows businesses to thrive.

By the end of 2015, Bahrain's domestic insurance market comprised of 25 locally incorporated firms and 11 overseas insurance firms (branches of foreign companies) carrying out insurance, reinsurance, takaful, retakaful and captive business in the domicile.

The industry has been growing steadily in recent years, mirroring the growth of Bahrain's financial sector, as the increased access to financial services and products has led to demand for insurance services. Industry growth has also been fostered by the presence of a robust framework for regulation and supervision of insurance.

What are the advantages of Bahrain as a captive domicile?

In 2015, a KPMG report showed that doing business in Bahrain costs approximately 30 percent lower than Dubai, the main other domicile in the region. The Bahraini insurance industry is well served by a number of ancillary service providers such as brokers, actuaries, insurance consultants, loss adjusters and insurance managers.

A notable development in recent years has been international insurers developing their regional operations, many of whom have chosen the country as their regional base. Local Bahrainis are the top talent in the Middle East and North Africa's (MENA) with both a strong knowledge base and an exceptional array of skills.

The country ranks as one of the best places to live globally, and is highly regarded for its job opportunities, career satisfaction, as well as its friendly and welcoming culture.

What are the regulatory conditions in Bahrain?

The Central Bank of Bahrain (CBB) acts as the sole regulatory authority for the domicile's financial sector, including the licensing and supervision, insurance, investment and other financial services.

The CBB also regulates Bahrain's licensed exchanges and clearing houses, acts as the listing authority for companies and financial instruments listed on the exchanges, and is also responsible for regulating conduct in capital markets.

Under the Central Bank of Bahrain and Financial Institutions Law 2006 the Central Bank is obliged to consult formally before issuing any regulations, unless the regulation in question is urgently required. No such obligation exists in the case of directives, however, the CBB has a general policy of involving the industry and other stakeholders in developing all its requirements, and publicly consulting on these, wherever possible.

The Bahrain Government and the US Government agreed on the establishment of free trade to promote clear and mutually advantageous rules governing their trade, complementing the high standards for protection of investment established by the treaty between the two concerning the encouragement and reciprocal protection of investment.

Bahrain is part of the Financial Action Task Force (FATF) through the full membership of the Gulf Cooperation Council and is committed to the implementation of all international standards in this area. Bahrain is also a founding member of the regional MENA-FATF and hosts its secretariat.

What makes the CBB regulatory and supervisory approach different from other domiciles in the region?

The CBB supervises its licensees in accordance with relevant international standards. For banks, insurance service providers, and investment business service providers, this means that CBB requirements address the core principles and other standards of the Basel Committee, the International Association of Insurance Supervisors and the International Organisation of Securities Commissions. Bahrain was last assessed against these standards by the IMF in 2005-06, as part of a financial sector assessment programme review.

CBB requirements are risk focused and principles-based, as well as tailored to different categories of licensee and the variable

BRAXTONE

> Bahrain and the US enjoy the longstanding free trade agreement, and Bahrain is the most liberal tax regime in the Gulf with zero corporate and personal tax

nature of supervisory risks that they pose. The requirements cover both prudential standards and conduct of business. Insurance companies are subject to solvency margin requirements (similar to existing EU requirements), and investment firms are subject to risk-based capital requirements that include position, counterparty and foreign exchange risk, as well as an expenditure requirement.

Who are Braxtone?

Braxtone is the independently owned official representative of AIG operations in Bahrain, and offers its clients the rewards of effective risk management, by turning risk into profit.

We were founded in 2015 to support the formation and management of captive insurance companies in the region. Building strategic alliances and partnerships allows us to design solutions that are purpose-built for our client's financial goals and risk protection needs, allowing their focus to be on their own core business strategies.

Braxtone is recognised in the insurance and reinsurance industry for its extensive knowledge of local and regional regulatory frameworks and requirements. We work with leading experts and consultants, as well as the regulators in the region, to ensure each project receives the attention and skill set it requires.

