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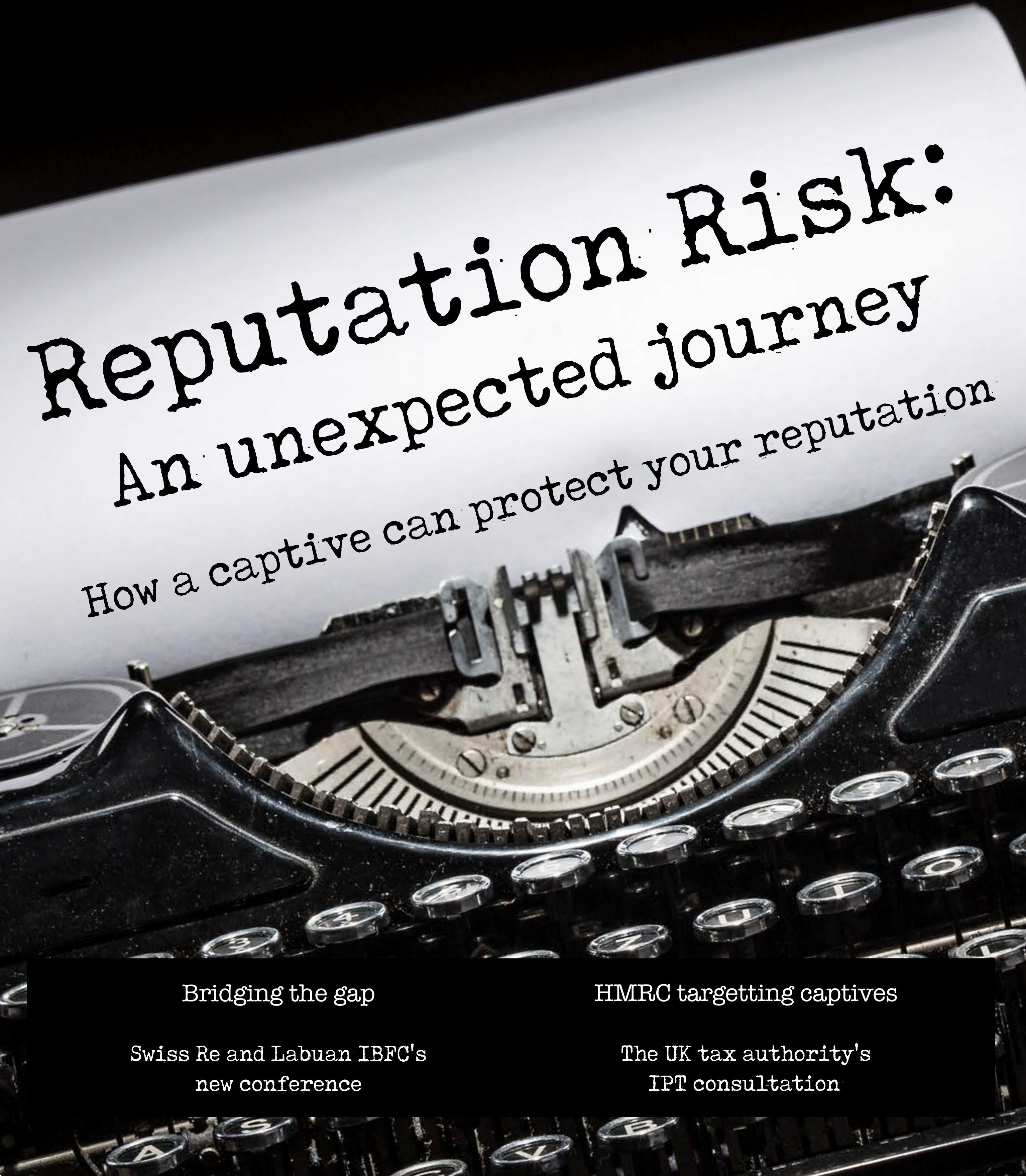
The primary source of global captive insurance news and analysis
ISSUE175 12 June 2019

Reputation Risk: An unexpected journey

How a captive can protect your reputation



Bridging the gap

Swiss Re and Labuan IBFC's new conference

HMRC targetting captives

The UK tax authority's IPT consultation

HMRC targeting captives in IPT consultation

HM Revenue and Customs (HMRC), the UK Government department responsible for the collection of taxes, is targeting captive insurance companies as part of its consultation on insurance premium tax (IPT).

The HMRC consultation on IPT is engineered to make it easy for taxpayers to pay the right tax at the right time and address instances of unfair outcomes.

HMRC issued a call for evidence on the operation of IPT, which is a tax on insurers that covers general insurance premiums for risks located in the UK, to assist with its review of the tax on 3 June.

Captives are one of the policy areas under review in the consultation, as HMRC noted they're "commonly located in overseas tax jurisdictions which can lack transparency", which means "the effectiveness of HMRC's statutory information powers is therefore limited in these instances".

HMRC is specifically focussed on establishing whether it is necessary to require captives to declare who their immediate or ultimate parent company are.

In the consultation, the HMRC explained: "Where a captive registers for IPT, the parent will normally be located in the UK."

"Currently, captives are not required to report who their parent entity is. This information would allow HMRC to better understand both the business of the insured party and the types of risks being underwritten."

HMRC added: "One option for addressing this includes a requirement at the time of registration to tell HMRC who a captive's immediate and/or ultimate parent is."

