



TENNESSEE TAKES THE LEAD

TDCI's Mark Wiedeman discusses how the state is emerging as a frontrunner in the rise of mid-market captives

Natural Catastrophe

Industry experts examine how businesses can mitigate unprecedented climate risks

European Focus

Experts from AM Best delve into transformative trends in European captive insurance market

Conference Preview

Carmel L. Haynes on the Barbados Risk & Insurance Management 2025 Conference

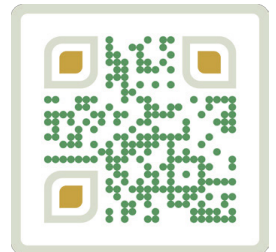


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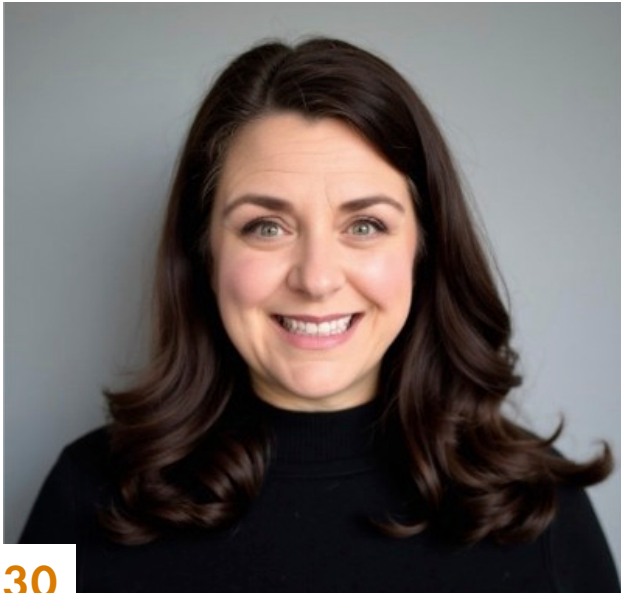
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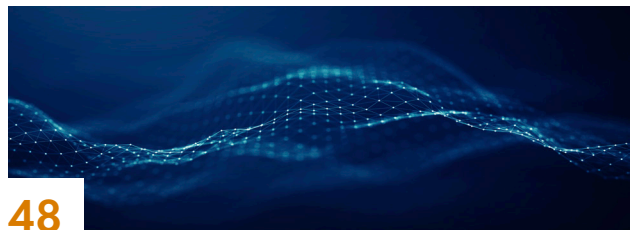
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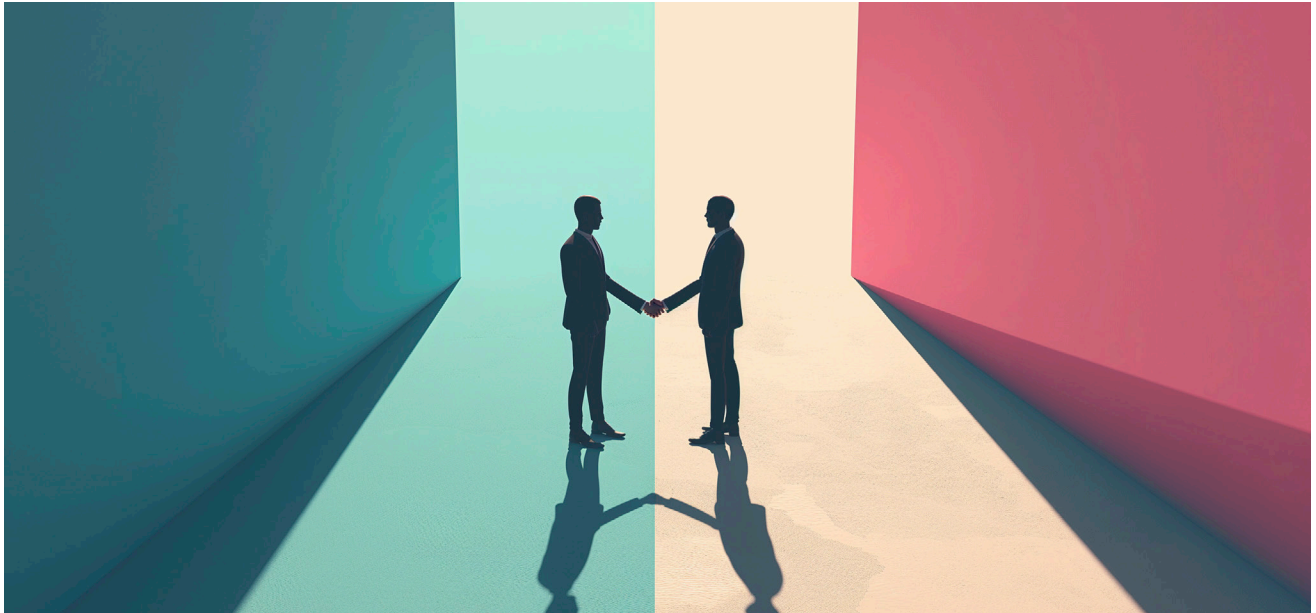
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Redefining the future of captives

Carl Ericson shares his passion for developing innovative solutions for captive insurers in the healthcare space



Gallagher Bassett acquires marine claims specialist W K Webster

Gallagher Bassett, a wholly owned subsidiary of Arthur J. Gallagher, has acquired W K Webster, a marine and transit claims consultancy company.

Anthony Smith and his team at W K Webster will join Gallagher Bassett under the leadership of Manan Sagar, who oversees

the company's operations in EMEA.

W K Webster is headquartered in London and has offices in Singapore, the US, and the Netherlands.

J. Patrick Gallagher, Jr., chairman and CEO at Gallagher, says: "As a leader in marine

and transit claims services, W K Webster brings longstanding market expertise and expands Gallagher Bassett's specialty capabilities globally.

"I am excited to welcome Anthony and his team to our growing Gallagher family of professionals." ■

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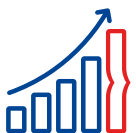
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Allstate to sell group health business to Nationwide for US\$1.25bn

Allstate Corporation has agreed to sell its group health business, which provides stop-loss insurance to small businesses, to Nationwide for US\$1.25 billion in cash.

The sale follows Allstate’s previously announced divestiture of its employer voluntary benefits business to The Standard, bringing total sale proceeds to US\$3.25 billion.

