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February 2022 - Issue 240

An attractive domicile

A discussion of trends in the captive market of Malta, as well as the island's regulatory environment

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Atlas Insurance PCC Limited is a cell company authorised by the Malta Financial Services Authority to carry on general insurance business.

Vermont licensed 45 new captive insurance companies in 2021

Forty-five new captive insurance companies were licensed in Vermont in 2021 — the same year the state celebrated its 40th year in the captive industry. Vermont is now home to 620 licensed captives, consisting of 589 active and 31 dormant captives, while the 52 sponsored cell captives currently host nearly 500 cells and separate accounts, in addition to the licensed captive companies.

The new captives were licensed in 17 different industries, the main industries being healthcare, real estate, manufacturing, insurance, and transportation. At least five of Vermont's new captives in 2021 were formed by companies with international roots, including the UK, Japan, Germany, Russia and Australia.

Vermont has been experiencing growth in the number of new cells within sponsored captives, at a similar pace as new company licenses, with nine of the 45 new companies formed in 2021 being sponsored cell companies.

Brittany Nevins, captive insurance economic development director for the state of Vermont, says: "Not only are new captives forming at a rapid rate, but fewer captives have been dissolving this year than we typically see. This speaks to the strength of captive insurance as a long-term risk management tool and is something we expect to continue to see with the continuation of the hard insurance market."

Rich Smith, president of the Vermont Captive Insurance Association, comments: "It has been an incredible year of celebrating Vermont's rich 40-year history. The growth this year speaks to the expertise of Vermont's regulators and industry service providers, the consistency of support for captives in the legislature, and the ability of all involved to adapt to the fast-changing needs of the industry during these volatile times." ■

US drone manufacturer forms first-of-its-kind captive subsidiary

Aquiline Drones Corporation (AD) has completed the licensing process to set up the captive insurance subsidiary Aquiline Drones Indemnity Corporation (ADIC), making it the first US drone manufacturer to do so.

Established through the State of Connecticut Insurance Department, under the insurance license, AD will assume the risk of its whole group of companies (including partners and affiliates, such as Drone Vault and Aerialtronics), as well as indemnify its range of products and services administered nationwide by professional drone service providers.

ADIC will primarily write insurance policies to cover multiple lines of commercial unmanned aerial vehicle (UAV) operations based on AD's definitive risk mitigation and management practices.

These protocols are supported by advanced analytics, data and technological processes (such as drone manufacturing, cloud-connected drone operations and drone safety training) from AD's vertically-integrated ecosystem to maximise safety.

Barry Alexander, founder and CEO of AD, explains the reason for forming a captive subsidiary: "As a company founded by veteran airline pilots, safety has always been paramount to us and is the cornerstone of our growth. There are so many hobbyists and inexperienced drone operators out there who have not completed any formal UAV/drone training, nor do they have access to appropriate and flexible liability coverage.

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Labuan IBFC is a wholesale financial, risk and wealth management intermediation centre that also boasts a wide range of business structures including solutions for fintech or digital businesses. It is also home to the world's first sukuk and is acknowledged as an Islamic financial hub.

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"Our goal is to introduce various aspects of safety at every level and opportunity in a UAV/drone operations environment, for every drone business or individual operator, in keeping them safe and compliant as well as protecting the interest of the general public."

Fenhua Liu, assistant deputy commissioner of the Connecticut Insurance Department's captive insurance division, adds: "Captive insurance companies have been around for more than 100 years, but the drone industry is flying into new territory. AD has broken new ground by creating ADIC to assume the risk of its entire group of companies."

FERMA: Captives should be automatically classified as low-risk undertakings

The Federation of European Risk Management Associations (FERMA) has called for captives to be automatically classified as low-risk profile undertakings in the European Commission's review of the Solvency II regime.

In its position paper, FERMA says it "welcomes the significant strides made in the Commission's proposed amendments to Solvency II in regards to proportionality, in particular the new classification of 'low-risk profile undertakings'".

This includes the Commission's formal recognition that captive insurance and captive reinsurance undertakings present a specific risk profile that must be taken into account when defining some requirements. However, the association continues that the regime could be further amended to reduce complexity for small insurers. The position paper states: "We believe that Solvency II could be even more proportionate for captives, which both operate in a very specific risk profile and provide European enterprises with a different option of risk transfer, which is crucial in current market conditions.

"FERMA therefore calls for captives to be treated automatically as low-risk profile

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undertakings, based on their specific low-risk profile — that is, unless the captive poses a systemic risk or has been in breach of its solvency requirement in the last three years."

The association estimates that between one-quarter and one-third of its members use or manage captive insurance and captive reinsurance entities. These members will be directly impacted by changes to the amount of capital needed to meet reporting requirements in the Solvency II review.

In addition, these members will be indirectly affected as any changes to capital, risk management or disclosure requirements for insurers will impact their individual and corporate clients.

FERMA concludes: "Captives are an essential part of a vibrant and competitive EU insurance market. The role that captives play in supporting European enterprises expanding the scope of available insurance coverages, in reducing total cost of risk, in consolidating and mutualising group risks, and in leveraging and increasing the negotiation power of a multinational corporation towards the traditional insurance market, could be viewed as particularly important at this juncture where insurance coverage for several large risks is diminishing."

Massachusetts sees support for crumbling foundations captive bill

The Massachusetts legislature has seen increased support for Senate Bill 548, 'An act relative to crumbling concrete foundations', following a hearing by the Joint Committee on Environment, Natural Resources and Agriculture.

The bill was introduced by Anne Gobi, Eric Lesser, Brian Ashe, Joanne Comerford and other members of the Massachusetts General Court to establish legislation relating to crumbling concrete foundations.

It is very similar to the bill passed by the Connecticut legislature in June last year following the discovery that many residential and commercial buildings in the state had been constructed using concrete made from stone aggregate mined from a quarry containing pyrrhotite, a mineral which deteriorates concretes and causes cracks in building foundations.

Under the Massachusetts act, if pyrrhotite is detected by a testing laboratory, a permit may only be issued if the materials mined from the quarry are not then used in aggregate product to make residential or commercial foundations. If they are used, the contractor and quarry owner and operator are liable for property damage, according to the bill.

Owners of real property in Massachusetts built on or after 1 January 1983 or within a 50-mile radius of Stafford Springs, Connecticut may apply for a residential property abatement with their board of assessors.

The bill reads: "A captive insurance company may operate in Massachusetts for the purpose of providing assistance to owners of residential buildings with concrete foundations that have deteriorated due to the presence of pyrrhotite, including overseeing the evaluation, repair, replacement and reimbursement of qualified residential crumbling foundations."

If passed, this bill would see the creation of a captive insurance company similar to the Connecticut Foundation Solutions Indemnity Company, which was signed into a permanent entity last July.

Stealth Captive Solutions formed to provide self-funded health plans

Stop-loss general agency Stealth Partner Group has launched Stealth Captive Solutions to provide employers with flexible, self-funded health insurance plans.

The agency works with brokers, consultants and third-party administrators to implement and manage medical stop-loss and ancillary benefits with leading carriers, while Stealth Captive Solutions is designed for companies with between 50 and 500 employees seeking to transition from being fully-insured to a self-funded healthcare plan.

Formed in response to the continued rising cost of healthcare, the cooperative risk share solution enables employers across any industry to associate together in a captive or an alternative customised risk-sharing environment.

Employer groups can band together under one umbrella with Stealth Captive Solutions to capitalise on economies of scale, while retaining flexibility in their own medical and prescription plans, as well as health and wellbeing programmes.

The new solution also contains integrated programmes from Stealth's Sentinel Solutions portfolio, including patient assistance and dialysis carve-out, to achieve cost containment.

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monthly reporting — such as projected cost data, projected group risk data and consolidated self-insured claims data — to advise decision-making and reduce volatility and unpredictability.