In order to assist HMRC to make a decision regarding captives, the consultation is asking for information "to help quantify the administrative impact on businesses from requiring captives to declare their parent". ■

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12 June 2019 - Issue 175

www.captiveinsurancetimes.com

Published by Black Knight Media Ltd

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Published by Black Knight Media Ltd
Company reg: 0719464

Cover image by
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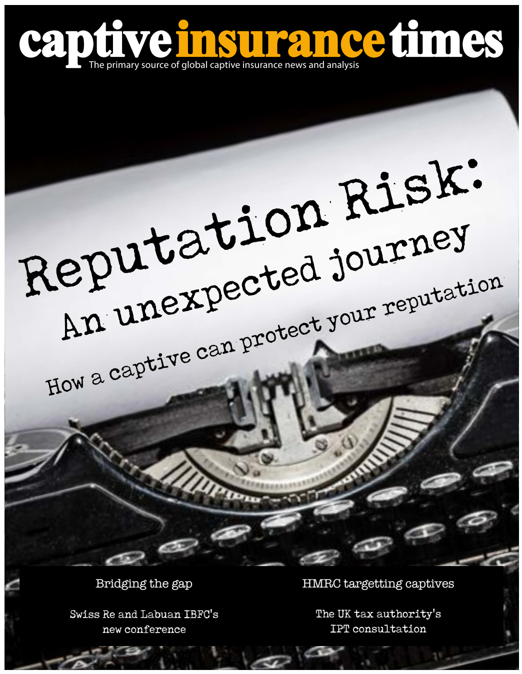

Contents

Labuan IBFC and Swiss Re launch conference to enhance captive awareness in Asia

The Labuan International Business and Financial Centre (IBFC) and Swiss Re Corporate Solutions are jointly organising a new conference in Kuala Lumpur, Malaysia, in August to enhance awareness of captive insurance in the region.

The event, titled "Adding Confidence to Captives: Managing Volatility via Self Insurance", will take place on 7 August and is open to all risk management professionals, business owners, global corporation leaders, and corporate advisors.

The conference is engineered to enhance the understanding of captive insurance and to close the education gap in the region–which has been identified as a key obstacle to the growth of captives in Asia Pacific.

According to A.M. Best, while there were an estimated 6,337 captives globally in 2018, just 2.8 percent were domiciled in Asia Pacific.

Labuan is one of the leading domiciles in the region, with 48 captives at year-end 2018, and saw continued growth in 2018, with insurance premiums rising by 19.1 percent and total gross captive premiums rising by 11 percent to $400.5 million.

Farah Jaafar-Crossby, CEO of Labuan IBFC, commented: "We are delighted to partner with Swiss Re Corporate Solutions, one of the world's leading providers of (re)insurance, and look forward to providing insights on risk management via self-insurance, especially captive insurance."

"With the ever-changing global challenges and changes, the need for risk management tools such as captives and protected cell companies is on the uptick."

"This joint conference is aimed at providing a platform to enhance knowledge and understanding among corporates with regards to these structures."

Hosting the conference alongside Labuan IBFC is Swiss Re Corporate Solutions, a Labuan-domiciled entity that provides risk transfer solutions to large and mid-sized corporations around the world and utilises self-insurance.

Andrew Martin, head of innovative risk solutions Asia Pacific at Swiss Re Corporate Solutions noted: "Self-insuring through captives is an established and cost-effective way of protecting your assets but can pose the risk of potential insolvency under certain circumstances." ■

"With the ever-changing global challenges and changes, the need for risk management tools such as captives and protected cell companies is on the uptick"

Farah Jaafar-Crossby, CEO of Labuan IBFC

(Photograph: Jeremy Cox, BMA Executive Chair)

BMA chair Cox receives 2019 Fred Reiss Lifetime Achievement Award

Jeremy Cox, executive chair of the Bermuda Monetary Authority (BMA), has become the fourth recipient of the Fred Reiss Lifetime Achievement Award.

Cox received the award at the Bermuda Captive Conference (BCC), which took place between 10 and 12 June.

The Fred Reiss Lifetime Achievement Award was launched in 2016 by the conference to celebrate the collaboration of outstanding captive insurance industry professionals and is presented at the conference every year.

The award is named in honour of Reiss, who conceived of the idea of self-insurance by which corporations could manage their own risks through a dedicated subsidiary, and launched the first captive in Bermuda in 1962.

Cox, a native Bermudian, joined the BMA in 2002 following roles in the Bermuda government's Registrar of Companies and as an auditor.

He was named CEO in 2010 and became executive chair in January this year, and is currently responsible for all supervisory activities conducted by the BMA, including oversight of banks, trust companies, investment businesses, insurance companies, and the board of directors.

Cox has led the BMA through multiple market milestones–most notably, its achievement of full equivalence with the European insurance regulatory regime Solvency II in 2016.

Cox received the award at the official conference opening on Tuesday 11 June and gave the BCC industry keynote speech on Wednesday 12 June.

He said he was "deeply touched and honoured" to receive the award.

Cox added: "I must acknowledge my BMA colleagues for their support and teamwork, and the responsible captive market participants who have never shied away from engaging in constructive dialogue with their regulator."

"This type of engagement has become a differentiating feature of the Bermuda regulatory experience and will continue to serve Bermuda well as we look to remain the premier domicile for captive insurance."

Conference chair Mike Parrish described Cox as "a key figure in the Bermuda market" due to "his leadership of the BMA during a period when it has won global recognition and respect".

Parrish noted: "His contributions to both the island's insurance industry and other financial services sectors have demonstrated a commitment and vision that not only helped the BMA become globally recognised, but, as a result, also strengthened the jurisdiction's economic future." ■

More captives writing third-party business in digital era, says Marsh report

The number of captive insurance companies writing third-party business rose by 22 percent in 2018 as the digital era expands the ways that organisations deliver insurance solutions, according to a report by Marsh.