The company’s individual health business, which posted an adjusted net income of US\$18 million in the first nine months of 2024, will either be retained or merged with another entity.

The transaction is expected to generate a financial book gain of approximately US\$450 million and increase deployable capital by US\$0.9 billion.

Tom Wilson, chair, president and CEO at Allstate, says: “We reached another milestone in the strategy to maximise shareholder value by combining the health and benefits businesses with companies that have greater strategic alignment.”

Jess Merten, CEO of Allstate, adds: “Nationwide is extremely well capitalised and this transaction advances its growth strategy by expanding its product portfolio and distribution capabilities.” ■



Bermuda Captive Network hosts Captive Education Summit

The Bermuda Captive Network hosted its annual Captive Education Summit last week at the Bermuda Underwater Exploration Institute, with experts providing updates on regulatory, financial, and investment trends.

The Bermuda Monetary Authority delivered a session on onsite inspections and compliance measures, offering crucial regulatory insights for captives operating in Bermuda.

Meanwhile, industry specialists explored emerging investment opportunities and trends, equipping attendees with strategies to navigate evolving market conditions.

The summit also addressed Bermuda’s corporate income tax updates, with experts analysing their potential impact on captives and identifying both challenges and opportunities within the new framework.

A briefing on Bermuda’s Personal Information Protection Act (PIPA) highlighted the growing importance of data privacy measures in captive operations.

Attendees also gained actuarial and audit perspectives on optimising financial performance and ensuring compliance in the current regulatory environment. ■

Lloyd’s risk transformation platform hits US\$1.92bn of deployed capital

Lloyd’s London Bridge risk transformation platform has reached US\$1.92 billion of deployed capital by the end of 2024, attracting US\$2.55 billion of capital committed.

The platform, which includes two risk transformation firms — London Bridge Risk PCC and London Bridge 2 PCC — has established 19 cells to facilitate institutional investment in the Lloyd’s market.

Eight Lloyd’s managing agents are currently leveraging London Bridge, supported by 10 new institutional investors underwriting risks in the Lloyd’s market.

According to Lloyd’s, the platform allows its members and managing agents to strengthen their capital and risk management strategies by tapping into alternative sources of capital and reinsurance protection. In collaboration with the UK’s Prudential Regulation Authority and Financial Conduct Authority, Lloyd’s has developed a framework to ensure regulatory compliance while offering commercial flexibility.

The Scope of Permissions for London Bridge 2 PCC permits new cells to be created and reinsurance contracts to be written without requiring additional

regulatory approvals, provided these permissions are satisfied.

Burkhard Keese, Lloyd’s chief financial officer, says: “Making the Lloyd’s market more attractive and accessible to institutional investors continues to be a strategic priority for Lloyd’s.

“London Bridge has now established itself as one of the most flexible and responsive risk transformation platforms in the ILS market, confirming our belief that Lloyd’s and the UK market remain a great place for institutional investors to access global (re) insurance risk.” ■

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Apollo partners with WNS

Apollo has entered into a partnership with WNS, a business transformation and services partner.

The collaboration will see WNS providing Apollo with a new Fast Start solution, using technology, data, and domain-focused resources to support Apollo's third party syndicate partnership business.

The Fast Start solution will allow Apollo to efficiently establish new Lloyd's syndicates, and once established, Apollo and its syndicate partners will also be able to access WNS's global team, the company says.

Andrew Gray, syndicate partnerships director at Apollo, says: "Our

syndicate partners choose Apollo because they want to work with an underwriting business that understands what it takes to be successful at Lloyd's.

"Our partnership with WNS means that they can also now benefit from WNS's market leading technology and data solutions."

"WNS's Lloyd's of London expertise, coupled with our technology and analytics capabilities, has enabled us to enter into this relationship with Apollo to deliver end-to-end setup and managed services for new syndicates," adds Keshav R. Muruges, group CEO at WNS. ■



Jireh Risk Advisors and SRS launch new ILS platform in Bermuda

Jireh Risk Advisors has partnered with Strategic Risk Solutions (SRS) to launch Strata ILS, an unrestricted special purpose insurer licensed by the Bermuda Monetary Authority.

Strata ILS, managed by SRS, will serve as a dedicated vehicle for ILS transformer transactions, available exclusively to Jireh and SRS clients.

Sal Tucci, founder and CEO of Jireh, highlights SRS's scale and client-first model as key differentiators in the insurance management space.

He describes Strata as a long-awaited platform offering advanced execution and administrative service, rooted in a deep understanding of ILS from a business practitioner's perspective.

"Strata is the new service standard for the transformation market, and it represents just the first of many initiatives that will propel SRS to become the provider of choice across the entire ILS market," Tucci adds. ■



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Tennessee workers' compensation rates decline for 12th consecutive year

Workers' compensation insurance premiums in Tennessee will drop for the 12th consecutive year in 2025, with most businesses benefiting from lower rates starting 1 March, according to the Tennessee Department of Commerce and Insurance (TDCI).

TDCI Commissioner Carter Lawrence approved the 3.6 per cent overall loss cost decrease on 27 December 2024. The change will apply to both new and renewal policies in the voluntary market.

This reduction enables insurers to combine National Council on Compensation Insurance (NCCI) loss cost filings with their own data to determine premiums.

Since 2014, Tennessee employers have benefited significantly

from ongoing workers' compensation reforms.

Commenting on the move, Tennessee Governor Bill Lee says: "We are proud to announce yet another rate decrease for workers' compensation insurance premiums. Lower premiums allow business owners to have the flexibility they need to re-invest in their companies."

Commissioner Lawrence adds: "The loss cost reduction can be attributed, in part, to safer workplaces where workers are receiving fewer injuries on the job.

"These reductions indicate a healthier workplace for Tennesseans as they result from decreases in lost time claim frequency and more stable claims costs." ■



Falcon Risk Services launches new solution

Falcon Risk Services has launched its latest cyber, technology E&O and Miscellaneous Professional Liability (MPL) insurance solution, FalconFlight.

The company says the new software sets a benchmark for broader protection in the industry, where it will offer tailored solutions for high-revenue companies. FalconFlight also aims to appeal to a varied spectrum of industries, including healthcare, financial services and technology providers.

Mary Spicer, senior vice president and head of cyber and tech E&O at Falcon Risk Services, says: "With FalconFlight, we've redefined what businesses should expect from their insurance coverage.