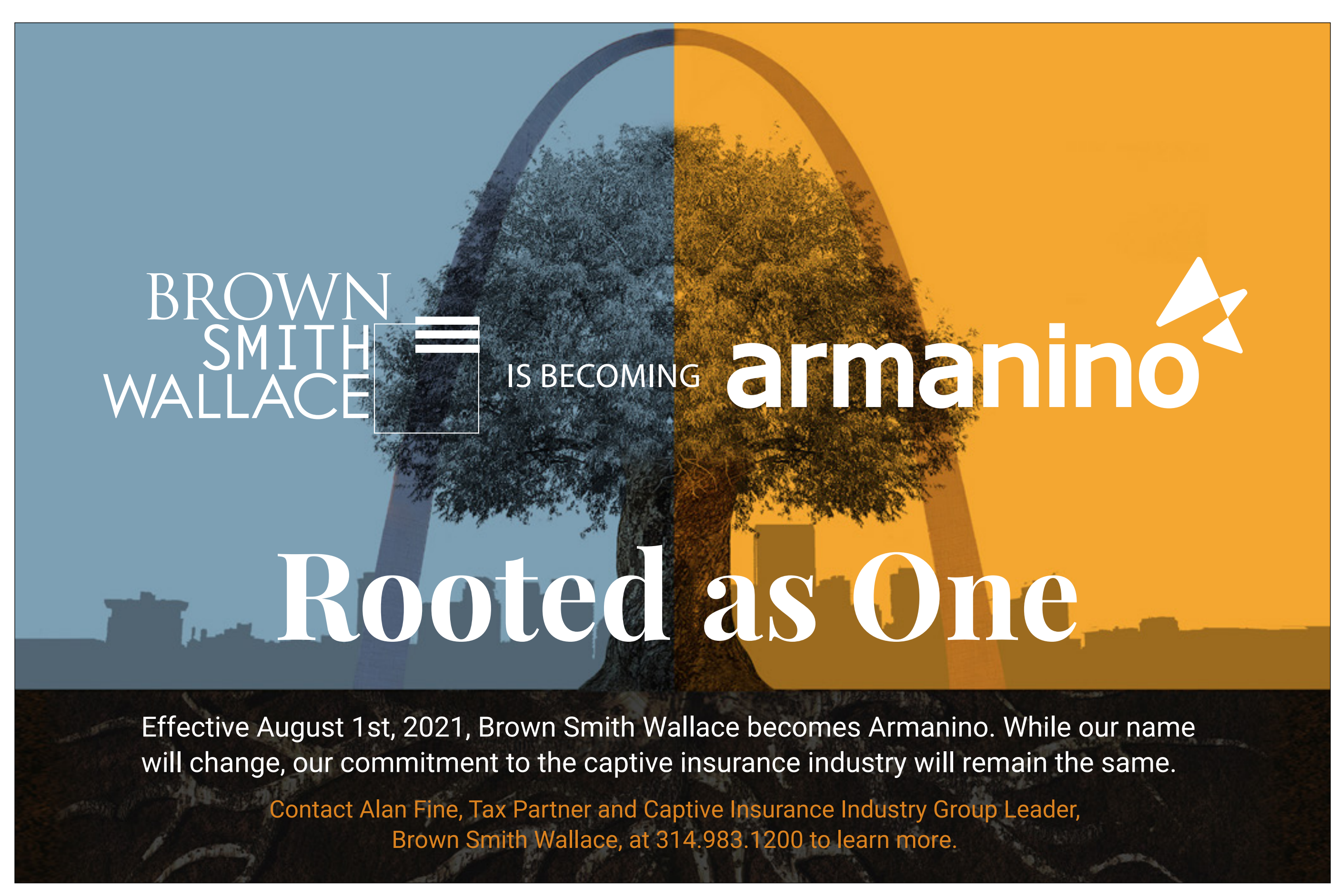
Harley Barnes, co-CEO of Stealth Partner Group, comments: "Across the board, we are seeing more employers turn to self-funding as the cost of healthcare continues to skyrocket. Not to mention, proactive health risk management is increasingly becoming a priority for employers looking to attract and retain top talent during current labour market constraints.

"We are launching Stealth Captive Solutions to empower these employers to pool together with other like-minded organisations to leverage a higher volume of members to gain access to lower health costs, with more choice."

Josh McGee, vice president of programme development at Stealth Partner Group's specialty division, adds: "With the launch of Stealth Captive Solutions, we are looking forward to equipping our existing and prospective clients with best-in-class solutions and support in the dynamic healthcare space."

Specialty Captive Group acquires assets of Sedgwick alternative risks services division

Specialty Captive Group, part of holding company Specialty Program Group, has acquired the assets of Sedgwick's alternative risks services (ARS) division. The captive group offers alternative risk solutions and captive management services to a range of clients in North American domiciles, including captive feasibility, captive consulting, captive formation and captive management capabilities.



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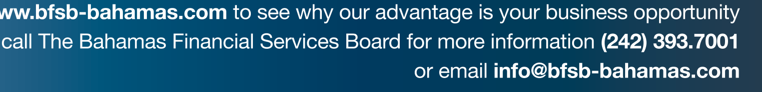


The ARS division of Sedgwick, a provider of technology-enabled risk and business solutions, has diverse experience in captive and risk management.

The acquisition will consolidate Specialty Captive Group's risk management offering, with the ARS team remaining intact and continuing to administer services to its captive members and broker partners.

John Yaple, senior vice president of Specialty Captive Group, comments: "The ARS team is an experienced group of captive programme administrators who will provide great value to our clients seeking guidance and solutions utilising group captive solutions.

"We are pleased to continue to expand our growing platform of independent alternative risk products and programmes available to our clients."

Shelly Caprio, vice president of Sedgwick Alternative Risk Services, adds: "The ARS group is excited to join Specialty Captive Group with its tremendous resources and depth of captive expertise. We are looking forward to becoming part of a growing innovative captive team."

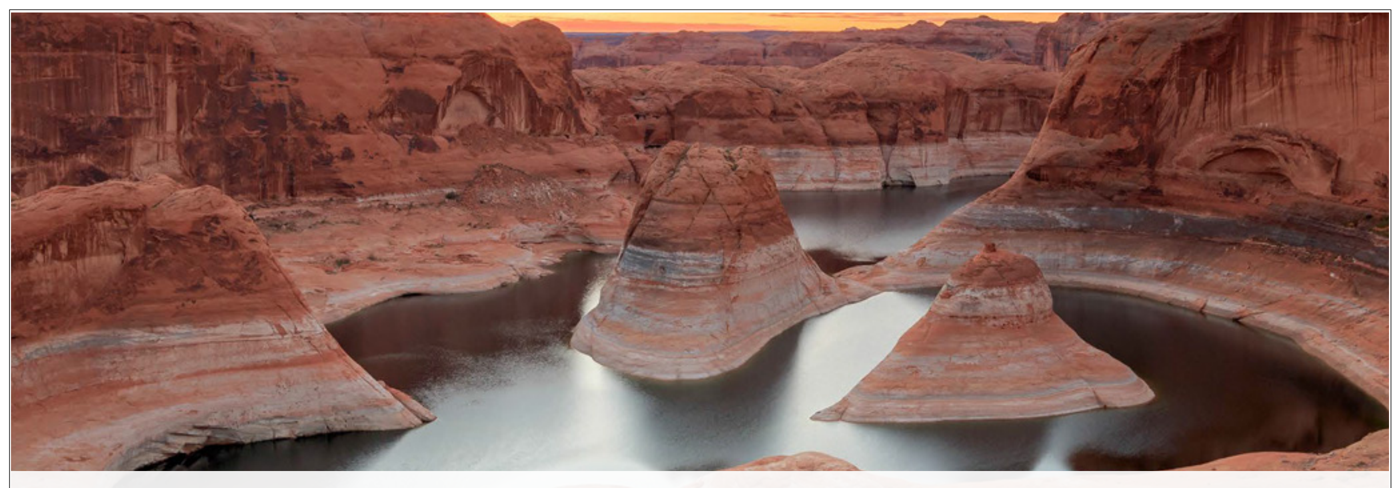
Cowbell Cyber launches cyber insurance captive

Cowbell Cyber Inc has formed a new captive, Cowbell Re, to provide additional capacity to help address the growing demand for cyber insurance in 2022.

As an artificial intelligence (AI)-powered cyber insurance provider for small and medium enterprises (SMEs), Cowbell Cyber observed more than US$200 million in premium run-rate in 2021, driven by its AI-assisted underwriting.