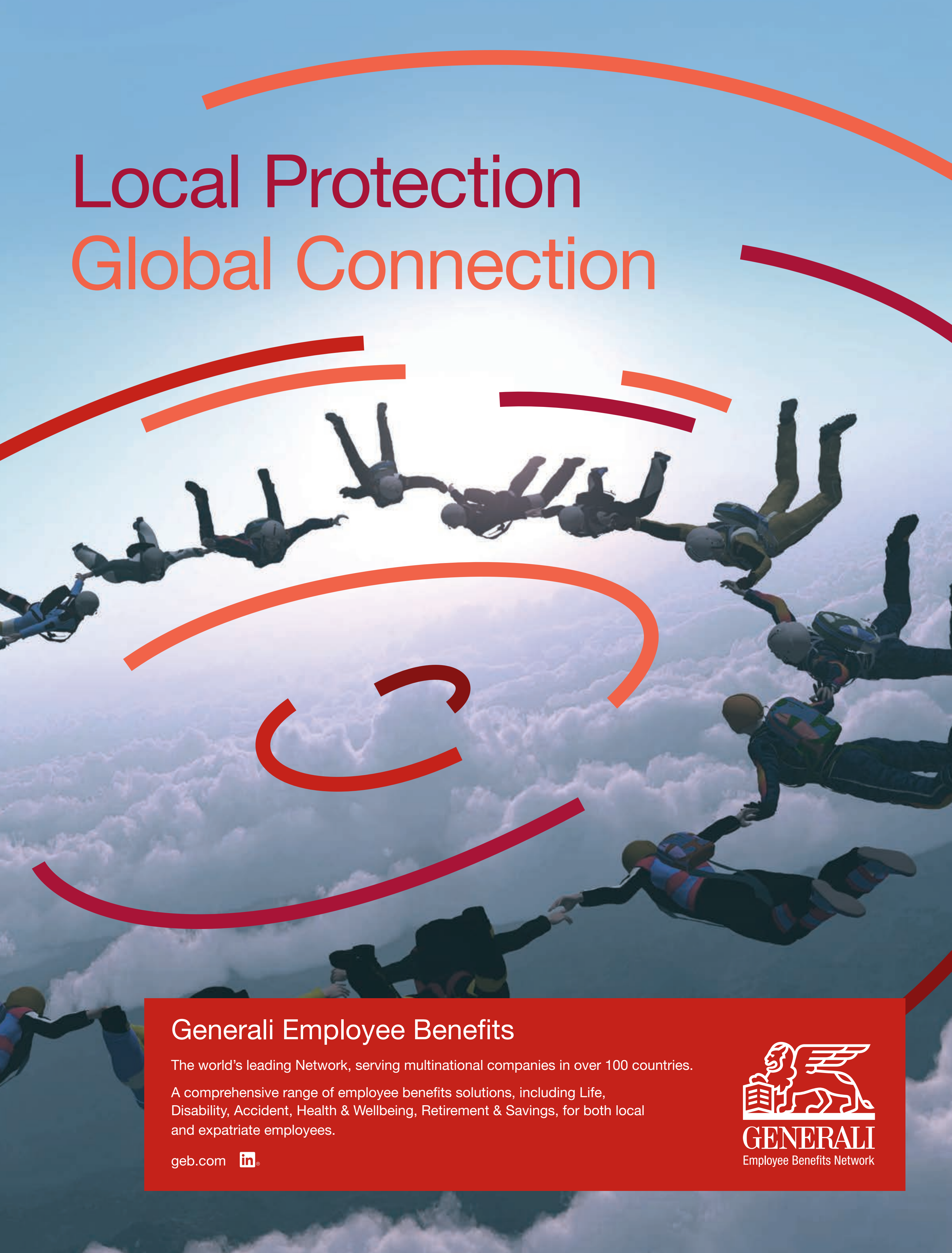
Braxtone is the sole company in the MENA that manages the entire run-off operations of three insurance companies; Arabian American Insurance Company (operating in KSA), Chartis Takaful Enaya, and New Hampshire Insurance Company.