"In an era where digital threats and professional liability risks are growing more complex, this product delivers the comprehensive and flexible solutions our clients need to confidently navigate uncertainty that policyholders face." ■

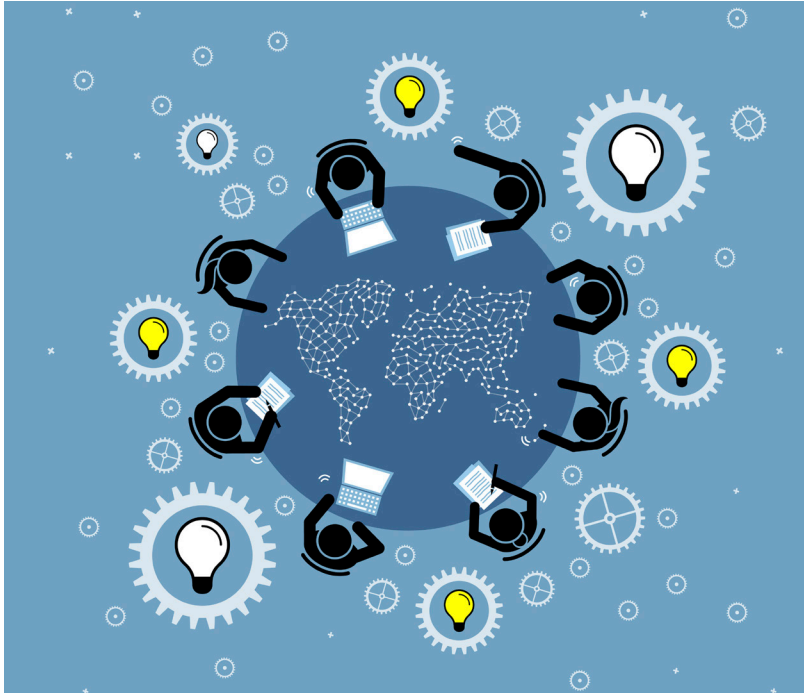


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SRG collaborates with Ecclesia Group

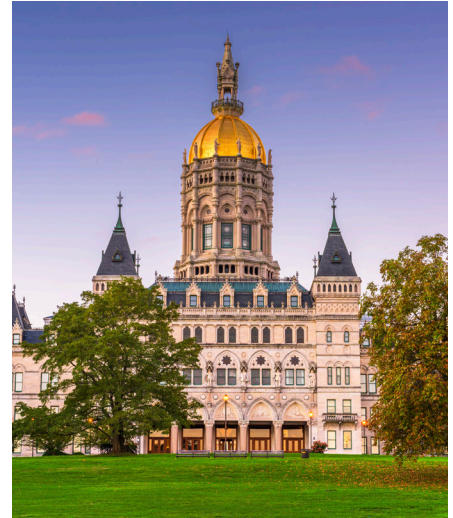
Specialist Risk Group (SRG) has partnered with Ecclesia Group to acquire two of their assets in the Netherlands and Belgium, subject to regulatory approval.

The acquisition will see SRG expand into mainland Europe following their launch in Asia Pacific in 2024, with seven businesses and 700 new colleagues from across the two countries set to join the firm.

As part of the partnership Ecclesia Group will join Warburg Pincus and Temasek as shareholders of SRG. This is said to reinforce the long-standing relationship between the two firms, and will allow the companies to continue expanding across Europe.

Warren Downey, group CEO of SRG, says: “This transformative partnership is a pivotal moment for SRG as we continue to expand our capabilities and reach. We are delighted to welcome Ecclesia Group as a shareholder and Jochen Körner to the SRG Board as a non-executive director.”

CEO at Ecclesia Group, Jochen Körner, concludes: “We are delighted to enter into this unique partnership with SRG, a business that shares our dedication to specialist expertise and client service. This partnership allows us to focus on strengthening our position in the German market while our international assets contribute to SRG’s international growth journey.” ■



Connecticut sees continued growth for captives

Connecticut has continued to grow as the domicile of choice for the captive insurance industry, reveals insurance commissioner Andrew N. Mais.

Nine new captive insurers were added in 2024, marking the fifth year of growth for the state since 2020. Of these, seven were pure captives, one an association captive, and one a sponsored captive.

In the same year, the Insurance Department also approved 17 new captive protected cells, which the department said was a 64 per cent growth from 2023.

This means the total number of captive risk-bearing entities has now been brought to 100, which Mais says is due to “Connecticut’s strong insurance industry ecosystem, timely updated captive legislation, and highly skilled professional workforce”.

He adds: “As risks evolve so does the need for insurance and risk financing, and captives can be an ideal solution for many business owners.” ■

Aon launches life and health reinsurance practice in India

Aon has launched its life and health reinsurance practice in India, with Renuka Nar appointed as head of broking.

Nar will report to Shailendra Sapra, CEO of Reinsurance Solutions in India at Aon, and will be responsible for expanding the firm’s offerings through collaboration with reinsurance markets across Asia Pacific.

In addition, Neha Shah has been named chief actuary for the practice, also reporting to Sapra.

Aon’s life reinsurance broking team boasts

more than 40 specialists in the Asia Pacific region.

The firm states that the new practice aims to attract fresh capital to the sector, support better decision-making for clients, and address key challenges such as capital optimisation, risk analysis, and pricing complexities, all while driving market growth.

The practice seeks to align with Indian government goals by facilitating cross-border reinsurers’ entry into the local insurance market.

It will support insurers by managing capital positions, reducing financial volatility, and enhancing product design and distribution.

Sapra says: “We are excited to launch our new life and health reinsurance practice in India, which is designed to accelerate the growth of this market and address important client needs through new solutions and capacity.

“With Renuka and Neha taking leadership roles, we are confident that this new capability will help to shape better business decisions for our clients in this sector.” ■

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Gallagher Re: Natural catastrophe insured losses reach US\$154bn in 2024

Natural catastrophe insured losses totaled US\$154 billion in 2024, marking a 27 per cent increase over the decadal average, according to Gallagher Re.

The annual average insured losses from natural catastrophes between 2017 and 2024 have approached a ‘new normal’ of US\$150 billion per year, highlighting an upward trend.

The US accounted for the largest share of insured losses, totalling US\$117 billion and representing 76 per cent of the global total.