This modern underwriting is supported by data, AI and the cyber insurance industry's largest risk pool, which comprises 21 million accounts covering 62 per cent of US SMEs.

As a licensed insurance captive in the state of Vermont, Cowbell Re will help policyholders to build cyber resiliency and close insurability gaps. The captive will also provide more flexibility for companies to address their loss control strategy and underwriting precision. ■



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EU cell solution to hard market

Ian-Edward Stafrace of Atlas Insurance PCC shares how Maltese-domiciled protected cells make owning an onshore captive or carrier more accessible and feasible during this hard market

Rebecca Delaney reports

images by peterschreiber.media/stock.adobe.com

Malta continues to see higher growth in cells compared to standalone captives — by September 2021, insurance-carrying cells grew 18 per cent to 72, outnumbering both captives and non-domestic insurance undertakings. With risk managers and insurtech innovators facing common issues, the understanding of cell solutions in continental Europe has increased as companies seek alternative approaches to tackle the hard market, Brexit and higher stakeholder expectations.

Protected cells are often more capital and cost-effective than having a standalone carrier or captive. The difference is even starker within the EU, where the costs of a more robust regulatory environment are significantly mitigated when shared within a protected cell company (PCC) structure.

Hard market

With higher premiums and reduced insurer appetite and capacity, EU onshore cells provide an increasingly feasible solution for those wishing to finance their risks better or sell insurance. As a leading independent PCC, Atlas has experienced this surge.

Our independence gives us a unique perspective with various prospects coming through leading insurance management companies, consultancies, reinsurance companies, or directly.

Cells are ideal for short-tail risks (such as property and business interruption), especially when clients have improved their risk management yet primary insurers still increase rates or restrict cover or capacity.

> *“Cells provide insurtechs, distributors and managing general agents with the possibility to become carriers, which stabilises capacity and provides more control”*

Financial lines on a claims-made basis have grown in popularity as one of the classes most affected by the hard market.

Low limit consumer lines, such as gadget insurance and extended warranties, are also prevalent. Cells provide insurtechs, distributors and managing general agents with the possibility to become carriers, which stabilises capacity and provides more control.

Rather than depending on commissions, they can benefit from retaining underwriting profits. Some have reinsurance capacity lined up, but no willing fronting insurers to provide market access.

Cells targeting consumer business are a niche for Atlas, with its origins, expertise and risk appetite as a leading local insurer in Malta with a 100-year history. Atlas became the first traditional insurer to convert to a PCC and the first licensed PCC in Malta.

Cells based in Malta can be ideal digital insurers. PCCs can be seen as sandbox platforms to experiment, incubate, launch and scale new technology-driven business models. Some organisations see cell structures as a faster, simpler and less expensive means of covering their immediate needs and gaining experience before moving on to establish a single-parent captive. Most cell owners later prefer to remain within the efficient simplicity and comfort of the PCC.

EU & UK access

Malta is the only EU member state with insurance protected cell legislation providing cells with direct access to the EEA single market.

Atlas also provides access to the UK market and is possibly the first PCC to submit a branch application to the UK Prudential Regulation Authority. While this is processed, the existing and new cells it hosts carry on writing new business in the UK under the Temporary Permissions Regime.

Fronting

Fronting partners can provide additional value, simplifying compliance requirements. However, they are not immune to the hard market and can be increasingly selective.

Fronters also add costs to the programme, which affects feasibility, especially when premiums are below their rising minimums.

EU direct writing cells are slightly more costly to manage than pure reinsurance cells. However, when considering the avoidance of fronting fees, they can be more cost-effective, especially when local compliance and outsourcing needs in the country of risk are limited, or are handled by intermediary subsidiaries of the cell owner.

Shared substance and resources

With their shared economies of scale, Maltese PCCs provide substance and resources. While taking strength from its EU-based regulatory regime, PCCs in Malta offer unique benefits under Solvency II. They give confidence in being onshore in the EU, though without a standalone company’s complexities, costs and time.

As a result of the Organisation for Economic Cooperation and Development’s base erosion and profit shifting action plan, as well as following Brexit, insurers are increasingly expecting to have adequate on-the-ground staff and key function holders.

PCCs can significantly help address substance as cells form part of a broader single entity providing shared board, governance and key functions in Malta.

Atlas PCC's active core is focused on the traditional non-life domestic insurance business in Malta, where Atlas retains an almost 20 per cent market share, naturally providing ample substance to the PCC.

It has a staff complement of over 190, multiple branches and offices, and probably the largest Solvency II core capital surplus core for EU-based PCCs open to third-party cells.

PCCs can produce a single Own Risk Solvency Assessment for the entire PCC required under Solvency II. The same applies to reporting and disclosure requirements, with one Regulatory Supervisory Report and Solvency Financial Condition Report, and all resources in place to meet other quarterly and annual reporting as one single legal entity.

Malta fully adopts the latest International Financial Reporting Standards, including the new IFRS 17.

Whilst this may be challenging to implement for standalone insurers, PCCs help facilitate compliance as they implement it for their other cells, and in Atlas' case, for its active core.

Capital efficiency

No minimum capital requirements apply to individual protected cells, as these apply at an overall company level. A cell owner will typically only need to invest own funds equivalent to the cell's notional solvency capital requirement, which, with small undertakings, often falls far below the typical standalone insurer minimums. At all times, cells retain complete legal protection of their assets from liabilities of the core or other cells.

Brokers and global captive managers

Atlas PCC's team has built expertise in this specialised sector, having assessed and implemented various direct third-party, reinsurance and captive cells.

We are firmly independent yet have excellent relationships with brokers and insurance management companies. Besides the cells we host and manage directly, we host cells for clients of various leading global captive managers with day-to-day management outsourced back to them.

"PCCs like Atlas are breaking the barriers to entry for captives and insurance start-ups, continuously fostering innovation and improved risk financing"

Middle-market brokers are increasingly interested in protected cell solutions. They are becoming more proactive when the hard market rightly causes their most significant clients to question their risk financing. The collaboration with such brokers is mutually beneficial. Brokers are closer to their customers in their countries and provide compliant local services in their language. PCCs like Atlas are breaking the barriers to entry for captives and insurance start-ups, continuously fostering innovation and improved risk financing. ■

Ian-Edward Stafrace
Chief strategy officer
Atlas Insurance PCC

An attractive domicile

Elizabeth Carbonaro of WTW, Andy Hulme of SRS, and James Portelli of CWC discuss trends in the captive market of Malta, as well as the island's regulatory environment and unique PCC legislation

Rebecca Delaney reports

images by twindesigner/stock.adobe.com

Spanning just 121 square miles of sunny coastline, Malta can boast its capital Valletta as one of the most concentrated historic areas in the world, ranging the prehistoric architecture of the Megalithic Temples, capture by the Roman Republic, rebellion against French rule, as well as the island's time as an important British naval base in the Second World War before becoming an independent republic in 1974.

With crystal clear lagoons and some of the best diving spots in the Mediterranean, Malta is a popular tourist destination. However, an A.M. Best country risk report in August last year determined that Malta's gross domestic product (GDP) contracted 7 per cent in 2020 owing to the island's dependency on tourism, which greatly suffered throughout the COVID-19 pandemic.

Despite this, the GDP was projected to grow by 4.7 per cent in 2021, with further accelerated growth anticipated in 2022, providing vaccination rates increase and summer tourism recovers.

Established in 2003, the captive insurance market brings a needed diversity and competitiveness to the Maltese economy. Following Brexit, Malta's position as a 'top three' European captive domicile alongside Luxembourg and Ireland was further consolidated as more traditional captive jurisdictions that were included in the scope of the UK (such as Gibraltar) are now excluded from EU risks.

As an EU member, Malta is entitled to the EU single passport right, which means that any captives based on the island can provide insurance in other EU and European Economic Area member states using their Maltese license without having to apply for a separate license in each of their chosen jurisdictions.

Finance Malta reports the island is home to 72 insurance companies, including professional reinsurers, captive insurers and insurance managers, as well as four recognised incorporated cell companies.

Elizabeth Carbonaro, regional managing director, Western Europe at WTW's global captive practice, comments: "We are seeing a reasonable amount of interest for captives including cells. In fact, we currently have a couple going through approvals at the moment and I understand that there are a number of other applications with the Malta Financial Services Authority (MFSA) at the moment."