What does Braxtone offer for prospective captive owners, or owners considering moving their captive?

Braxtone offer the whole spectrum of insurance management services including underwriting, policy administration, claims handling, company accounting and captive regulatory compliance. We specialise in providing professional services to prospective captive owners, insurance and reinsurance firms, including captive management, portfolio management, run-off management, claims management, credit control, receivables management, operational support and consulting.

Our team has expertise in alternative risk transfer solutions and a proven track record in managing startups, overturning loss-making portfolios into profitable ones, and managing companies with unique challenges such as run-off operations, and forming and managing captives.

In addition, our captive management services include creating feasibility studies, business plans, forecasting, captive applications, as well as manage captive operations, regulatory requirements, captive board meetings. Finally, we also arrange actuarial, audit and tax services. **CIT**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Leading from the front

New USA Risk Group CEO and president Stephen Roseman explains why the dynamism of the insurance market means his company must become a thought leader in the captive space

Ned Holmes reports

How are you settling into your new role as CEO and president at USA Risk?

It is a relatively unusual situation in so far as the formal role of CEO and president at USA Risk is new for me but I have been very involved in the company since [Spencer Group] acquired the company three years ago. So, I am new to the title but not to the company or the role. I have been very involved with all the folks here, with the officer and leadership team, with the office heads and with the business strategy as we think about how the captive industry and our business are developing.

What is your long-term plan for USA Risk Group in the captive space?

There is a lot of opportunity for growth, and it has been our top priority for 2018. In fact, it's been our top priority going back as far as the last few years; it's been what we have been working towards, we've been focusing on growth. From our standpoint, if you look at the Fortune 1,000, I know some people will quote statistics about captive penetration in the Fortune 500 or the Fortune 100, but if you think about the Fortune 1,000 I would argue that that market is overserved, meaning there is a lot of folks focusing on that particular market. At the same time when you look at the whole rest of the market globally and certainly domestically, it is very underserved.

Regarding what we see and what we're focused on, the idea is to make sure that we are out there as a thought leader and an education leader in the captive space, especially given the changes and how dynamic insurance is becoming. More so than it historically has been it is dynamic for the client base and dynamic for the solutions providers, whether you are a captive manager or you're just one of the commercial insurers, so being a thought leader and a business practice leader is critical for us.

What have USA Risk Group got planned for the next six to 12 months? Have you put any new plans in place since starting the role?

We are focusing on allocating resources to this growth and outreach from an education standpoint. Outreach to establishing our role as a thought leader for education for example, as part of the next six to 12 months that is a significant focus.

Since I took over the role my phone has been ringing off the hook with companies throughout the insurance, consultancy and captive world, all parts of the food chain reaching out to me to explore how we might work together, collaborate and grow together. That is going to be a big emphasis, our involvement in the ecosystem is going to expand dramatically over the next six to 12 months.

How strong do you think the current US captive market is?

In what is widely understood to be a challenge, some of the largest, oldest domiciles in the US have been soft in terms of formations in the last few years, and that's not to say there is no growth at all in captives but certainly in some of the more established domiciles growth has been anaemic and that is as a result of the softening of the market.

From our standpoint, as people have a better understanding of how to use captives and where captives might fit the market will eventually harden. We want to be there as an education and thought leader with helping prospective clients understand how they might better use captives as an alternative risk financing tool.

I believe the softness in the market today from a captive formations standpoint is transitory. Obviously, tax reform has had something of an impact at least regarding the conversation people are having about captives, but I also believe that this tends to be cyclical and the cycle will turn.

What effect do you believe the US Tax Reform and BEPS will have on the captive market in the US?

The biggest challenge from our standpoint with the US tax reform is the digestion of the sweeping change and understanding the knock-on effects. We have a dedicated tax counsel that has focussed on this from a few different firms, so we are getting a variety of thoughts on this regarding how they perceive this tax reform will impact captives.