Gallagher Re’s report identifies severe convective storms (SCS) as the largest driver of insured losses, accounting for 41 per cent of the global total.

Hurricanes Milton and Helene were the costliest events for insurers in 2024, each causing US\$20 billion in insured losses. The early-May and mid-March SCS outbreaks followed,

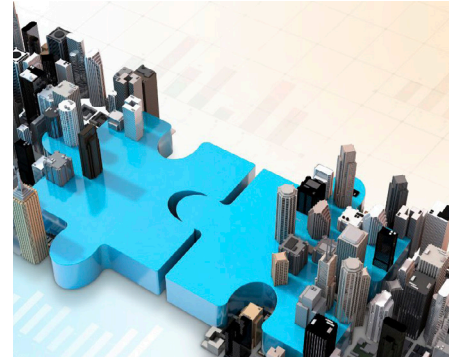
with insured losses of US\$5.6 billion and US\$5.1 billion, respectively.

Overall, the total direct economic costs of global natural catastrophes reached an estimated US\$417 billion last year.

Gallagher Re’s analysis also reveals that the rate of insured loss growth is outpacing the rise in total economic losses, reflecting the increasing role of insurance in mitigating risks.

According to the reinsurer, while 2024 did not set a record for total loss costs, it underscored the escalating financial impacts of climate change on individual weather events and broader patterns.

Research indicates that climate change is altering the behaviour of natural perils, with distinct regional impacts expected to emerge in the coming years. ■



Cytora partners with Smarty to enhance property risk underwriting

Cytora has partnered with Smarty to embed its US property data — offering over 350 attributes — into its platform to facilitate property risk evaluation for insurers.

The firms say underwriters can leverage this integration to assess risks more efficiently, identify potential exposures, and mitigate them proactively, improving underwriting outcomes.

The partnership also introduces US rooftop geocoding and SmartyKey, allowing insurers to pinpoint property coordinates and ensure accurate underwriting, even in cases of address changes.

Juan de Castro, chief operating officer at Cytora, says: “By integrating Smarty’s unparalleled property data, we are enabling insurers to make faster, more informed decisions with access to high-quality insights directly within our platform.”

Berkley Charlton, vice president of product management at Smarty, adds: “We are excited to collaborate with Cytora to redefine property data utilisation for insurers. Combining our property data with Cytora’s innovative platform certifies insurers have the tools to make smarter, faster decisions and adapt to the evolving risk landscape.” ■

IRS finalises regulations on micro-captive transactions

The Internal Revenue Service (IRS) has published its regulations on micro-captive listed transactions and transactions of interest.

According to the IRS, in an abusive micro-captive insurance transaction, an insured entity that owns at least 20 per cent of the voting power or value of a captive deducts insurance premiums paid to the captive in an arrangement that does not constitute insurance for federal tax purposes.

Therefore, the captive insurance company excludes the premiums from taxable income

under Code Sec. 831(b). Such arrangements often involve financing mechanisms that allow the captive to return tax-deferred amounts to the insured or related parties without triggering tax obligations.

Under the final rules, a micro-captive listed transaction must meet two tests: the 'financing factor' and the 'loss ratio factor'.

The financing factor test examines whether the captive provides financing over the computation period, while the loss ratio factor test applies to captives with a loss ratio below 65 per cent.

Meanwhile, the definition of a micro-captive transaction of interest now focuses solely on transactions where the captive fails the loss ratio factor test over a 10-year computation period.

The final regulations lower the loss ratio factor percentage and extend the transaction of interest computation period from nine to ten years.

Effective from 14 January, 2025, the regulations apply to transactions that are the same as or substantially similar to those identified in the final rules. ■



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Vermont records strong growth in captive formations in 2024

Vermont achieved one of its top ten highest years of growth in captive insurance formations in 2024, according to the Department of Economic Development.

The state licensed 41 new captive insurance companies last year, bringing the total number of licensed captives to 683, of which 654 are active and 29 dormant.

The new formations represented 16 industry sectors, with real estate, construction, healthcare, and insurance leading the way.

Captive formation types included pure (30), sponsored (9), special purpose finance insurer (1), and risk retention group (1).

Sponsored captive companies also saw significant growth, with over 30 new protected cells added in 2024.

Vermont's global reach was evident in 2024, with new captives originating from France, the UK, and Mexico, among others. The state

now hosts over 80 companies with international ownership.

Since enacting its captive enabling legislation in 1981, Vermont has licensed a total of 1,370 captive insurance companies. 2025 has already started strong, with 8 new captives licensed in the first week of January.

"Vermont continues to be a leader in the captive insurance industry and is committed to providing high-quality regulation and service to captive insurance companies that choose to do business here," says Governor Phil Scott.

Sandy Bigglestone, acting commissioner of the Department of Financial Regulation, adds: "Vermont's success has been built upon a system of dedicated resources and industry partners sharing the common goal of developing and maintaining captive insurance expertise and advancing standards required to responsibly meet the needs of the industry." ■

WTW introduces cyber facility for Hong Kong and Singapore businesses

WTW has launched CyCore Asia, a new cyber insurance facility for companies in Singapore and Hong Kong, with plans to expand to other Asian markets later this year.

The facility, underwritten by QBE Insurance Group and AXA XL, offers an insurance capacity of up to US\$15 million, and provides access to cybersecurity consultants for pre-loss services and assessments.

Key features of CyCore Asia include comprehensive proprietary wording, a risk bursary for cyber risk services, and the restore function for uninterrupted coverage.

Luke Ware, head of Corporate Risk & Broking, Asia, at WTW, comments: "While organisations in Asia race to adopt new technologies such as generative AI, a basic understanding is needed of the immediate, mid-term and long-term implications of these technologies for their cyber-resilience posture.

"Simply having a cyber insurance policy in place does not guarantee protection from all cyber risks.

"Organisations need to also develop a deep understanding of policy details to ensure a smooth recovery."

Conor Keating, cyber growth leader, Asia, at WTW, adds: "CyCore Asia offers businesses in Singapore and Hong Kong wider policy benefits that are not typically available on an open market basis.