Carbonaro adds that this interest mirrors trends in the wider captive market, which has seen many companies seeking feasibility studies

"Malta has the regulatory headroom combined with the legislative provisions to support a variety of risk management solutions for sophisticated risk financiers"

to assess the viability of establishing a captive. She notes that the COVID-19 pandemic has not deterred new captive formations, nor the expansion of existing captives.

Andy Hulme, director of underwriting at Strategic Risk Solutions, notes that as market terms continue to harshen and capacity decreases, risk management approaches become more sophisticated, with an increased focus on risks which were historically 'uninsured', such as non-damage business interruption, cyber, reputation, and other pandemic-related risks.

He adds that the COVID-19 pandemic has seen heightened focus on alternative risk financin both in Europe and in Malta, as existing captives evaluate their structure and capital base to mitigate commercial market challenges, while the middle-market is seeing wider opportunities as risk spending increases to be viable for a captive.

"The demand for fronting capacity is growing across Europe as risk pricing forces companies to look further than their own retentions. Malta has the regulatory headroom combined with the legislative provisions to support a variety of risk management solutions for sophisticated risk financiers," Hulme explains.

The increase in captive formations globally is affirmed by James Portelli, consultant at Cutts-Watson Consulting. He notes that this is attributable to prevailing negative interest rates, wider economic uncertainty and regulatory developments, which have combined to perpetuate the hard market and its emphasis on solvency requirements and technical profitability.

Looking at the impact of the COVID-19 pandemic on alternative risk financing, Portelli remarks: "The captive industry is intrinsically business-to-business in its entirety and is accustomed to operating remotely. Therefore, it has been relatively ringfenced from the ravages experienced by some of the other industries in Malta, such as tourism and hospitality."

In terms of Malta as a captive domicile specifically, Portelli adds: "Locally, the market is well-served in terms of insurance talent as well as the ancillary actuarial, accounting, auditing, loss adjusting, legal, compliance, investment management and other corporate services providers that work hand in hand with the industry."

Regulation

The captive market was established in Malta with the Insurance Business Act of 2003. The subsidiary legislation of this Act outlines insurance and reinsurance undertakings within the Solvency II directive, including anti-money laundering guidelines, solvency capital requirements and reporting requirements, among others.

As an EU member, Malta must follow the collective guidelines of the Union, such as Solvency II, which requires captives to have appropriate capital and governance. Malta stands out in the competitive European captive market owing to its unique PCC legislation, passed in 2004, which attracts interest from smaller books of EU-based business and from the intermediary market.

Carbonaro explains: "Malta remains an attractive domicile, given that it is part of the EU but also has PCC legislation in place. The advantage of a cell is an overall lower cost base, and in certain cases that also translates into a lower capital base because the minimum capital requirement is already in position via the core."

"The governance also sits within the core; therefore cell owners can benefit from the overall control framework at the level of the PCC, which tends to be very robust and at the same time requires less management input and time by the cell owner," she continues.

In 2020, Malta saw a 5 per cent increase in the number of licensed insurance-carrying cells to 63, while insurance broker cells grew by net 20 per cent to 12 structures, making a total of 60 standalone non-domestic insurance and reinsurance companies. In addition, Malta saw the first insurance-linked securities (ILS) structure set up in 2020. The ILS market is able to explore the opportunities that Malta can offer (such as catastrophe bonds, reinsurance special purpose vehicles, securitisation cell companies, reinsurance and capital markets) rather than Malta exploring the ILS market because the legislation is already in place.

Hulme adds that the regulatory environment of Malta is beneficial for captive owners owing to the flexibility and engagement of the MFSA.

He says: “The Maltese regulator is an engaged regulator open to consider traditional and non-traditional risk alike,

“Malta remains an attractive domicile, given that it is part of the EU but also has PCC legislation in place”

Malta’s appeal as a captive market

CWC’s Portelli identifies two main reasons why the regulatory environment of Malta is beneficial to captive owners:

1. From a legislation perspective, captives can pursue various avenues in terms of formation. Insurance undertakings can establish as fully-fledged insurance or reinsurance companies, as captive insurance or reinsurance companies, as PCCs, or simply as a cell. They can also be either self-managed or outsource insurance management to one of the insurance management companies in Malta.

   In parallel to insurance carrier legislation, Malta has also significantly developed its intermediary or distribution legislative framework and, as a result, also has protected cell insurance broking companies.

   As a Solvency II jurisdiction, regulated insurance undertakings in Malta, including captives, provide thoroughness in their financial solvency assessments and greater transparency in their financial condition reporting.

2. Maltese regulators already take a somewhat more proportionate view in respect of their overall governance and reporting requirements — for some time, FERMA has been advocating to have captives classified as low-risk undertakings under the Solvency II revisions.

   Historically, the captive insurance message in Malta may have been lost in translation. When the suite of legislation was first enacted almost two decades ago, legislators chose the word ‘affiliated’ over the word ‘captive’.

   The result was that Malta reaped demand from parents that wrote mainly third-party business, but not from pure captive insurance business. ‘Captives’ subsequently found more of a home in cells with the enactment of protected cell legislation.

   In the last five years or so, legislation was enacted with the word ‘affiliated’ replaced by ‘captive’ to better articulate the target market that it meant to attract. In the meantime, we have also continued to witness the formation by non-insurance parents of insurance companies with business plans one would traditionally associate with captives.

demonstrating a willingness to engage with prospective captive owners and to invest time to understand the risks and intention of coverage."

"Obviously Malta operates within the Solvency II framework, which creates a consistency of approach, but within this framework the regulator is open to a range of risk financing solutions based upon their complexity and unique circumstances."

Challenges

However, CWC's Portelli warns that the single most significant challenge for the captive industry in Malta is one that it may have unintentionally created itself.

He explains that when Malta introduced its high-standard captive legislation to compete with other leading domiciles, "the subliminal marketing messaging of double taxation treaties and shareholder rebates placed us not in the jurisdictional league of excellence in terms of our captive offering, but in the lower league of fiscal arbitrage".

This means that many regard directives such as the common consolidated corporate tax base, the anti-base erosion and profit shifting action plan, and other tax harmonisation efforts by the Organisation of Economic Cooperation and Development to be a threat.

"It is more of a renewed opportunity to position Malta as a centre of excellence, but will require improved messaging," Portelli recommends.

Hulme affirms that, similar to other EU onshore domiciles, MFSA must ensure that regulation is appropriately based on the nature, scale and complexity of the captive structures located there, which requires ongoing communication between industry groups, insurance managers, peer regulators and supervisory bodies.

He advises: "Malta, as with other EU domiciles, need to recognise the great need for proportionality in the application of the Solvency II framework. Offshore domiciles remain strong and the incentive for a pure captive to progress within a Solvency II framework is often difficult to justify unless admitted paper is a necessary requirement."

WTW's Carbonaro adds another significant challenge for both current and prospective captive owners in the industry as a whole is balancing the capital and governance requirements of having a captive with the inherent benefits, "coupled with recognising that a captive is a long-term benefit for the group, with the benefits not necessarily always being only financial benefits", she explains.

Looking ahead

Noting that risk managers have faced "a tsunami of issues" over the last two years — including diminished capacities, severely impacted cashflows and the inability to have any realistic long-term vision — SRS' Hulme expresses optimism that the need for captive consulting, company implementation and reviews will continue in 2022.

Examining pipeline developments for the captive industry in 2022, he observes an increasing focus on green issues as part of a wider ESG agenda. This focus by brokers and underwriters is exacerbating capacity issues in some markets — "we believe that captives can support and underline a progressive and leading ESG ethos for many corporates," says Hulme.

This 'green' agenda is affirmed by Carbonaro: "We are seeing climate change, and its impact, being put on the agendas of companies, and this is slowly filtering down to discussions at the level of the captive."

Carbonaro also observes a continued interest in firms looking to place their cyber risks, or at least portions of their cyber risks, as well as directors and officers liability, into captives in 2022 owing to capacity restrictions in the commercial insurance market.

In terms of the regulatory landscape, Portelli notes that the international tax harmonisation process has the potential to present a "significant risk" if mismanaged, while Russia's blacklisting of Malta may bring further challenges.