The 2019 Captive Landscape Report also revealed that the increase in the number of captives writing third-party business was up 12 percent year-on-year and 62 percent over the last five years.

The report, which examines market trends in more than 1,100 captives managed by Marsh worldwide, notes that this increase could be due to the fact that technological advances, including mobile applications, are making it easier for organisations to offer insurance to their customers and suppliers today.

Marsh-managed captives writing such third-party risk generated net premiums of $162 million in 2018.

Additionally, there has been a 22 percent increase in the number of Marsh captives writing extended warranty coverage over the last five years.

In 2018, captives writing such coverage, which includes protection for a variety of assets from computers to automobiles, wrote more than $3 billion in net premiums.

Ellen Charnley, president of Marsh Captive Solutions, commented: "More risk professionals today are embracing captives as a tool to secure their organisation's futures, whether it's generating profits by underwriting third-party risks, accessing reinsurance, or providing cost efficiencies."

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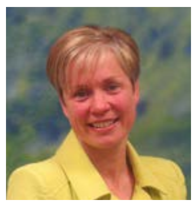
> Ellen Charnley, president of Marsh Captive Solutions



It adds that, by writing those third-party risks in a captive, parent companies can bring in additional premium and generate profits should the captive perform well.

Coverage for contractor, vendor, and customer risk, in particular, continued to rise steeply, increasing 138 percent among Marsh managed captives in the past five years.

She added: "No matter the structure or premium volume, captives offer flexibility to access and protect capital, accelerate business objectives, and facilitate the funding of programs that promote employee health, well-being, and safety." ■

CIC Services vows to continue fight against Notice 2016-66

CIC Services has vowed to continue its fight against Internal Revenue Service (IRS) Notice 2016-66, following the denial of its challenge in the US Sixth Circuit Court of Appeals last week.

By a vote of two to one, the Court of Appeals affirmed the decision made in the district court in November 2017 to dismiss CIC Services complaint against IRS Notice 2016-66 and request for an injunction delay Notice 2016-66 for micro captives.

There was, however, a dissent issued by one of the Court of Appeals' judges, judge Nalbandian.

Nalbandian suggested that the argument brought by the IRS that the Anti-Injunction Act blocks CIC's suit was not valid.

Sean King, general counsel at CIC Services, said that the company was "disappointed with the court's decision" but "thrilled by the very compelling dissenting opinion".

He explained: "The dissenting judge recognised that the majority was simply misapplying the Anti-Injunction Act in contravention of the 9-0 Supreme Court decision in the Direct Marketing case."

"We, and many others, believe the majority was in error and that the Anti-Injunction Act does not prevent a federal court from enjoining enforcement of this obviously illegal notice, despite that it is enforced by a so-called penalty tax."

King suggested: "The issue at hand–that is, whether or not the IRS can, unlike any other federal agency, continue to systematically enforce obviously illegal regulations just because they are enforced by an illegal 'penalty tax'–is much larger than just captive insurance or just Notice 2016-66."

"Indeed, it involves fundamental issues of liberty, fairness, and separation of powers. For those reasons, CIC Services will continue its fight on behalf of taxpayers everywhere. This is not over."

The path forward for CIC Services remains unclear, however, it expects to file a petition requesting en banc review of its case by all active judges on the Sixth Circuit.

King commented: "We are confident that a majority of the judges on the Sixth Circuit will understand the extreme public importance of this issue and will resolve the matter in a manner consistent with the Supreme Court's 9-0 Direct Marketing decision upon which our case relies." ■

NGIC ratings affirmed

A.M. Best has affirmed the financial strength rating of A- (Excellent) and the long-term issuer credit rating of "a-" of National Guaranty Insurance Company of Vermont (NGIC). The outlook of the Vermont-based captive's credit ratings remains stable.

The ratings support NGIC's role as the captive insurance company of Waste Management (WM), a leading company in the waste management sector.

According to A.M. Best, the captive continues to be an integral component of WM's risk management platform. Additionally, they're reflective of NGIC's "very strong" balance sheet strength, its strong operating performance, limited business profile, and appropriate enterprise risk management.

The captive benefits from the parental support and robust risk management strategies afforded to it from WM as important factors of the company's overall financial assurance programme.

Offsetting these factors partially is the large percentage of policyholder surplus loaned back to WM in the form of a 24-hour demand note that has caused liquidity measures to underperform its peers.

This factor is mitigated by WM's balance sheet size and operating cash flow, which could readily fulfill the loan obligation if required.

The Vermont Department of Financial Regulation monitors capital levels and requires the company to maintain a certain aggregate exposure to capital ratio.

The captive's expense ratio compares unfavourably with the surplus lines composite due to the nature of the financial assurance lines of business and expenses focused on mitigation.

However, the company has been able to reduce underwriting expenses significantly over the past five years to further benefit operating and net income.

The nature of their relationship means that changes in WM's credit risk can have an impact on NGIC's ratings, as the captive is dependent on WM's ability to support its credit risk profile, competitiveness and risk management.

> "The company has been able to reduce underwriting expenses significantly over the past five years to further benefit operating and net income"

The ratings agency's view of third-party credit ratings and market-based credit risk measures of WM indicates stability, which has resulted in NGIC's outlooks remaining stable. A material improvement in NGIC's operating performance while maintaining the appropriate level of risk-adjusted capitalisation could result in positive rating action.