"Under this new facility, clients are given the ability to engage with leading cyber security consultants who can support pre-loss services and assessments, expanding the collaboration and engagement from the insurance market further." ■



CICA announces former UFC fighter as keynote speaker for 2025 conference

The Captive Insurance Companies Association (CICA) has revealed that Justin Wren, founder and CEO of Fight For The Forgotten, will deliver the keynote address at its 2025 international conference.

The event is scheduled to take place from 9-11 March at the JW Marriott Starr Pass Resort & Spa in Tucson, Arizona.

According to CICA, as a former prominent UFC fighter, Wren discovered his life's mission in helping others while living among the Pygmy people in the rainforest.

Since 2013, his nonprofit organisation has brought clean water, housing, healthcare, land ownership, and freedom from slavery to thousands of marginalised individuals.

Wren's keynote 'From the Ring

to the Rainforest: Leadership Principles from an Ultimate Fighter's Remarkable Journey' will chronicle his journey from UFC headliner to overcoming addiction and ultimately transforming lives in Africa.

Leon Rives II, chief visionary officer at RH CPAs, which is sponsoring the keynote address, says: "Justin Wren speaks from a heart of passion and perseverance. His message is inspiring for both a personal and professional mindset."

CICA president Dan Towle comments: "We look forward to welcoming Justin to our 2025 conference and having him share his authentic and motivating keynote message with our attendees.

"His story of resilience is a valuable reminder of the impact each of us makes in our organisations and the industry." ■

Swiss Re: Premium growth in US P&C insurance to decelerate in 2025

Swiss Re has foreseen a slowdown in US property and casualty (P&C) insurance premium growth for 2025, balanced by easing claims pressures. The global reinsurer predicts premium growth to reach five per cent in 2025, down from prior expectations, with a further decline to four per cent in 2026.

The deceleration is attributed to increased competition among insurers, particularly in personal lines, as they chase market share.

Swiss Re expects commercial lines continue to experience slower growth, while workers' compensation premiums have shrunk.

Homeowners' premiums, excluding catastrophe losses, are expected to follow a similar deceleration, with construction prices rising slightly in 2025 and 2026.

As of November 2024, 24 US weather events caused over US\$1 billion in economic losses each, significantly impacting the P&C industry. Weather-related losses contributed nearly nine percentage points to the US P&C net loss ratio for the first nine months of 2024.

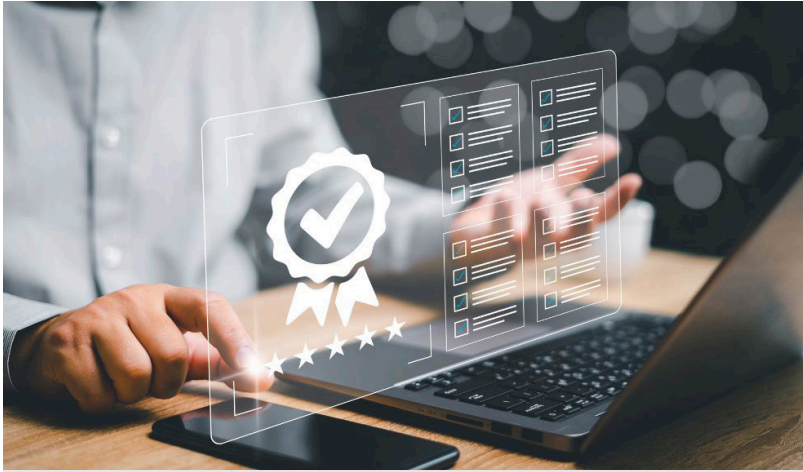
The industry's combined ratio is expected to remain at 98.5 per cent in 2025 before deteriorating slightly to 99 per cent in 2026.

Favourable reserve development of US\$9 billion in 2024 helped reduce loss ratios by over one percentage point despite higher-than-anticipated catastrophe losses.

Hurricanes Helene and Milton caused insured losses estimated at US\$50 billion in Q3 and Q4 2024.

Globally, insured losses from natural catastrophes are on track to exceed US\$135 billion in 2024, with the US accounting for two-thirds. ■

Ratings Roundup



AM Best upgrades credit rating outlook for The Florida Bar's captive

AM Best has revised the outlook to 'positive' from 'stable' for the long-term issuer credit rating (ICR) for Florida Lawyers Mutual Insurance Company (FLMIC), a captive of The Florida Bar. The agency also affirms the long-term ICR of 'a' (Excellent), and the financial strength rating (FSR) of 'A' (Excellent), with a 'stable' outlook.

The ratings reflect the captive's balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

In addition, AM Best emphasises the FLMIC's sustained positive

operating performance over the past five years based on positive annual underwriting income supported by growing net investment income.

The company's underwriting results were supported by its strong pure loss ratio, though partially offset by a higher underwriting expense ratio due to increased overhead costs.

FLMIC maintains a neutral business profile assessment based on its strong market share position in Florida.

It is the sole insurer dedicated to providing lawyers professional liability coverage for legal professionals practising privately in the state. ■

AM Best affirms 'Excellent' credit ratings of Stellar Insurance

AM Best has affirmed the financial strength rating of 'A' (Excellent) and the long-term issuer credit rating of 'a+' (Excellent) of Stellar Insurance, a Bermuda-based single-parent captive of the Saudi Arabian Oil Company (SAOC).

The outlook of these ratings is 'stable'.

The ratings reflect Stellar's balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

Stellar's balance sheet strength is underpinned by its risk-adjusted capitalisation that is expected to remain comfortably at the strongest level supported by the company's low underwriting leverage, earnings retention and comprehensive reinsurance programme.

AM Best expects the company's performance in 2024 and prospectively to remain strong, albeit over the longer term subject to potential volatility due to the captive's exposure to high severity, low frequency losses in its energy programme.

Stellar's business profile assessment reflects the key role it plays in SAOC's overall risk management framework by providing tailored risk transfer solutions for SAOC and its affiliates' operations.

Stellar's portfolio is concentrated by line of business, with the majority of premiums represented by energy onshore and offshore property risks, as well as by geography with approximately 84 per cent of premiums associated with risks located in Saudi Arabia. ■



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Mark Wiedeman

Director of captive insurance
Tennessee Department of Commerce and Insurance

Mid-market captives on the rise

Tennessee takes the lead

Mark Wiedeman, director of captive insurance at the Tennessee Department of Commerce & Insurance, discusses how Tennessee is emerging as a frontrunner in the rise of mid-market captives

What impact will the increasing adoption of mid-market captives have on the traditional insurance market landscape, especially for insurers specialising in coverage lines that mid-sized businesses are increasingly self-insuring through captives?