"Despite these risks and challenges, the industry continues to grow organically. None appear to be insurmountable risks or challenges, and the opportunities far surpass both. Malta has a proud track record of identifying and responding to opportunities by leveraging any advantage it possesses — I expect it to continue to do so in respect of the hard insurance market," Portelli concludes. ■

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Back on the market

Anne Marie Towle, Adrien Collovray and Courtney Claflin provide an overview of the current captive market, challenges that have carried over into 2022, and what's on the horizon

Rebecca Delaney reports

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As captive domiciles around the world begin to release their 2021 statistics, indications point to continued growth and good fortune for the captive industry as a whole. This growth is manifested not only in an increase in the number of new captive and risk retention group (RRG) formations, but also in the expansion of existing captives to finance risk across a wider range of coverages. This includes coverage for excess, medical stop-loss, trade craft, environmental, cyber, medical professional liability, employment practices liability, and directors and officers liability, notes Anne Marie Towle, global captive solutions leader at Hylant.

In addition, the COVID-19 pandemic has encouraged the utilisation of captives for supply chain risk, which affects an enormous number of organisations indiscriminately across industries, operations, products and services. These companies seek alternative risk options to protect interruption to their business model, including captives.

"We are seeing more interest in establishing a captive or RRG for those organisations which either have not explored captives in the past or are reopening a captive or RRG previously shut down during the soft market," Towle explains.

She adds that low losses means that captives are able to function as reinsurance companies, which is particularly attractive as companies seek in multi-year and multi-line reinsurance options.

"One of the best uses of a captive is the access to the reinsurance market; this can provide both capacity and a cost-effective solution for organisations," notes Towle.

This is affirmed by Courtney Claflin, executive director of captive programmes at University of California, Office of the President. He observes "significant interest" in captive formations as a way to manage the lack of reinsurance capacity, reduction in terms and conditions, and the loss of coverages that the reinsurance market no longer provides. It is undeniable that the rising attractiveness of captives has been borne from the prolonged hardening market, lingering since the late 2010s and bringing with it high commercial pricing and capacity restrictions that, for lack of a less dramatic word, force organisations to turn to alternative risk financing and management.

Adrien Collovray, head of captive advisory, Europe and international, WTW, identifies that a significant factor contributing to the continuation

> *"Many carriers are imposing increases or stopping writing coverages in certain industry segments or lines all together. This impacts the continually hardening market and organisations are seeking viable alternative solutions"*

of these hard conditions is the large losses impacting a market that is struggling to generate premium volume, as well as insurers refocusing their business plans and a protected low interest rate environment.

Claflin adds that these large losses include significant catastrophe losses which, combined with low interest rates, result in insurer and reinsurer financial losses that must be replaced — "thus increased pricing, decreased capacity, and reduced terms and conditions," he explains.

Towle names another significant factor to be traditional insurance carriers writing business at a significant loss, which is supported by their robust balance sheets.

She explains: "The past few years have shown significant losses have occurred in a variety of lines impacting those balance sheets. As a result, many carriers are imposing increases or stopping writing coverages in certain industry segments or lines all together. This impacts the continually hardening market and organisations are seeking viable alternative solutions."

This translates into an impact on the landscape of the captive market as it allows captive owners to continue to challenge the traditional insurance market through cost-effective and broader coverage

The captive landscape

WTW's Adrien Collovray describes the current landscape of the captive industry to be an "exciting development phase", with trends that include, among others:

- Significant increases in premiums written by captives as they retain greater risk
- Retained risk assessed as a portfolio of risk rather than a series or unrelated lines of business resulting in pricing and capital efficiencies
- Captive solutions increasingly benefiting from alternative risk transfer capacity
- Increasing popularity of cells
- Cyber and other financial lines are a high priority for captive solutions
- Increased focus on ESG in respect of a captive's risk management framework and supporting the parent's physical and transition risk

options that retain and manage the risk they are most comfortable with, Towle continues.

Collovray anticipates that these current market conditions will persist for the foreseeable future. He observes that while some areas are seeing a plateauing of rates, there appears to be few expectations that rates will return to anywhere close to soft market levels.

He continues: "Combined with market-driven increases in retentions, which once increased are very difficult to push back down, this means that captives have and will continue to demonstrate their role as essential enablement vehicles."

"Captives are participating in their own risks at a higher level than before. We simply have to step up and provide cover, absorb rate increases, provide capacity and return profits to our parents to help offset the effects of the COVID-19 pandemic and the hard market," adds Claflin.

"Captives are participating in their own risks at a higher level than before. We simply have to step up and provide cover, absorb rate increases, provide capacity and return profits to our parents"

Don't be held captive by challenges

Although there exists this heightened interest among companies looking to establish captives in home domiciles, Collovray warns that there remains a "deficit in suitable captive regulatory frameworks or administrative access" in these jurisdictions.

"We have seen some discussions and groups established to assess and make recommendations, however, experience has shown us that it could take 20 years to develop this into a strategy which makes captive establishment practical and competitive relative to established captive domiciles," he explains.

Looking at European regulation as a whole, Collovray contends that this has failed to progress sufficiently to accommodate the needs and risks of corporates. In particular, he describes the Solvency II regime as "a barrier to entry for many", as well as disproportionate for the majority of captive risk. The rising costs associated with more stringent — and often disproportionate — reporting and regulation requirements poses a significant restriction on the opportunities available for captive participation.

Cost is a concern echoed by Claflin. He says: "A big challenge is how to navigate the hard market, and provide financial rigor and resources to our parents. We are participating in our own risk at unprecedented levels — at least my captive platform is — and providing funds and resources to our parents as a result of the COVID-19 pandemic and hard market."

In addition, Claflin notes that ongoing regulatory disputes between the Internal Revenue Service (IRS) and micro captives over the 831(b) tax election means that the captive industry still faces the reputational risk associated with captive formation and operation for malicious purposes.

Towle agrees: "Regulation, whether it is the IRS, Solvency II or domicile regulators, will continue to challenge and uphold a high standard for captive utilisation. In 2022, captive owners and service providers will continue to define and describe the benefits and use of a captive to regulators around the world to enhance and further the understanding of good governance and captive use."

The significant strides in digitalisation and social changes encountered over the past two years in the context of the COVID-19 pandemic have fundamentally altered the way in which the captive industry — and indeed, most industries around the world — interacts and conducts business. Towle adds: "Seeking ways to connect virtually, growing the business and keeping relevant in captive owners' interaction with their service providers and regulators will continue to be challenging."

Although many companies rose to the occasion to quickly and seamlessly make the transition to a virtual work environment, Collovray comments that many domicile managers have little to no exposure to other domiciles. This contradicts the fact that, as he points out, "captive strategy is increasingly one of globalisation".

"While single-domicile expertise is great for undertaking focused domicile and regulatory consulting, it does not provide sufficient breadth of knowledge or experience for feasibility or optimisation strategy compared to that which may be provided through globally experienced advisers," Collovray warns.

He adds: "It will therefore be necessary, with the new abundance of consulting options, for captive and potential captive owners to undertake increased due diligence of their consultants to ensure suitability and independence of advice."

As well as regulation and globalisation, the captive industry may be hindered in achieving its fullest optimisation as it is widely recognised that talent acquisition and retention has historically posed a challenge in the industry owing to a lack of sufficient education surrounding the sector. This dubbed 'talent crisis' becomes even more pressing when combined with the almost simultaneous retirement of many influential and experienced professionals in the captive industry.

Citing this to be the most significant challenge currently facing the captive industry, Towle explains that this creates a knowledge gap between senior thought leaders and the next generation of captive professionals.

"The industry as a whole needs to recruit, educate and train actively in order to successfully grow our next generation of leaders and lessen this gap."

Referred to by Collovray as a complication in the 'continuity of expertise', he agrees that this presents an alarming predicament for the captive industry. He warns: "In many geographies, our industry has not done well in developing and retaining new talent. It is already difficult to find captive technical expertise and I fear that there is a risk of a skills gap within years."

On the horizon

Turning to the future of the market conditions, emerging risks and business priorities that will inform the landscape of the captive industry, Collovray expects a continuation of growth in new formations, as well as in utilisation and premium volumes for existing captives.