The clear message from them is that wading through the morass of tax reform regulatory change is proving to be complex and for all of the potential positives that have come about in terms of tax reform, lower corporate tax rate domestically for example, there are tweaks and nuances to rules around captives, definitions of what it means to be an owner and rules of what it means to be an owner of an offshore vehicle for example and that is the part of the complexity that in our experience tax counsels are wary of. **CIT**

“We want to be there as an education and thought leader with helping prospective clients understand how they might better use captives as an alternative risk financing tool”


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Structured for success

Stewart Feldman, CEO and general counsel at Capstone Associated Services, explains how the company's structure helps it to thrive in the captive market

Ned Holmes reports

How does Capstone handle legislative and regulatory changes affecting the captive industry including the PATH Act and the transaction of interest designation?

For Capstone to vet a new issue, we consistently conduct internal group meetings with chartered property casualty underwriters (CPCU), chartered public accountants (CPA), administers, underwriters, joined perhaps by a claims processor, and certainly by both corporate and tax lawyers specialising in captive work. This is where the problem is examined, and a solution is designed. We don't wait for a challenge years later. We have taken this approach on dozens of occasions over the last twenty years. Effective captive planning requires a team of advisors, with each member having part of the necessary skill set to design and implement the overall range of solutions, which are then presented to the client for the ultimate decision.

For example, Capstone and its clients were faced with the Form 8886 compliance and the restructuring of many captives to meet the "diversification" requirements of the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) over the last two years. These were two major, unexpected projects for us, coming at the same time, which our team timely addressed. Over the years we've built the team that can handle these curve balls. A captive management firm must be staffed adequately to address these challenges.

We recognise the importance of taking responsibility for and coordinating all aspects of captive planning to ensure its coherency and success. Planning that backs up on the client down the road is not a path worth taking, and planning that leaves major aspects of it to the client, which are likely never to be carried out, is to be avoided.

How has Capstone organised its staff to provide its broad range of services? How did Capstone fare with The PATH Act and the new IRS filing requirements of form 8886?

We've brought additional resources to bear to monitor the rigorousness of our work which we continue to improve. Unsurprisingly, we've done a better job on our 200th captive than we did on our first in 1998. Over the last two years, we've added a fourth tax and a third corporate lawyer to our team. These experienced professionals each have a minimum of a decade of experience. Additionally, we've added two underwriters to our team bringing our CPCU head count to six. Our team members' broad expertise and long-term experience in working together is the reason for our success in examinations.

To this end, since Capstone's 1998 beginning, we've assembled a team of increasing depth to ensure the planning is done properly with Capstone taking the lead. Just as in medicine, the surgeon is the captain of the operating room team and takes responsibility for the surgical outcome. The surgeon must assemble and manage the team. Leaving the patient the responsibility of orchestrating arrangements for the anesthesiologist, the surgical nurse or post-operative care would an approach that is doomed to fail. A positive outcome for captive planning without a responsible and capable captive team is unimaginable.

We now employ six CPCUs with over 150 years of experience at the likes of Aon, Marsh, Johnson & Higgins, major international corporations (GM, HJ Heinz, Kinder Morgan, Servisair, Coach USA), major insurers (AIG and Liberty Mutual) and trade association sponsored captives. Our stable of tax lawyers is bolstered by corporate and financing lawyers and litigators with coverage experience, and three of our lawyers have a graduate business or masters in tax degrees.

Additionally, six of our staff have earned their CPA designation, including both Chuck Earls, Capstone's president for 18 years, and Jeff Carlson, who is stepping into that position. This is the team that we think is needed to run an insurance company. And if you look to the commercial markets, this is the range of skills that you'd find running a commercial insurer.

What are your thoughts on 831(b) captive managers that have arguably tarnished the captive industry's reputation?

Firstly, I don't think this is a question limited to 831(b) captives. Rather, the 'captive manager' problem spans the full range of Section 501(c)(15), 831(a) and 831(b) captives. There are 'captive managers' in the industry that fit the mould of offering clerical and administrative services while disclaiming most of the range of work needed to successfully carry out the planning. The nomenclature of 'captive manager' is inappropriately used by these service providers.