Several items continue to impact the premium pricing in traditional markets. Some examples include pandemic risk coverage, increasing cyber liability, rising costs in healthcare, and climate-related events.

These exposures have led to a persistent rise in traditional premiums and the exclusion or withdrawal of traditional carriers in specific areas such as property coverage.

As companies begin to navigate this landscape of limited or non-existent coverage and initiate self-insurance programmes through a captive mechanism, traditional markets will continue to see a decrease.

What specific regulatory considerations must be addressed to ensure sustainable growth of the mid-market captive segment in Tennessee while maintaining robust risk-based capital requirements?

As regulators, we strive to understand the evolving captive landscape and keep pace with industry trends while maintaining a stable regulatory environment.

Our foremost concern is the solvency and liquidity of captives.

Maintaining robust risk-based capital requirements where applicable is essential, and having a strong framework that allows captives to innovate while remaining in compliance with statutes is imperative to continue growth.

How can mid-sized businesses effectively address the challenge of achieving sufficient risk pooling and diversification to ensure captive viability, particularly in the initial formation stages?

Being able to distribute risk among a larger number of unrelated risks is important in risk pooling and diversification.

Participation in established, reputable risk pooling programmes and quota share reinsurance agreements can accomplish this.

How does the cost-effectiveness of captive formations vary across different industries, considering factors such as risk profiles and claims history?

Companies with low risk tolerance may not find captives to be an ideal solution. While the costs of establishing a captive programme are likely to be similar across industries, companies facing higher risks must find ways to mitigate and take ownership of controlling those risks. They are likely to have poor loss experiences and run the risk of retaining even more of their losses while spending more than they should have had they remained fully insured by a traditional carrier.

How does Tennessee leverage data analytics to equip mid-sized businesses with the information needed to conduct a data-driven feasibility analysis to determine if a captive is the appropriate risk management strategy for their specific needs?

Domiciles do not work with the insureds to determine whether a captive is feasible for their specific situation. Companies will undertake that analysis themselves or work with captive managers and other service providers to establish whether a captive would be a good option for them.

While we do not consult or provide information to potential captives or help them with determination of what programme is right. We can make suggestions to ensure the insureds are able to achieve their goals while maintaining compliance with statutes, rules, and regulations.

Beyond protected cell captives, what other innovative captive structures is Tennessee exploring to cater to the specific risk management needs of mid-sized businesses?

Tennessee offers many captive structures including pure captives, associations, agency, sponsored cell programmes and risk retention groups. Much of the innovation in captive insurance is driven by the captive managers and owners.

Our role in the innovation process is to evaluate the new proposals from the perspective of whether they are complying with the current statutes and regulations or not. We regularly work with managers, owners and other industry service providers who propose these types of updates.

"As regulators, we strive to understand the evolving captive landscape and keep pace with industry trends while maintaining a stable regulatory environment"

How is Tennessee addressing the potential talent gap in terms of qualified captive managers and risk management professionals to service the growing number of mid-market captive formations?

We do not regulate captive managers, but we do check service providers and require captives to use approved captive managers, accountants, and actuaries. We find that having a robust training programme to build upon the foundation offered by an accredited education in accounting is the best approach to building talent in-house.

How can mid-sized businesses utilise technology solutions to streamline captive operations and ensure efficient claims management processes, considering their potentially resource-constrained environments?

It is important for mid-sized businesses to focus on having good fundamentals and a solid foundation for their captives. Using established, reliable software suites and service providers to manage their operations, ensuring adequate capitalisation, and building slowly are all factors that can allow a captive to flourish. Once established, captive owners should consider innovating, using more advanced solutions, including advanced risk management software.

How can mid-sized businesses integrate their captive strategy effectively with their broader long-term enterprise risk management framework?

Captive owners should include increased retentions and additional lines in their captive plans over time. Once they have built a firm foundation and maintained stable operations for a few years, companies typically evaluate what other lines they can put into their captives as captives should not be static entities.

Most captives start off with property and other typical enterprise risks. After gaining some traction, the owners should then explore which other lines where they can retain some risk.

Retaining layers of workers' compensation, medical stop loss, cyber, and other lines are common starting places.

What metrics and frameworks does Tennessee recommend for mid-sized captives to benchmark their performance against industry standards and measure their captive's overall effectiveness?

We do not conduct cost-benefit analyses for captive owners. However, owners could compare various analytics (loss/expense/combined ratios, etc.) to industry metrics to get a sense of how the captive stacks up against others in the industry.

Companies should also consider doing some comparison shopping, like getting quotes for comparable commercial coverages and comparing what their quoted commercial programme costs would have been against what their captive programme has cost.

Part of being a responsible captive owner is understanding what your options are and how your captive is performing versus the alternatives. Working with your captive manager and broker to determine the best solution for your business is an important part of the puzzle.

What lessons from managing such complex captives are you applying to make Tennessee more attractive to mid-market companies, particularly in terms of regulatory clarity, service levels, and addressing the unique needs of larger, more sophisticated captives?

We have proven that having a well-documented regulatory framework and highly educated staff who are dedicated to providing great customer service is crucial to attracting captive owners. Of course, there are other factors, and the total criteria is part of the captive owners' overall plan.

As for more sophisticated captives, we try to leverage our relationship with our providers and keep up with industry trends so we can understand the needs of these entities. We also ensure that our team is constantly training to keep up with industry trends and staying on top of best practices. ■



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Shifting landscape of European captive market

Experts from AM Best delve into transformative trends in European captive insurance market, outlined in their latest report 'New Domiciles Are Changing the Landscape for the European Captive Insurance Segment'



The report highlights re-domiciliation trends across European jurisdictions. What strategic considerations are driving parent companies to relocate their captive insurance entities?

Andrea Porta: The main driver of recent captive re-domiciliation has been parent companies' strategic choice to move their captive insurance operations to the country in which the group is headquartered. This contributes to improving coherence with respect to the geographical location of the entities belonging to the group, as well as bringing operational synergies.

Parent groups typically have an established insurance division that is responsible for devising the insurance strategy and purchasing the required insurance covers through their captives and the commercial market.