Claflin agrees: "I believe we will see significant growth in captive formations, and significant increase of captive utilisation to counter the effects of the hard market, COVID-19 pandemic, and new emerging risks."

"Captives must look to the future and either start to prepare or continue to prepare for increasing the financial resources we provide to our parents. This increased financial planning can come from many sources, but the key is to highlight how increased captive utilisation can accumulate surpluses that can be deployed the next time we hit a market cycle like that we are experiencing today."

Collovray adds that it is likely the captive industry will see ESG themes and principles integrated further into captive strategy, especially concerning the assessment of retained risk and investment strategy.

Also anticipating further emphasis on proper governance to ensure regulatory compliance, Towle adds a growing popularity in structured programmes, multi-year programmes in captives and expanded non-traditional uses of captives is likely to emerge in the next 12 months.

She says: "Innovation will continue to be a large part of what the captive industry delivers to many organisations and having markets, including reinsurance partners, who want to innovate will be important in the next 12 months."

"2022 will see continued formation of new captives and owners being extremely creative and innovative on how they finance and manage their risk profiles," Towle concludes. ■

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Time to regroup

Bill Hodson of Gulfstream Risk Advisors, Derrick White of SRS, and Chris Payne of CLIC RRG talk to Rebecca Delaney about the advantages and challenges in using an RRG, as well as how members can ensure stability

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As companies look to cover their own liability exposures, risk retention groups (RRGs) in the US operate under the guidelines of the Federal Liability Risk Retention Act (LRRA) of 1986. This legislation allows group self-insurance plans and group captives to form an insurance company to cover their liability exposures on a multi-state basis with a single domicile license.

The state in which an RRG is domiciled is primarily responsible for regulating and monitoring the group, explains Chris Payne, treasurer of CLIC RRG. A report by financial analysis firm Demotech found that in 2020, Vermont led with 84 RRGs, followed by South Carolina and District of Columbia with 36 and 31 groups, respectively.

With ownership limited to the policyholders of the RRG, these structures insure industries with professional liability, such as medical providers, product manufacturers, law enforcement officials and contractors. An RRG can support these industry sectors with insurance solutions for unique exposures where the traditional insurance market fails to do so.

While the soft market conditions of the 2000s prompted some carriers to underprice some liability exposures to maintain market share (which was detrimental to the RRGs directly competing with these carriers), the more recent hardening market, social inflation and rising carrier rates for many liability lines has benefitted RRGs.

This is affirmed by Bill Hodson, managing member at Gulfstream Risk Advisors. He observes that the main drivers of RRG formations in 2021 were the sustained unfavourable traditional market conditions (pricing, capacity and coverage restrictions) for specialty liability coverages, such as medical professional liability and commercial automobile liability.

“As traditional insurers and reinsurers continue to lick their various wounds from unprofitable underwriting and inadequate reserving, we have seen many insureds with clean, well-managed risks be penalised by unsustainable policy pricing and untenable terms and conditions that gut the coverage they really need,” Hodson explains.

Derick White, managing director of the governance, risk and compliance practice at Strategic Risk Solutions, identifies that SRS formed a couple of RRGs in 2021, the primary reason being the prolonged hard market.

"Similar to any group captive, the RRG structure allows each member to participate in levels of coverage they could not sustain alone"

He explains: "While single-parent captives can quickly organise their needs and form a pure captive, RRGs take longer to gather members and organise the RRG. As we would expect, new RRGs will form a year or so after a confirmed hard market."

Hodson adds that recently there has been an emerging trend of RRG formations to write coverage for cyber liability that is both affordable and comprehensive, as well as emerging industries such as last mile delivery (concerning supply chain management and transportation) and cannabis operations.

"These recent trends follow the classic reason why the RRG industry evolved (lack of available or affordable coverage), and entrepreneurs willing to disrupt the traditional industry model," Hodson notes.

Advantages

As specialty carriers, the homogeneous membership of RRGs provides inherent advantages as it means they are well-positioned to better serve the specific policy coverage and provision needs of their member-insureds compared to large multi-line carriers.

White explains the benefits of risk sharing: "Similar to any group captive, the RRG structure allows each member to participate in levels of coverage they could not sustain alone. Another advantage is that many RRGs offer policies tailor-made for the group along with good collaboration among members allowing for the sharing of risk management practices."

Payne notes that as a cheaper alternative to the commercial insurance market, RRGs are more attractive to small- and mid-sized companies. As another financial advantage, the structure allows for the payment of dividends to member-insureds over time as a reward for collective profitability.

Although vulnerable to the same challenges as the commercial insurance marketplace, the flexibility and customisable nature of an RRG means it can overcome these issues with a streak of innovation the traditional market often lacks.

According to Hodson, the most significant advantage of an RRG compared to other self-insurance structures is speed-to-market, as it can be formed to meet market needs and become operational quickly and more efficiently owing to the unique regulatory provisions.

He explains: "With RRGs' federally-mandated advantage of merely having to inform the regulatory authority in each jurisdiction where they issue a policy, rather than having to go through a formal licensing and approval process prior to issuing a policy, RRGs can respond to their member-insureds' needs and expand their operational footprint very quickly."

Challenges

The common issues associated with operating an RRG vary across risk types and geography, but a frequent obstacle is startup capital. Payne contends that coordinating all members to contribute their capital at the same time, and explaining the risks and rewards of self-insurance, poses a potential difficulty.

Hodson adds that, similar to the captive industry as a whole, there is simply a lack of education or understanding within the wider insurance industry about the niche of RRGs and how they operate. Therefore, RRGs that depend on the traditional broker network for business do not tend to receive many applications that are 'perfect-fit' risks for them to write, he observes, because the brokers that market the risks may be unaware that the RRG exists, or else hold a bias against them.

With this lack of comprehensive long-term understanding, SRS' White notes that members may leave the RRG during softer market conditions when the commercial market poses a cheaper option, then seek to return when commercial rates rise once again.

This threatens the inherent stability of an RRG. "A trait of RRGs that have been around for a long time is having the support of its members, members with historical knowledge of the cyclical nature of the commercial insurance market," says White.

Another challenge to the stability of an RRG, Hodgson suggests, is the potential misalignment of a member-insured's risk management and insurance purchasing philosophy with the RRG mechanism, or the RRG itself.

He explains: "If an insured does not share the same long-term business relationship goals inherent in the RRG mechanism, and is merely a price-sensitive buyer of coverage, then they are better suited to continuing to buy from the traditional market."

Stability

In ideological terms, therefore, an RRG can ensure stability by establishing and maintaining a coherent mission and vision. It is also important to have ongoing communications with the home regulator and integrate the owners of the captive company into the RRG's board.

This is affirmed by Hodson, who adds that the long-term success of an RRG is also dependent on regulation, as well as the regulators themselves. He says: "The service providers guiding the formation or redomestication of an RRG should diligently match the purpose, structure, operational objectives and management to the domicile and regulators for the best long-term fit."

Elaborating on the importance of robust corporate governance, Hodson continues: "On the surface, having and adhering to sound and battle-tested risk selection, underwriting and claims handling guidelines can provide an RRG with stability — but in my experience, the root of RRG stability is sound and consistent corporate governance. Even the smallest RRG needs to have the same stringent corporate governance mechanism as a large traditional insurance company."