Negative rating impact could occur if the company's balance sheet strength deteriorates materially to levels that do not support its risks, or if the parent experiences financial distress and deterioration to its credit profile. ■

PREMIUM INSURANCE COMPANY

Premium Insurance becomes latest insurer to make Malta/Gibraltar Brexit switch

Premium Insurance Company has relocated to Malta from Gibraltar as part of its Brexit preparations.

While the circumstances surrounding the UK's exit from the EU, or whether it will actually happen, remain uncertain, there has been significant traffic between Malta and Gibraltar in preparation for Brexit.

Following Brexit, Gibraltar will retain access to the UK market but will lose access to the EU market, while Malta will lose access to the UK market but retain access to the EU market–which has led to traffic between the two as companies look to secure access to their required markets post-Brexit.

Nigel Feetham, partner at Hassans International Law Firm, described this movement of insurers as a "two way Brexit strategy".

Premium Insurance was established in Gibraltar in 2015 and is authorised to carry out insurance activities in the Slovak Republic on the basis of the freedom to provide services in the EU member states.

In order to retain access to the EU market, the company has relocated to Malta, where it was authorised to carry out insurance activities by the Malta Financial Services Authority on 26 March 2019.

According to a statement from Premium Insurance, the relocation of the company and the change of regulatory authority "has no impact on business relations of Premium Insurance with its business partners and clients".

> "All insurance and other contracts concluded by the company Premium Insurance remain valid and rights and obligations of the contracting parties established by these contracts remain intact to the full extent."

Premium Insurance added: "All insurance and other contracts concluded by the company Premium Insurance remain valid and rights and obligations of the contracting parties established by these contracts remain intact to the full extent." ■

CIMA hails 'promising start' in first half of 2019

The Cayman Islands international insurance sector has made "a promising start to 2019", according to the Cayman Islands Monetary Authority (CIMA) insurance supervision division.

In the first quarter of the year, the Cayman Islands international insurance sector added 13 new insurer licenses and four portfolio insurance companies, with a further 5 insurer licenses added in April.

"New formations included traditional healthcare, pure and group captives as well as insurers formed as open-market (re)insurers to provide coverage to third parties"

A statement from CIMA revealed: "New formations included traditional healthcare, pure and group captives as well as insurers formed as open-market (re)insurers to provide coverage to third parties."

Not only has the Cayman market grown in terms of formations, there has also been a growth in the business done by existing insurers.

CIMA noted: "Group captives recorded growth in 2018/19 and as a result, total assets and premium written by the Cayman-based insurance companies increased from $14.3 billion and $62.8 billion as at 31 March 2018 to $15.4 billion and $68.9 billion as at 31 March 2019 respectively."

Additionally, CIMA praised the increased diversity of the new insurance companies being formed.

The association commented: "Whilst it is encouraging to see traditional captives, including healthcare captives, continue to be formed, it is promising to see increasing diversity of new insurance companies being formed in Cayman."

"It is evident that the global reinsurance markets have reacted positively to Cayman's reinsurance regulatory framework and expertise, and as a consequence, a number of reinsurance entities have established a reinsurance presence in the Cayman Islands."

"This includes re-domestications from other jurisdictions." ■

Roundstone distributes over $5 million to group captive participants

US group captive specialist Roundstone recently distributed more than $5 million to business owners across the US currently enrolled in one of its group medical captives.

Participants of the group captive, which include small- and medium-sized employers across a range of industries, were mailed individual checks throughout May and into early June.

"Helping these employers reduce their health care cost year-over-year is one of the most fulfilling moments for us here at Roundstone"

Roundstone's captive health insurance strategy allows employers to retain any money they do not spend on their annual healthcare.

Participants also share in the group captive's yearly performance, which Roundstone described as a win-win situation.

According to Roundstone, had the participants stayed with fully-insured carriers, the $5 million that has been distributed would have been pocketed by the insurance company as extra profit.

Mike Schroeder, Roundstone president, commented: "Helping these employers reduce their health care cost year-over-year is one of the most fulfilling moments for us here at Roundstone."

"Rewarding companies for their pursuit of value-added health care purchasing is important to our mission." ■

New York tax tribunal denies Stewart's Shops' premium deductions

The New York State Tax Appeals Tribunal has denied deductions made by Stewart's Shops (SS) for premium amounts paid to its wholly-owned captive insurance company, Black Ridge Insurance Company (BRIC).

For the tax years from 2006 to 2009, SS, a New York corporation that owns convenience stores and gas stations in upstate New York and Vermont, deducted insurance payments that it made to its captive.

Following an audit into SS' franchise tax returns between 2006 and 2009, the New York Department of Taxation disallowed the claimed deductions and found that the company owed $2 million, plus interest and penalties.

SS then appealed the decision through the Division of Tax Appeals.

In response to that appeal, the administrative law judge determined that the payments to the captive did not constitute insurance premiums under federal tax law and were therefore not deductible from SS' net income for franchise tax purposes.

The judge did, however, dismiss the penalties as it found that SS had acted in good faith when making the deductions.

SS then sought a review of the judge's decision through a New York State Tax Appeals Tribunal, however, the tribunal's final decision was to confirm the previous determinations to deny SS' deductions for premium amounts paid to BRIC, without assessing any additional costs or penalties.

The Tribunal

The tribunal determined that federal law applied in concluding that SS was not entitled to a deduction from its entire net income for insurance premiums paid to BRIC.

SS then highlighted an amendment to New York Tax Law in 1997 that it argued authorised the creation of captives and intended to establish a favourable tax regime, including allowing a parent company to deduct the insurance premiums paid to its captive as a business expense on the parent's franchise tax return.