These insurance divisions also work with the captives to devise their reinsurance strategy to determine net retained risk for the group based on its risk appetite. Captives are often lightly staffed, and the interactions with the parent's insurance division are frequent, so being domiciled in the same jurisdiction can streamline collaboration, bringing benefits and synergies.

However, specific European jurisdictions historically offered very favourable regulatory regimes, and, as a result, a high number of captives were established in domiciles like Guernsey or Luxembourg to take advantage of attractive legislation, at the expense of geographical coherence.

Recent legislative developments towards more attractive regulations — in domiciles such as France and Gibraltar — are prompting parent companies to consider moving their captive insurers to the jurisdiction in which the group is headquartered.

How are emerging European domiciles such as France reshaping the captive insurance landscape, and what regulatory innovations are driving this transformation?

Morgane Hillebrandt: France established a new captive framework in 2023 to increase its attractiveness for captives. As such, captives established in France are authorised to build up tax-free resiliency provisions, a reserve that can represent up to 90 per cent of their technical results.

This is a significant advantage that, along with geographical coherence, seems to have helped a number of French groups in

"The main driver of recent captive re-domiciliation has been parent companies' strategic choice to move their captive operations to the country in which the group is headquartered"

Andrea Porta

making the decision to set up or repatriate their captives to France in the wake of the new regulation. However, while the number of licensed captives in France is increasing since the enforcement of the new framework, the French ecosystem remains nascent, and the regulation includes a review clause in 2025.

Given the hardening commercial insurance markets, what unique value propositions are captives offering their parent organisations that traditional insurance cannot match?

Porta: The principal advantage for captive insurers is the clear understanding of the risks and requirements of their parent companies which allows them to provide suitable covers. Captives have proven to be extremely effective in ensuring that their parent's insurance needs are satisfied, especially with regards to risks not easily insurable in the commercial market, offering greater flexibility in designing tailor-made solutions for the parent's needs. In many cases captives have been able to provide better terms and conditions than the commercial market.

In light of the challenging reinsurance market cycles of 2023–2024, what strategic adaptations are European captives implementing to maintain capacity and manage risk effectively?

Kanika Thukral: During hard reinsurance market cycles of 2023–2024, European captives have generally continued to meet the insurance demands of their parent groups and have moderately increased their net retentions where reinsurance capacity has been tight for some lines such as property cat and casualty.

"The upcoming amendments to the Solvency II Directive are set to establish a more proportionate regulatory framework for EU captive insurers"

Kanika Thukral

In addition, European captives have remained focused on maintaining underwriting discipline. As such, in 2023 and 2024, most European captives experienced tightening of terms and conditions rather than loss of reinsurance capacity. Since captives are subsidiaries formed to support the insurance needs of their parent groups, they often are not subject to high dividend expectations.

Parent groups are generally supportive of capital accumulation at the captive level so that they remain well-capitalised to absorb moderate net retention increases during hard reinsurance cycles.

Captives have a good understanding of parent groups' operations and risk management practices. As such, they benefit from a strong ability to assess the risks being underwritten by them and can price them appropriately.

With geopolitical tensions and climate volatility increasing, how are captives evolving their risk assessment and coverage strategies, particularly for complex risks such as cyber and business interruption?

Hillebrandt: One of the advantages of successful captives is that they have direct access to information from the parent group or company which allows them to appropriately assess risks and provide suitable cover. This is particularly true for more complex risks including cyber. Thanks to this, captives are a very useful risk management tool for lines in which there may be capacity constraints such as certain liability risks or cyber.

Indeed, we have seen certain cases in which some captives have been able to maintain terms and conditions whereas the commercial market has overall been working on refining terms and conditions and in certain lines has put in place more stringent restrictions on covers.

We have also seen certain captives decide to increase their participation in particular risks in order to continue to offer suitable covers to their parents. This has generally had a positive effect on insurance costs for the parent.

AM Best's rating analysis shows most European captives maintaining stable ratings. What underlying financial and operational characteristics contribute to this rating consistency?

Thukral: Most European captives rated by AM Best have a track record of stable ratings. The rated captives tend to be well-capitalised, as measured by both their regulatory solvency requirements and by Best's Capital Adequacy Ratio (BCAR).

The operating performance of European captives has generally remained positive and in many instances, it has been favourable over the underwriting cycle. In addition, business profile and enterprise risk management fundamentals are typically stable given the strong regulatory regimes in Europe.

Lastly, the ultimate parents of European captives continue to evidence ability and willingness to support their captives if required, in most instances.

The upcoming Solvency II amendments suggest a more proportionate regulatory approach. How might these changes fundamentally alter the operational framework for EU captive insurers?

Marving Lopez: The upcoming amendments to the Solvency II Directive are set to establish a more proportionate regulatory framework for EU captive insurers, bringing operational changes.

The 'small and non-complex undertakings' classification provides simplified requirements for eligible EU captives, which include reduced reporting obligations, such as less frequent

Own Risk and Solvency Assessments and longer gaps for governance policy reviews. Additionally, EU captives may qualify for exemptions from complex reporting requirements, such as long-term climate change scenario analyses, recognising their limited exposure to such risks.

The upcoming amendments are designed to reduce administrative burdens on EU captives, allowing them to focus

on their primary role of underwriting and managing the insurance needs of their parent groups.

The amendments are expected to introduce a streamlined approach that accommodates EU captives' specialised business models while maintaining a robust oversight. Finally, the amendments indicate a constructive move towards greater proportionality and reduced regulatory complexity on what is often a relatively lean operating structure.

How are the concurrent implementation of IFRS 17 and the Digital Operational Resilience Act creating new compliance challenges and opportunities for European captives?

Lopez: Both IFRS 17 and the Digital Operational Resilience Act (DORA) introduce complexity. IFRS 17 brings revised financial reporting for insurance contract accounting with detailed data accuracy and transparency, while DORA enforces stringent cybersecurity and IT resilience requirements.

Captives often operate with a lean structure and are therefore often resource-constrained, facing higher costs for compliance, including, where necessary, technology upgrades, consultancy, and training.

European captives reporting under local Generally Accepted Accounting Principles (GAAP) but with parent companies reporting under IFRS have been required to revise their financial reporting processes and data management for their parent company's reporting.

Integrating financial systems that meet IFRS 17 standards while adhering to DORA's resilience requirements adds further pressure. European captives' need to integrate these requirements creates a more costly and complex compliance environment which is often supported by the expertise and resources from its parent groups.