"The root of RRG stability is sound and consistent corporate governance. Even the smallest RRG needs to have the same stringent corporate governance mechanism as a large traditional insurance company"

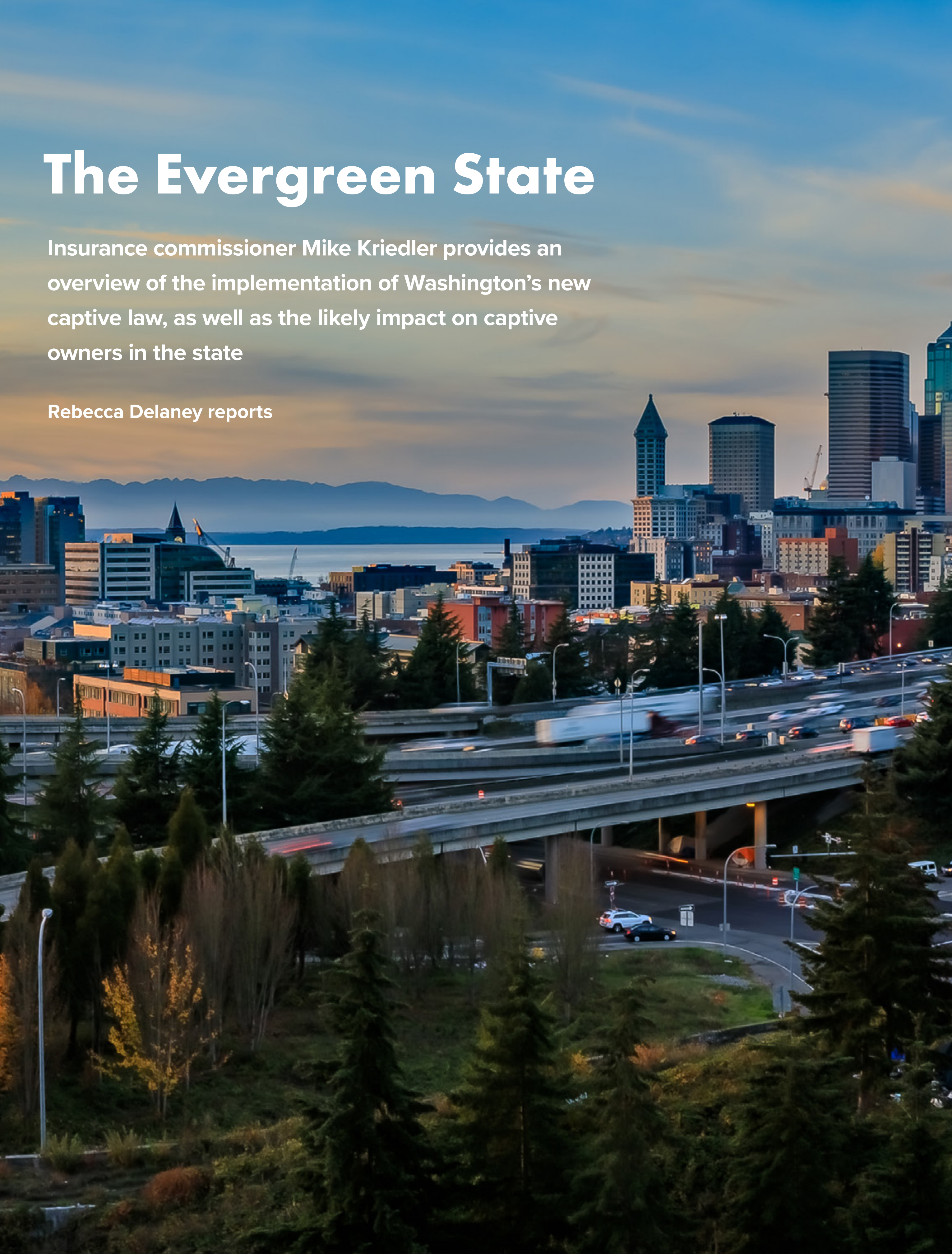
While it is also important for an RRG to adapt its policy language and value-added services to best address the ever-evolving market landscape, CLIC RRG's Payne argues the stability of an RRG ultimately depends on a strong capital base and profitable underwriting.

This is affirmed by White, who reiterates that an RRG can ensure member retention during soft market conditions by requiring multi-year commitments, either by contract or by the ability to retain capital contributions for a few years after a member departure.

Looking at likely future trends in RRG formations, Payne anticipates that both RRGs and the wider captive industry will continue to flourish as they capitalise on the benefits of prolonged hard market conditions.

In agreement that the hard market will see an increase in RRG formations, White adds that he expects that "new and creative uses of the LRRA will come about with expanded use of 'contractual liability' coverages within RRGs".

"In 2022, I expect a continuation of RRG formations in the areas of medical professional liability, assisted living and delivery logistics, as well as increased investigation into formations for cannabis-related operations. I am also not holding my breath for Congress to amend the LRRA to allow first-party coverages anytime soon," concludes Hodson. ■



The Evergreen State

Insurance commissioner Mike Kriedler provides an overview of the implementation of Washington’s new captive law, as well as the likely impact on captive owners in the state

Rebecca Delaney reports

In May 2021, insurance commissioner Mike Kriedler signed into law the somewhat contentious captive bill that, although allowing for the creation of a framework in the state of Washington to register eligible captive insurers, posed a 2 per cent premium tax on the risk covered by premiums allocable to the state.

This meant that eligible captive insurers were required to pay the premium tax for insurance both directly procured by and provided to its parent or affiliate for Washington risks during the preceding calendar year.

Originally submitted to Washington's 2021 legislative session at the request of Kriedler, the Office of the Insurance Commissioner (OIC) estimated that the bill would bring US$29 million in back taxes, and generate revenues of more than $2.5 million per year/

A stakeholder draft proposed by the OIC in August 2021 set out draft regulations for the implementation of the new captive insurance law.

Among this, it determined an eligible captive insurer to be one that provides property and casualty insurance to a captive owner or its affiliates.

Medical stop-loss insurance and workers' compensation directly covering the worker were explicitly excluded.

The OIC adopted these proposed regulations in November, effective from 21 December 2021, despite the results of an advisory ballot vote by Washington voters to repeal the 2 per cent premium tax.

Following the implementation of the law, Kriedler explains to Captive Insurance Times how the law will impact captive owners in Washington.

> The OIC reveals that 19 active companies have registered in Washington so far. At the time of writing, the office has collected $3,580,171 from nine captives for the 10-year lookback of captive premium taxes.

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"The new captive law requires captive insurers to register within 120 days after 12 May 2021, or within 120 days after first issuing a policy that covers Washington risks"

How do you assess current market conditions for the captive industry in Washington? What about the landscape?

The new captive law requires captive insurers to register within 120 days after 12 May 2021, or within 120 days after first issuing a policy that covers Washington risks. We use data such as consumer complaints, industry reports and insurance market data to determine whether entities are participating as captives in Washington.

The State of Washington formally adopted the proposed implementation of the captive insurance law late last year. Can you provide an overview of the law?

The law provides a framework for registering eligible captive insurers and collecting a 2 per cent premium tax from them, as we do with other registered insurers.

To be eligible to register, captive insurers may only provide property and casualty insurance to a captive owner or to the captive owner's affiliates, and obtain or provide reinsurance for ceded or assumed risks insured in this state or elsewhere. They may assume or cede risks to other insurers through reinsurance without regard to those limitations.

Eligible captive insurers

The OIC states that captive insurers eligible to register under the Washington framework must:

- Be in good standing and licensed as a captive insurer by their domicile jurisdiction
- Be wholly or partially owned by a captive owner
- Insure risks of the captive owner, the captive owner's other affiliates, or both
- Have one or more of its insureds with a principal place of business in Washington
- Have assets that exceed its liabilities by at least $1 million, and has the ability to pay its debts as they come due
- Provide only property and casualty insurance to the captive owner, the captive owner's other affiliates, or both

Captive insurers affiliated with public institutions of higher education are not subject to the premium tax.

How will the law impact captive owners in Washington? How will it impact the state as a whole?

The impact to the state of Washington is that we are now collecting 2 per cent premium tax from captive insurers, which benefits the state general fund. Captives for public institutions of higher education are exempt from premium tax.

The revenue to the state depends on how many captives register. However, OIC anticipates over $2.5 million per year in revenue.

Premium reporting and tax requirements

A registered eligible captive insurer must:

- Pay a two per cent tax on premiums for insurance directly procured by and provided to its parent or another affiliate for Washington risks during the previous calendar year on or before 1 March of each year
- File with the commissioner a written statement of premiums on a tax form
- Provide up-to-date tax contact information to the commissioner as part of the registration process
- Share its methodology and relevant analysis in determining its Washington risks allocation by submitting this information to the commissioner by 1 April of each year
- Remit a two per cent tax on premiums for insurance directly procured by and provided to its parent or another affiliate for Washington risks for any period after 1 January 2011
- Pay premium tax for Washington risks covered by all types of insurance, including premiums collected for insurance that is not property or casualty insurance, if they provided such coverage for any period after 1 January 2011

For decades, Washington businesses have used captives as a financial tool, and some businesses would not be able to continue without the use of captives. However, the state's insurance code did not previously authorise or recognise captives. In 2018 and 2019, we began enforcement actions and subsequently some businesses suspended the use of captives. At the request of legislators, we suspended enforcement to allow for a study on captive insurance and we began work on this legislation with our stakeholders.