The tribunal disagreed, suggesting that though the 1997 amendment did set a competitive tax rate for captives and establish certain assessments to be paid by a captive, it did not amend the tax law to "provide a statutorily enumerated deduction for premiums paid by a parent corporation to a captive".

Additionally, the tribunal suggested that, other than SS' assertion that the deductibility of premiums was a critical part of the new captive structure, it was unable to highlight any clear part of the 1997 legislation which "actually provides for the deduction it now seeks".

An important footnote

In Footnote 1 of the memorandum and judgement, the tribunal suggested that SS could have structured the captive arrangement so that requisite risk shifting and risk distribution were included so that the payments to the captive would have "met the criteria for bona fide insurance payments and been tax deductible under federal law".

The tribunal suggested: "BRIC could have, among other things, insured affiliated companies, formed a group captive insurance company or reinsured its risk with a third-party insurer."

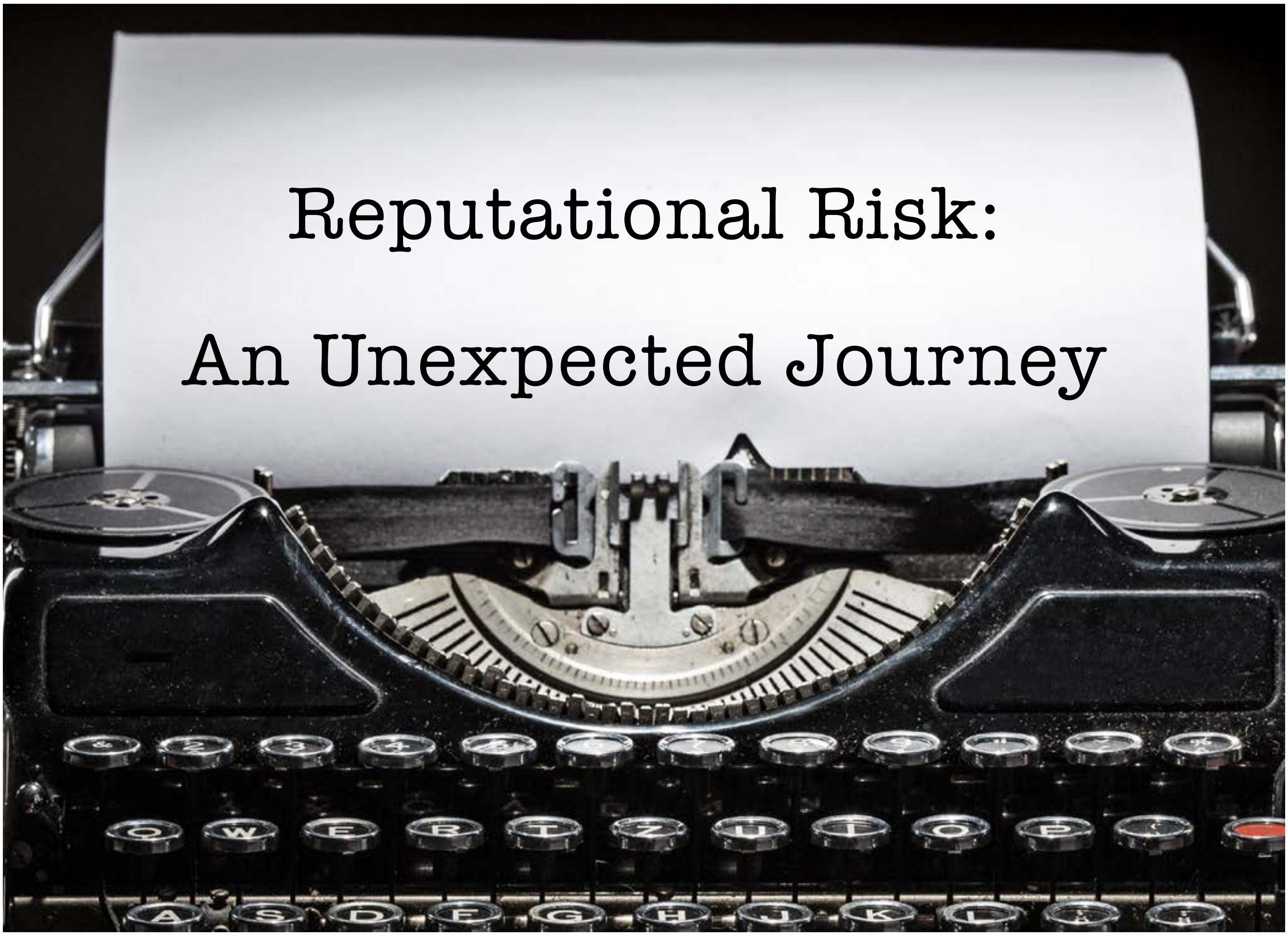
Adkisson's analysis

Writing for Forbes, Jay Adkisson, partner at Riser Adkisson, noted that the case illustrates another issue with state taxation of captives–the assumption that because a state has special premium taxes for captives that premiums paid to the captive will be deductible for the parent.

He suggested that there are likely more captives making the same assumption and waiting to find out they're also mistaken.

More than 600 cases involving risk-pooled 831(b) captives are currently docketed before the US Tax Court, and Adkisson predicted that as well as other tax law challenges, "it could come as a nasty shock for captive owners to have their deductions against state court corporate income taxes denied as well".

He added: "It is probably worth having competent captive tax counsel review the arrangement, particularly if one is doing business in New York." ■



Reputational risk has historically been seen as a marketing issue, but Nir Kossovsky of Steel City Re explains how insurance and, more specifically, captives, can be used to tackle the risk to your reputation

When you think of a company's reputation, it might strike you as a marketing topic, certainly not something for your risk department to look at. Yet, in recent years, the risk of a reputation loss and its potentially financially damaging effects has driven companies and brands to refocus their efforts into looking at reputation risk as an insurable interest.