For example, I'm aware of a bank that offered 'captive management services' which are best summarised, after reading through their agreements and seeing their work, as being clerical and administrative in nature. The bank offered to serve as little more than 'mailboxes' for the captive in the chosen domicile. The bank called its services 'captive management' – at least until the bank's senior management figured out what was going on and exited the business.

In another instance, two unrelated organisations, run by lawyers who lost their licenses to practice, established 'captive management' operations where the many critical components of a successful captive programme were left to the client to ferret out for itself. This also was called 'captive management'.

The industry, or maybe the regulators, must establish minimum standards of services and competency to use the moniker 'captive management' to avoid what is now a misleading industry term.

Currently, there is a widespread misunderstanding intentionally created by 'captive managers' themselves in implying that they are taking on an overall 'management' role when in fact in the fine print, the captive manager is disclaiming responsibility for legal (corporate and financing), state and federal tax, underwriting and claims management. What's left is inappropriately being called 'captive management.'

Do you believe mid-market businesses will continue to adopt captive insurance planning, despite continued IRS pushback?

I can't recall a year, including both 2008 to 2009 and 2017, where we haven't experienced net growth. This is not to say that the PATH Act and Notice 8886 didn't affect us. Our lawyers spent a year restructuring many of our client's captives to comply with the disingenuously called "diversification" requirements of the PATH Act. The upside, however, is that our clients can now satisfy a broader range of their risk mitigation through captives, given the increase of the annual cap to $2.3 million as of January.

The role of our business development team–which includes three CPCUs and one CPA, each with more than 25 years experience–is to educate prospective clients on how captive planning fits into their businesses. New business follows from education. Given that captive planning under each of the three applicable Internal Revenue Code provisions is statutory in nature–that is, the planning is black letter law–captive or alternative risk planning is not something that a business owner needs to shy away from.

You've been outspoken on cell captives. In your opinion, what are the pitfalls of cell captive arrangements?

In theory cell arrangements–whether under a series limited liability company (LLC), protected cells, segmented cell or any one of the other similar arrangements–should work. In practice, they should be considered with great caution.

In evaluating the appropriateness of a cell arrangement, the first question to be addressed is "why to pursue a cell in the first place?" The usual answer is to save on fees and capitalisation. In practice, the savings are disproportionately retained by the sponsors with limited savings passed on to the client. If the client is so concerned with fees, perhaps the business is not a good candidate for any type of captive planning.

It is short-sighted to put millions of dollars into captive planning and then to be concerned with the relatively small savings–usually $10,000 plus/minus (pre-tax) per year–offered by a cell arrangement versus a traditional standalone captive. For these savings, the client is at risk of the service provider not maintaining the integrity of the separateness of the cells, putting at risk the client's millions for the losses of others. Any risk/reward analysis would conclude that a cell is a bad choice and the audit risk is magnified as is now evident from a review of the US Tax Court docket.

As to the capitalisation, if the core's capital is not at risk to support the individual cells, which is often the case, support is lent to the argument that the captive is under-capitalised. Indeed, according to tax regulations, each cell must stand on its own to qualify as an insurance company for federal tax purposes.

Another basic concern is that if the prospective client is not able to afford the capitalisation, then perhaps the annual premium, likely $500,000 to $2 million, will be a stretch for the client. Additionally, we've seen cell arrangements used to entice $50,000 to $100,000 in annual premiums which seems unusually low for the planning called for in a captive. Undoubtedly, the frictional costs of even minimal planning outweigh the benefit.

To cap off our concerns, what we have seen in practice are documents and captive operations that do not support the separateness of the cells and which will fail any serious legal challenge. We see clients who have unknowingly ceded to the core or sponsor voting rights over their cell and signature authority over bank and investment accounts.