The new law authorises the use of captives and allows for appropriate oversight and will generate revenue for the state.

The revenue assumptions in the fiscal note on record may increase as businesses reinstate their captives.

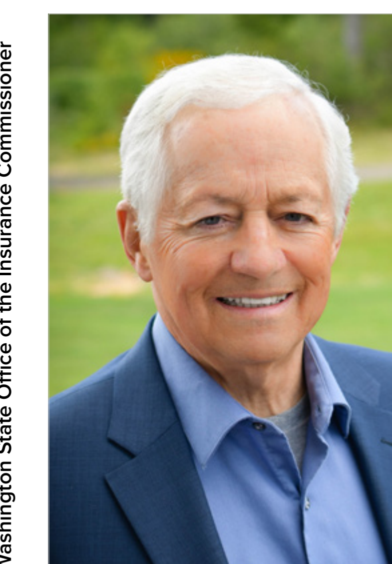
Additionally, the use of captives by institutions of higher education saves the state millions of dollars each year.

Is the law likely to pose significant challenges to the captive industry in Washington?

This law represents thoughtful collaboration between the OIC and the insurance industry. Captive insurers and corporations actively participated in the legislative process.

We have not heard any feedback from them that our laws are challenging for them to follow. ■

Mike Kreidler
Insurance commissioner
Washington State Office of the Insurance Commissioner



Farah Jaafar has left as CEO of Labuan IBFC Inc after serving in the role for four years.

Before this, she held the position of director of market intelligence and strategic communications at the comprehensive midshore jurisdiction's promotional agency and regulator.

Jaafar now serves as managing director and chief communications officer at Fusang Digital Asset Exchange, which implements blockchain technology for investment and capital markets.

Commenting on the appointment via LinkedIn, Jaafar says: "The only constant in life is change — so excited to embrace the next stage of my career, going back to my capital markets roots, this time round with the digital element front and centre. All this while still propagating the benefits of Labuan IBFC, but this time as part of its fast growing digital family."

Jaafar spoke of the evolving role of Labuan IBFC as a captive domicile at the Asian Captive Conference in December 2021, with a priority to strengthen this status over the next five years as part of the domicile's strategic roadmap.

Jaafar's successor has not yet been announced by Labuan IBFC. ■

The South Carolina Department of Insurance (SCDOI) has appointed Joe McDonald as director of the captive insurance division, effective 2 February.

Based in the department's Charleston office, McDonald previously worked at the SCDOI as a licensing coordinator in the captive insurance division between May 2017 and July 2020.

He most recently held the position of captive and risk finance product manager at the International Risk Management Institute.

Commenting on the appointment, SCDOI director Ray Farmer says: "It is my pleasure to welcome Joe McDonald back to the SCDOI as our captive director.

"South Carolina has long been considered one of the top mature domiciles in the industry with a thriving captive marketplace. I know Joe will be an asset to our team and lead the captive industry in our state to even more success."

McDonald adds: "I look forward to continuing the legacy of excellence and service that sets apart South Carolina as a captive domicile. This legacy, which started over two decades ago, has been nurtured by the steady, fair and consistent stance to regulation taken by Ray."

Captive Resources has appointed Nick Hentges as CEO after holding the position of co-CEO for three years.

The group captive consulting firm implements a risk-rewards-based, member-owned group captive model, offering advice ranging from claims advocacy and operational oversight to risk management and financial services.

Captive Resources also administers casualty, medical stop-loss, property and micro captive solutions.

Hentges has been at the captive consultancy firm since 1993, during which time he has served as executive vice president, president, and most recently as co-CEO. In these roles he was responsible for the day-to-day operations of the firm, including risk control, finance, claims and loss control, alongside president Mike Foley.

Co-founder George Rusu will transition from CEO to executive chairman, where he will be responsible for the overall representation of Captive Resources to its captives, as well as strategic oversight and direction of all company operations.

Debbie Walker is set to retire as head of captives division and senior deputy commissioner of the North Carolina Department of Insurance (NCDOI), effective 31 March, after 30 years at the department.

During her time in the role, Walker was responsible for managing the state's captive insurance company regulatory programme, including the licensing and regulation of captive insurers. Since enacting the Captive Insurance Act in late 2013, NCDOI has licensed or conditionally licensed 395 captive insurers and more than 870 cells and series.

Before this, Walker served as chief financial analyst at the NCDOI, where she oversaw the financial solvency and compliance regulation of insurance companies licensed in North Carolina.

A statement by insurance commissioner Mike Causey says: "The outstanding customer service and business-friendly yet prudent regulatory approach of the department make North Carolina a place captive insurers want to call home. [I intend] for these benefits to remain in place for the captive industry going forward."

Senior deputy commissioner of the company services group Jackie Obusek will assume senior leadership responsibilities for NCDOI's captive insurer regulatory programme while retaining her existing duties.

In the statement, Causey also notes the intention to name a deputy commissioner to be directly in charge of the captive regulatory programme by 31 March.

Cutts-Watson Consulting (CWC) has made new executive appointments, announcing Dominic Wheatley as managing director and Graham Powell as head of consulting respectively.

Both previously served as consultants at CWC, with Wheatley specialising in risk retention and captive insurance. Before CWC, he served as chief executive of We Are Guernsey for more than five years.

As a consultant, Powell focused on the principles and practice of regulation, corporate governance and compliance, including feasibility, structuring, formation, operation and revalidation throughout an insurer's lifecycle. Before this, he was executive director at Aon Insurance Managers (Guernsey).

In addition, founder Malcolm Cutts-Watson assumes the role of executive chairman, where he will be responsible for developing the CWC brand, while Niall Lucas joins the expanded board.

"Our mission remains unchanged: to make our accumulated wisdom and insight available to all stakeholders in the captive and niche reinsurer space. These appointments will allow us to better leverage our cumulative knowledge and expertise to deliver enhanced products and services."

Powell adds: "I have thoroughly enjoyed working with Malcolm and the other consultants in building the CWC brand, and am delighted to have been asked to become head of consulting at such an exciting time for both CWC and the insurance industry."

Wheatley concludes: "The business model he has established continues Malcolm's long-term commitment to the recognition of captive insurance as a distinct discipline in its own right, and the value of specific expertise and experience in advising on the design, implementation, and operation of captive structures, strategies and programmes."

Zurich North America has appointed Dawn Hiestand as head of captives, effective 1 February.

The captive segment of the insurance solutions and services company administers fronting services to a range of non-life products and programmes, including single-parent, sponsored cell and group captive programmes, as well as single-member, multi-member, programme administrator and association segregated portfolio companies.

Reporting to head of US national accounts Paul Horgan in her new role, Hiestand will be responsible for the overall strategy and operational management of Zurich North America's group captives insurance business, which encompasses member-owned, agency and fronted captives.

Hiestand replaces Jason Meador, who moves to head of Rural Community Insurance Services, Zurich's crop insurance business, as the firm makes several key leadership changes.

Hiestand previously served as head of operations for Zurich North America's direct markets business, where she was responsible for operationalising the value proposition to clients. Before this, she was chief operations officer for alternative markets.

Kristof Terryn, CEO of Zurich North America, comments: "The newly-named leaders illustrate the outstanding talent and great bench strength we have here at Zurich North America."

"They will continue to keep the focus on truly knowing our customers — their challenges and their goals — and ensure we deliver the differentiated solutions and excellent service they have come to expect from Zurich."

Artex Risk Solutions has appointed Nicola Hallett as director and head of office for the firm's captive and commercial offering in Bermuda.

The risk management firm provides a range of alternative risk management solutions, such as single-parent, group, employee benefit and cell captives, as well as insurance-linked securities, specialty risk transfer, and carrier outsourcing.

With more than 16 years' experience in captive insurance, Hallett previously served as senior vice president, client executive and team leader at insurance broker and risk advisory firm Marsh McLennan.

Hallett is also executive committee member and treasurer of the Bermuda Insurance Management Association. ■

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