Nir Kossovsky, CEO of Steel City Re, a reputation risk management company offering robust risk management solutions for both a company and its board, says captives are "key" to the reputation risk financing effort.

An unexpected party

Steel City Re entered the insurance markets by first providing pricing underwriting support to captives, and later by reinsuring such risks through the more traditional risk transfer markets.

"A captive can create huge value for a company, just by having the capital reserve to let the credit markets know that, even if there is a short term temporary shortfall, the cash flows (which might arise from customers backing off or rapid employee turnover) will not be materially affected." Kossovsky observes.

"A captive can actually protect the cost of capital to a firm and provide a measurable return on investment on the avoidance of an increased cost of capital."

Reputation is based on a stakeholders' expectations of a company's real-world performance, an expression of what stakeholders value in a company's quality, ethics, safety, security, innovation and sustainability.

Reputational risk can therefore be defined as the peril posed by a company's potential failure to meet those expectations, often because they do not align with a company's real-world capabilities.

Reputational crises occur when stakeholders become aware of the differences between their expectations and reality. This could then translate into material, economic or political losses.

But Kossovsky says reputational risk is still misunderstood by many companies.

According to Kossovsky, narrow thinking on this topic has existed for nearly 20 years, even as boards have been prioritising surveys on the importance of reputation to their businesses.

Businesses have also been disclosing both the value of corporate reputation and the materiality of risks to reputation with regulatory filings, but Kossovsky says that, until now, their solution has been to task marketing and communications departments with reputation risk management.

Some even deploy different social programme strategies, such as corporate responsibility and environmental, social and governance responsibilities, in lieu of more traditional risk management strategies, such as insurance.

What companies are discovering now, and where Kossovsky believes there is a massive opportunity for captives, is that reputation is more an issue for the risk side of the house than for the marketing side.

That's not to say that firms haven't been insuring against reputational losses.

According to Kossovsky, some companies have been using captives for this for decades. Steel City Re has provided underwriting support for around 300 of these.

He adds: "Most companies have historically treated reputational risk and crises as conversation topics, or 'acts of God' similar to 19th century company outlooks on lethal steam boiler explosions. As most insurance professionals know, our industry helped put a stop to that string of crises with better engineering backed by insurances."

"The same holds for reputation risk today. Financing reputation risk through captives, along with better governance engineering, represents a terrific opportunity for captives to provide huge benefits to their parent, as well as a significant opportunity for captives to improve their overall financial performance."

Kossovsky reflects: "In simple economic terms, financing reputation risk is a strategy through which companies can help insure their intangible assets, which today on average are four times more valuable than the tangible (property) assets that most companies typically insure."

Kossovsky jokes that some firms would have a better time with their reputational risk if their stakeholders expected nothing from them.

He adds: "The intensity of reputational damage and potential losses are a result of how strong the emotional connections are and the degree to which stakeholders are angered."

"The intensity of reputational damage and potential losses are a result of how strong the emotional connections are and the degree to which stakeholders are angered"

Nir Kossovsky, CEO of Steel City Re

Out of the fying-pan into the fire

As the world has transitioned online and the world of reputation risk has enlarged, a number of areas have emerged with traps and pitfalls for reputation.

Kossovsky describes reputational risk as a “three-legged peril”: there must be an expectation, that expectation must not be met, and that causes disappointment.

The degree of this disappointment has to be sufficient enough to evoke an emotional response, because that is what drives the damaging economic and political behaviours.

Kossovsky points to boycotts, resignations and internal litigation as some of the damaging behaviours the public may have been made aware of in recent years.

In the digital world, social media can be an “incredible amplifier for emotion”, Kossovsky says.

“The psychology of social media is ‘we share because we care’.”

“The more somebody cares about an issue, the more likely they are to share it on social media,” he adds,“one can have an expectation or disappointment by both direct and indirect experiences”.

Social media has expanded the range of potential stakeholders who may become disappointed and exercise their economic power in anger. With quicker and wider broadcasting of potential issues, more of the population is effected, leading to greater backlash.

“Even regulators—human beings with emotions— have the freedom to apply the law or give the company a break, so the intensity of emotion is an important driver of reputational damage, and why crisis communications professionals believe apologies are so important.”

In this sense, captives are a great help due to their increased capital reserves capacity and better preemptive storytelling as part of a reputation risk management strategy, Kossovsky notes.

“The roles that captives play is, in part, setting the expectations of the capital markets by providing reserves to cover the shortfall in the even that something bad happens,” he observes, “it’s a very important signal to be sending out”.

Fire and water

One might imagine that a reputational risk management strategy would be confined to large businesses with full marketing departments, but Kossovsky says that a reasonable fraction of Steel City Re’s captives are actually smaller, privately-held firms who are well known in their community.

> If the owners’ behaviours end up being disappointing through ethical or safety issues, it is not certain that these firms could recover”

The expectations of these locally owned businesses are “very high” and the value of these firms are tied to stakeholders’ expectations of the owners.

Kossvsky says: “If the owners’ behaviours end up being disappointing through ethical or safety issues, it is not certain that these firms could recover.”

And Kossovsky argues that reputational risks need to be understood by businesses from day one.

He adds: “Adverse reputations can be a body blow to any company, particularly those that do not have the resilience to withstand that loss.”