This is poor judgment all around. There certainly are unique situations where a cell arrangement is a good fit. However, these are few and far between. Cell arrangements are overused and a problem is waiting to happen. **CIT**

Comings and going at Chemung Financial, Captive Resources, Capstone Associated Services and more

Chemung Financial Corporation has elected three new members, David Buicko, Denise Gonick and Jeffrey Streeter, to its board of directors.

Chemung Financial is the parent company of Chemung Risk Management, a Nevada-domiciled captive insurance company.

Buicko, Gonick and Streeter will stand for shareholder election at the May 2018 annual shareholders' meeting.

Gonick is currently president of CEO of MVP Health Care in addition to serving on the boards of the Business Council of New York State and the Centre for Economic Growth.

A former certified public accountant, Buicko is president and CEO of Galesi Group having joined the company in 1982.

Streeter is president of Streeter Associates, as well as serving on the boards of Southern Tier Economic Growth, Arnot Health, the Arctic League, the Chemung County Chamber of Commerce and the Associated General Contractors of New York State Building board of governors.

Anders Tomson, president and CEO of Chemung Financial, said the company were excited to welcome the three new board members.

He added: "Each are very impactful individuals within their companies as well as significant community leaders throughout our footprint."

"I look forward to the wise counsel they will provide as we continue to grow the size, scope and impact of our organisation."

Group captive insurance consultant Captive Resources has appointed Mike Foley to its board of directors.

Foley, who stepped down as Zurich North America CEO in December 2017 after nine years in the role, brings more than 20 years of insurance industry experience.


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For more than 70 years, no firm has had a more complete understanding of the captive and self-insured market than Milliman. Our expertise in feasibility studies, annual pricing, reserving, scenario testing, and retention analysis, along with a full spectrum of consulting services allows us to tailor our analyses to deliver highly targeted and optimal solutions to meet each client's unique needs. With our global reach, we routinely advise multinationals on cross-border transactions and how to meet each domicile's unique requirements—key in today's captive environment.
To learn more, go to milliman.com/captives or contact us at captives@milliman.com.
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The move is effective 1 April 2018, with Foley retiring from the Zurich North America executive committee on 28 February 2018.

On 1 January 2019, Foley will join Captive Resources as president, succeeding current president Nicholas Hentges, who has held the role since 2014.

Hentges will take up the role of co-CEO, which he will serve alongside current chairman and CEO, George Rusu.

According to Rusu, Foley's wealth of insurance knowledge will make him a tremendous asset to the company.

Rusu said: "We believe Mike Foley will play a key role in shaping the future of Captive Resources, as we continue to pursue and execute our vision to provide an unparalleled customer experience, and continually expand our capabilities in the captive arena."

Foley commented: "I'm excited to join such a well-positioned company, with a strong track record of growth through customer focus."

He added: "Together we can build on the company's exceptional foundation to drive profitable growth and continue to enhance an already industry-leading value proposition."

Capstone Associated Services has appointed Jeff Carlson as its head of operations.

Carlson, who has over 25 years of insurance management experience, will also replace Charles Earls as president when he steps down in 2018, after 20 years at Capstone.

The new head of operations joined Capstone in late 2017, having spent 20 years at AIG.

As head of AIG Life and Accident & Health Operations, Carlson managed large, cross-functional business operations teams in a number of locations throughout US, Philippines, and India.

Capstone are US-based captive sponsors that assist mid-market businesses in designing, forming, and operating captives.

Stewart Feldman, Capstone CEO and general counsel, commented: "With the addition of Jeff Carlson, Capstone will continue its focus on supporting closely-held, mid-market clients throughout the US from our five offices."

He added: "His expertise enables Capstone to improve its day-to-day operations with an eye towards accelerating growth while delivering an ever-improving alternative risk management programme."

Carlson said: "From the initial captive feasibility study, through to the ongoing management of the captive, Capstone works to ensure that regulatory and tax requirements are met."

"I'm honoured to build on Chuck Earls' leadership over these last 20 years."

MetLife has appointed current executive vice president James Reid as head of its global employee benefits business.