Even when alleged misbehaviours are not truthful, just allegations may be sufficient to tarnish the reputation of a firm that has not yet built up its resilience.

In any case, captives are key to a reputational risk strategy, from its increased capital reserves, to the story a captive tells in managing your reputation.

Kossovsky says that being able to tell stakeholders that your business understands the real world of behavioural economics at a governance level through systems, oversight and risk management is how you both create your reputational value and protect it in the event of potential disappointment. ■

Bridging the gap

The Asia Pacific region has been dog-eared by many as a region with great potential, but it still faces an education gap. Swiss Re and Labuan IBFC have collaborated to launch a new conference that hopes to help close that gap

As a region, Asia Pacific appears to have been dog-eared by the captive industry for substantial growth.

Despite the large economies it contains, such as China and Japan, the region currently makes up a very small segment of the global captive market—as of 2018, just 2.8 percent of an estimated 6,337 worldwide captives were domiciled in Asia Pacific.

The last five years has seen growth accelerate as captive structures continue to become popular.

According to Marsh's 2019 Captive Landscape Report, Asia Pacific has shown robust growth in terms of numbers of captives over the past five years, up 11 percent; substantial growth in both the number of captive parent companies domiciled in the region, up 24 percent; and captive gross premium, up 116 percent to $1.1 billion.

A.M. Best has tipped the region for significant growth, as businesses continually seek new and more sophisticated risk management strategies.

Particularly, A.M. Best emphasised the growth of small- and medium-sized enterprises (SMEs), which it believes will fuel a rise in the prominence of Asia's economies, and will motivate these SMEs to evolve their capital and risk management strategies.

The ratings agency said that not only will captives become more of a focus as part of a robust internal risk management strategy, but that captive domiciles in the Asia Pacific region will also thrive.

The "abundant growth potential in the region" that A.M. Best references is not without its challenges, particularly surrounding the education gap that is present. A.M. Best noted: "Not only is there limited information available on captive insurance and its benefits in Asia, but also there are few avenues for businesses to turn to for more information."

Discussing the region in Captive Insurance Times in October 2018, Anthony Egerton, principal officer of Huntington Underwriting, referenced the education gap as a key obstacle.

He said: "Even in the developed markets like Japan, there is an education gap and a learning curve needed to go through with many organisations."

Closing the gap

There are a number of organisations in the region working to close this gap by running roadshows and conferences. Among these are the Labuan International Business and Financial Centre (IBFC), who are collaborating with Swiss Re Corporate Solutions to launch a new conference in August this year.

The event, 'Adding Confidence to Captives: Managing Volatility via Self Insurance', will take place on 7 August at Sasana Kijang, Bank Negara Malaysia, in Kuala Lumpur, Malaysia, and is aimed at enhancing the knowledge and understanding around captives in the region.

"It is about creating awareness and dispelling misconceptions," explains Andre Martin, Swiss Re head innovative risk solutions, Asia Pacific, and Veng Hoong Loh, Swiss Re senior structurer, Asia Pacific. "In particular, around the possibilities and benefits a captive can bring as an integral part of corporate risk management."

"With a growing and maturing corporate landscape in Asia, as well as a change in market conditions, we see very promising potential for captives and alternative risk solutions in Asia. Events like this are an efficient platform to create awareness and showcase the benefits of captives as an integral risk management tool."

Farah Jaafar-Crossby, CEO of Labuan IBFC, suggests that the conference is "a joint effort with Swiss Re to breach the education gap".

Jaafar-Crossby explains: "Labuan IBFC has always been cognisant of the need to raise awareness on risk management tools such as captives and protected cell companies. Being a leading international financial centre in the region, Labuan IBFC is always on the lookout for opportunities to raise awareness about risk management tools that are beneficial to the business community."

The event

According to Jaffar-Crossby, attendees to the one-day event can expect "a comprehensive overview of captives as a cost-effective self-insurance tool, market trends, and practical tips to ensure successful captive projects" from a line-up of experts from the region, including multiple speakers from Swiss Re; a representative from the Pan-Asia Risk and Insurance Management Association (PARIMA); George McGhie, managing director, Asia Pacific captive practice, Willis Towers Watson; Danial Mah Abdullah, director general, Labuan Financial Services Authority; and Roshan Perera, partner, Asia consulting, NMG Consulting.

The conference's key focus will be captives, but Jaffar-Crossby notes that "the concept is really twofold".

She expands: "First off, we will discuss the benefits of self insurance, especially captives, and then there will be a discussion on the best way to manage the captive moving forward, for example, how can the captive play an active role in meeting the risk management needs of a corporate. So the content goes deeper than just general captive set up."

The idea for the event, and collaboration, has been in the pipeline since November last year, when Labuan IBFC reached out to Swiss Re and, according to Martin and Hoong Loh, it was an opportunity which was of particular interest.

"We host many corporate business event in the region and globally," say Martin and Hoong Loh.

"These kind of events are important because they enable us to connect with current and prospective customers, as well as building business relationships with them, and to be known in the industry. This is especially important for us in Malaysia as we set up our Kuala Lumpur office in 2017."

Plans for the conference have been underway since the start of 2019, and Martin and Hoong Loh state that attendees should expect "an exceptional day of learning through interactive sessions, high-quality keynote speakers and presenters as well as the opportunity to learn from, and network with like minded peers in the industry and captive owners".

The organisers predict attendance numbers to be around the 100 mark, but stress that they hope for even more than that.

"There is room for more," explains Martin and Hoong Loh, "we're hoping, with the calibre of speakers and wealth of topics being covered, for a full-house."

Growth

Counteracting the education gap through events such as the conference will not guarantee growth in Asia Pacific's captive market, however, as discussed previously, contributing factors have led to many in the industry highlight the region as having great potential.

Jaafar-Crossby, Martin and Hoong Loh all feel that Asia Pacific will see significant captive growth in the near future, partially down to events similar to the August conference.

Martin and Hoong Loh note: "Overall, through more educational events like this and industries bodies, such as PARIMA, risk management is growing as a discipline in Asia. Furthermore, at the board level, the benefit of a connected and strategic approach to risk management is more widely recognised and this is leading to the growth of new and centrally controlled risk programmes–including the use of captives."

"While the current number of captives in Asia is still relatively small compared to Europe and the US, we clearly see increased interest from Asian clients in using captives as a strategic risk management tool. As such over the past years we have seen a steady growth of captives in Asia but also a stronger involvement of existing captives in risk retention and risk management."

Jaafar-Crossby commented: "While the number of captives is still low, there is reportedly steady growth in the Asian captive space as the region's insurance and risk management community continues to develop."

"Asia Pacific is really waking up to the potential of self-insurance, especially captives hence the tremendous potential for growth compared to more mature markets such as North America and Europe." ■

Industry Events 2019

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June 19-20	November 13-14	December 04-06

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Movement at the NCCIA and much more

The North Carolina Captive Insurance Association (NCCIA) has elected three new members, Mike Meehan, Diana Hardy, and Adam Forstot, to its board of directors

The new board members were elected at the NCCIA board of directors' Spring Meeting for a three-year term starting 1 January 2019.

Meehan is a senior consultant at Milliman, a company which he served for 26 years.

He is a familiar face in the captive industry, having previously served on the NCCIA conference committee, the NCCIA board, and as treasurer of the Vermont Captive Insurance Association.

Hardy is audit manager at Rives & Associates and has nine years of experience in public accounting.

She has been an active member of the NCCIA and has previously served on the association's conference committee.

Forstot, vice president of business development at Artex Risk Solutions, has more than 15 years of experience in the captive industry across multiple domiciles.

In addition to serving on the South Carolina Captive Insurance Association Education Committee and playing an active part in the NCCIA's educational presentations, Forstot has frequently lectured at NCCIA meetings.

Insurance Europe, the European insurance and reinsurance federation, has named Frédéric de Courtois as vice-president, for a three-year term

De Courtois, the general manager of Generali, was elected on 22 May at Insurance Europe's general assembly meeting in Bucharest and succeeds Torbjörn Magnusson, future group CEO and president of Sompo.

An insurance industry veteran with more than 25 years of experience, de Courtois has held multiple management roles in the industry, including CEO of AXA Italia.

Insurance Europe president, Andreas Brandstetter, CEO and chairman of UNIQA Insurance Group, said he was delighted to welcome de Courtois to the "important role".

He added: "Frédéric de Courtois brings with him a vast wealth of knowledge about our industry and I am looking forward to working together with him to represent our industry."

Brandstetter also thanked Magnusson for his service over the past six years and praised him, particularly for his work "in the area of new technologies and how they impact insurers".

De Courtois commented: "I am honoured to have been elected vice president and look forward to representing the European insurance industry, which makes a huge contribution both to our society and our economy."

"I will work hard to ensure that the regulatory environment for insurers properly reflects their business model and enables them to continue to deliver the best results for their clients."

David Lewis will join Strategic Risk Solutions (SRS) Europe, effective 1 October.

Lewis, who currently works in Willis Towers Watson's global captive practice, will work as managing director at SRS Europe, based in its London office.

His duties will include global growth initiatives, strategic planning and client service delivery.

Lewis commented: "I have had the opportunity to work with many of the industry's leading professionals and firms in my career to date."

"However, I have always held a deep respect and admiration for independent firms and am enthusiastically looking forward to now joining one as established and existing as SRS."

"SRS has an impressive track record in serving its clients. I look forward to this next adventure in my career to support SRS as they continue to export the successful client service model and advisory services in to Europe."

Brady Young, president and CEO of SRS, added: "If you speak to many in the captive industry about David Lewis the feedback is consistent, a genuine professional and personable colleague, an individual always willing and able to deliver."

"Our successful model is attributed to attracting and retaining world class talent to serve our clients with the high standards we demand of ourselves. I am delighted to welcome Lewis to SRS and look forward to his no doubt valuable contribution to the firm"

Stuart King, president of SRS Europe, said: "We have built a solid foundation for SRS in Europe and see strong opportunities for expansion in a number of targeted sectors."

"Lewis' extensive experience in the captive industry as well as his ability to successfully build businesses will be invaluable as the firm enters its next phase of expansion in to major European captive domiciles."

Eurobase International Group has appointed Mark Broadhurst as group director insurance and a member of the group board

Broadhurst has more than 28 years of experience in the insurance industry and was previously European director at Aviva Corporate and Partnerships.

An international provider of software and services for financial institutions, Eurobase is the producer of synergy2, a comprehensive web-based solution for captives that provides transparency, efficiency and regulatory compliance.

Broadhurst noted that he was delighted to be joining Eurobase at "what is a great time of opportunity".

Matt Russo has rejoined RMC Group as vice president of operations after five years away from the company.

RMC is a global provider of insurance, risk management, retirement, and actuarial consulting services.

Russo, who previously worked at RMC between 2009 and 2014, will be responsible for providing direction and assistance to each division head in connection with the placement of business. He will also be responsible for developing new processes and procedures for multiple divisions within the RMC Group.

Russo has more than 14 years of experience with a diverse background in risk management and engineering.pleased to welcome Russo back. ■