In his role, Reid will be responsible for accelerating global employee benefits growth by partnering with the firm's regional offices and expanding relationships.

He will also lead select critical growth initiatives for the company.

Reid joined MetLife in 2012 and since has held several leadership roles within the firm's US group benefits organisation.

Michel Khalaf, president of business and Europe, the Middle East and Africa, said: "James Reid brings tremendous industry knowledge, innovative thinking, and a focus on plan execution to global employee benefits."

With both healthcare and employee benefits experience, he is well positioned to lead this charge."

Commenting on his appointment, Reid added: "The power of employee benefits to bring peace of mind and, in many cases, a lifeline to employees all over the world cannot be underestimated."

"A connected network such as MetLife global employee benefits has the expertise to provide the best solutions for global clients as it applies a dual macro and micro lens to solving challenges. I am proud to have the opportunity to work with this team."

Hub International has hired Lynn Greene as vice president of the employee benefits practice.

In her new role, Greene will be responsible for the design, placement and maintenance of competitive healthcare programmes and human resource solutions for mid-market and large companies.

Greene said: "A combination of their 'client-first' focus and the overall positive workplace culture in the Sacramento office made [joining Hub International] an easy decision."

Robert McVicar, Hub International executive vice president, added: "Lynn Greene is a tremendous addition to our strong employee benefits team in Sacramento." **CIT**

Reinsurance Trust Services

Reinsurance Collateral Trusts

The limitations and costs associated with traditional collateral options such as Letters of Credit have dramatically fueled the growth of alternative risk transfer strategies amongst insurers, reinsurers, captives and corporations. Fluid regulatory, financial and risk management environments demand lower-cost collateral solutions – solutions that afford maximum flexibility with minimal effort to set-up and maintain.

It's a need that has given tremendous traction to the insurance-linked securities (ILS) market and in particular the emergence of reinsurance collateral trusts.

The SunTrust advantage

SunTrust has a long history of escrow, trust and risk management excellence and expertise, with both domestic and international coverage. We work with large and small carriers alike to help mitigate risk for their insurance business needs.

Our collateral trust product at SunTrust can help you with the following insurance needs:

- Reinsurance/Collateralized Reinsurance
- Regulation 114 Trusts
- Captives
- Surety Bonds
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- **Rapid Response Times** – while other banks can take weeks to respond, SunTrust can typically resolve covered loss requests in a matter of 24-48 hours; and because we're a custodian for the collateral that secured the contract, insurers get paid immediately.
- **Operational Efficiencies** – from pre-arranged agreements with major insurance carriers to streamlined onboarding and KYC processes, our knowledge of the reinsurance trust business helps ensure that things are done right and done fast.

To find out more about how SunTrust can support and enhance your reinsurance business, please contact:

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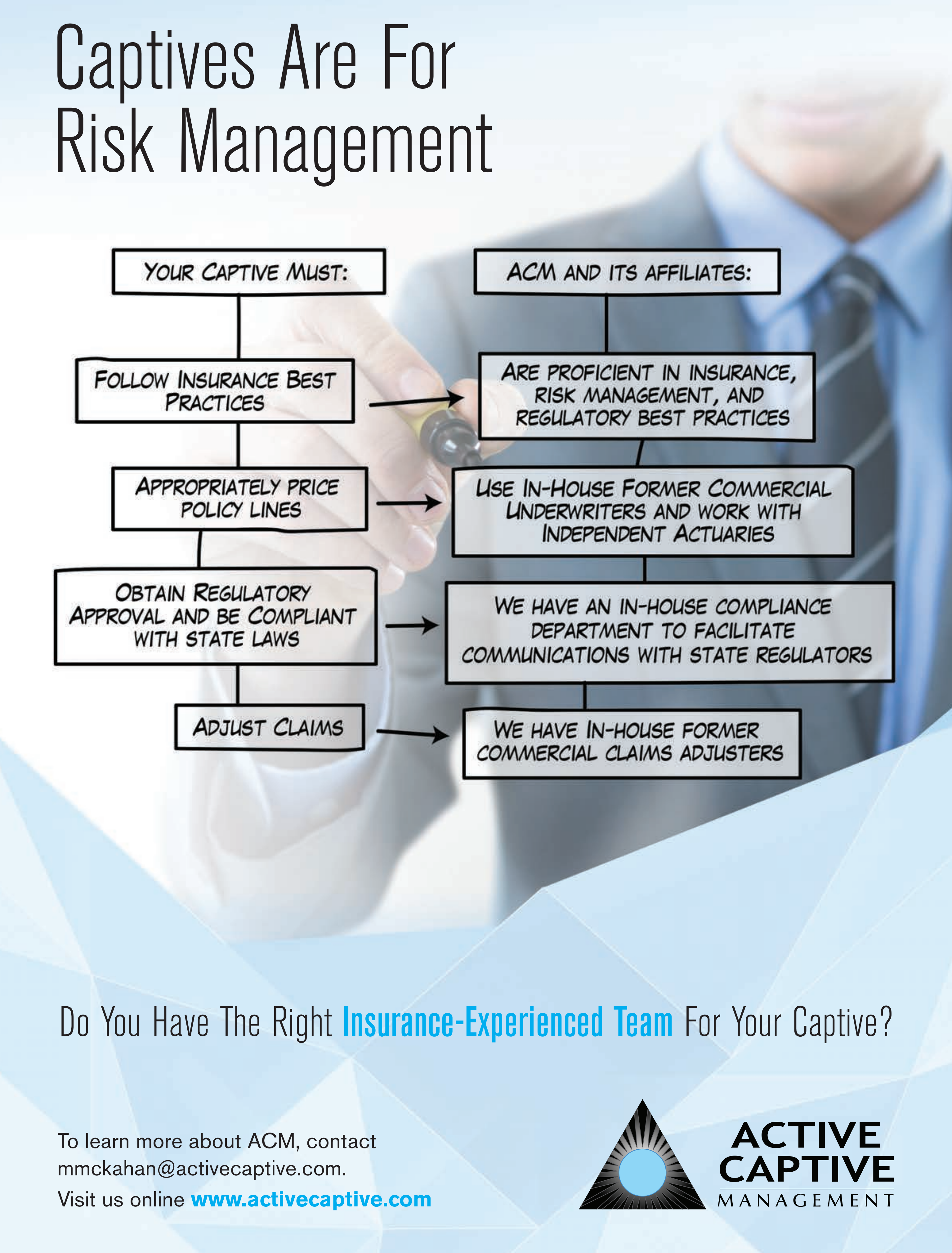
Why choose an Insurance Trust?

- **Improved Credit Availability** – an insurance trust has no adverse impact on your available credit.
- **Cost Effective** – insurance trusts generally save you in annual fees compared to other forms of collateral posting options.
- **Convenience** – insurance trusts are tri-party arrangements that require no annual renewals.
- **Reduced Liability Concerns** – insurance trusts may limit the range of acceptable investments; this is done to ensure adherence to all regulatory requirements.

SunTrust®


Captives Are For Risk Management
YOUR CAPTIVE MUST:
ACM AND ITS AFFILIATES:
FOLLOW INSURANCE BEST PRACTICES
ARE PROFICIENT IN INSURANCE, RISK MANAGEMENT, AND REGULATORY BEST PRACTICES
APPROPRIATELY PRICE POLICY LINES
USE IN-HOUSE FORMER COMMERCIAL UNDERWRITERS AND WORK WITH INDEPENDENT ACTUARIES
OBTAIN REGULATORY APPROVAL AND BE COMPLIANT WITH STATE LAWS
WE HAVE AN IN-HOUSE COMPLIANCE DEPARTMENT TO FACILITATE COMMUNICATIONS WITH STATE REGULATORS
ADJUST CLAIMS
WE HAVE IN-HOUSE FORMER COMMERCIAL CLAIMS ADJUSTERS
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