On the other hand, these regulations offer the chance to modernise operations and adopt newer systems, improving efficiency and risk management. DORA's focus on resilience reduces operational risks, while IFRS 17 improves financial transparency and decision-making.

Consequently, making European captives more resilient and better equipped for future challenges.

Andrea Porta

Financial analyst
AM Best



Morgane Hillebrandt

Senior financial analyst
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Kanika Thukral

Associate director
AM Best



Marving Lopez

Financial analyst
AM Best



Shaping the future of risk management

Kristen Peed, president at the Risk and Insurance Management Society, speaks with Diana Bui about her aspirations to support and promote collaboration within the global risk professionals community

From a strategic perspective, what do you see as the most pressing global risks organisations must address in 2025?

Risk management is entering a new era. Risks today are more impactful, frequent, and unpredictable than ever before. At the same time, businesses increasingly recognise the value of strong risk management, leading to heightened expectations for risk professionals. This presents a unique opportunity — one that risk leaders must seize.

Technology remains the most significant challenge for organisations and risk professionals alike. Cybersecurity and data privacy are top concerns in boardrooms worldwide. Meanwhile, the rapid pace of technological innovation introduces further risks.

As companies race to remain competitive, risk leaders must work closely with IT teams to fully understand and mitigate potential vulnerabilities. Proactive risk management in technology not only safeguards the organisation but also enhances processes, expands service offerings, and drives business success.

The key to managing technology-related risks — and all organisational risks — is fostering a culture of risk awareness across the enterprise. Risk professionals should actively engage

with business leaders to demonstrate how risk management supports their strategic objectives.

Ultimately, managing today's most pressing risks — whether cybersecurity, extreme weather, nuclear verdicts, or emerging technologies — requires a collaborative approach. Risk professionals are uniquely positioned to lead these efforts, bringing together cross-functional teams to navigate an increasingly complex risk landscape.

How can RIMS support risk professionals in preparing for emerging risks in today's rapidly evolving environment?

This year, the Risk and Insurance Management Society (RIMS) is celebrating its 75th anniversary, marking decades of commitment to delivering resources, educational programming, and industry-leading events like RISKWORLD. The Society also offers the RIMS-CRMP certification, equipping risk professionals with the knowledge and tools to navigate today's challenges.

The strength of RIMS lies in its community. By providing platforms for professionals to share ideas and learn from one another's experiences, RIMS fosters collaboration that is essential for

addressing emerging risks. Leveraging real-world insights, identifying trends, and exchanging best practices enable the RIMS community to not only manage risks effectively but also turn them into strategic opportunities for their organisations.

What role do you think climate change and ESG considerations will play in shaping risk management strategies, and how will RIMS help guide its members in this area?

Climate change and ESG considerations will impact risk management strategies differently depending on the industry. For example, organisations in the agriculture sector closely monitor extreme weather patterns, rainfall, and other environmental factors, while financial services firms may place climate risks lower on their risk registers.

However, recent events such as wildfires in Canada and California highlight the increasing importance of climate-related risks across all industries. Wildfires and severe flooding can cause significant business and supply chain disruptions, making climate resilience a critical concern for risk professionals.

From a governance and compliance perspective, staying up to date with regulatory changes is essential. RIMS brings risk professionals together, allowing members to share their experiences and insights of how these events or regulatory changes have impacted their organisations. By learning from both successes and failures, the RIMS network helps professionals navigate evolving ESG and climate risks more effectively.

What's your vision for RIMS during your presidency, and what do you hope to achieve for its members in 2025?

As I mentioned earlier, we are in a new era of risk management, where risk professionals must prioritise their professional development. While we celebrate RIMS's history, we must also look ahead to its future. One of my key goals is to ensure that RIMS continues to provide thought-leading education and resources that will support risk professionals for the next 75 years.

I am also deeply passionate about mentoring. Seasoned risk professionals, like myself, have a responsibility to give back and support the next generation of risk leaders. More and more students are choosing careers in risk management, which

is fantastic — but how do we ensure they stay in the field? Providing opportunities, resources, and support for early career professionals is a top priority for me.

To achieve these goals, RIMS will officially launch 'RIMS, The Foundation for Risk Management' later this year. This initiative will further advance research, expand engagement opportunities, and offer scholarships and grants to support early career professionals.

We are calling on our partners to join us in this endeavour, and we are confident it will be a great success.

How will you advocate for more international collaboration and knowledge sharing within the RIMS community?

One of RIMS's priorities is to establish a global standard for risk management, ensuring that the expectations, roles, and expertise of risk professionals align worldwide.

A key initiative in this effort is the RIMS-Certified Risk Management Professional (RIMS-CRMP) certification — the only globally accredited risk management certification. To date, more than 1,500 risk professionals across over 60 countries have earned this mark of achievement. The certification's growing international traction highlights the increasing commitment to shared knowledge and best practices across borders, strengthening global collaboration within the risk management community.

Diversity, equity, and inclusion are key focus areas for many industries. How do you plan to champion these values in the risk management field?

RIMS's Diversity, Equity, and Inclusion Advisory Council has played a crucial role in shaping initiatives that foster a more inclusive environment for risk professionals from all backgrounds.

Additionally, the society continues to build strategic partnerships with risk management and insurance groups that support professionals from diverse backgrounds and cultures.

Ultimately, we are stronger together. There is immense value in learning from individuals with different experiences, career stages, and industry perspectives. Diversity in thought is a powerful driver of innovation and progress in risk management.

What steps are being taken to engage and empower the next generation of risk professionals?

RIMS and its 80 chapters worldwide offer numerous opportunities to support rising risk professionals. The society provides scholarships for risk management students to attend RISKWORLD and other RIMS events, helping to foster industry engagement and professional development. Personally, RIMS was an invaluable resource early in my career. Beyond providing insights into risk management strategies and trends, my involvement as a RIMS volunteer with the Northeast Ohio Chapter allowed me to serve on its board, lead meetings, speak in front of groups, and make strategic decisions for the chapter.

These experiences helped me develop essential business skills that have benefited my entire career. I encourage other rising risk professionals to explore opportunities within their local RIMS chapters to gain similar experience and professional growth.

How is RIMS addressing major challenges like cybersecurity, AI, and overall business resilience?

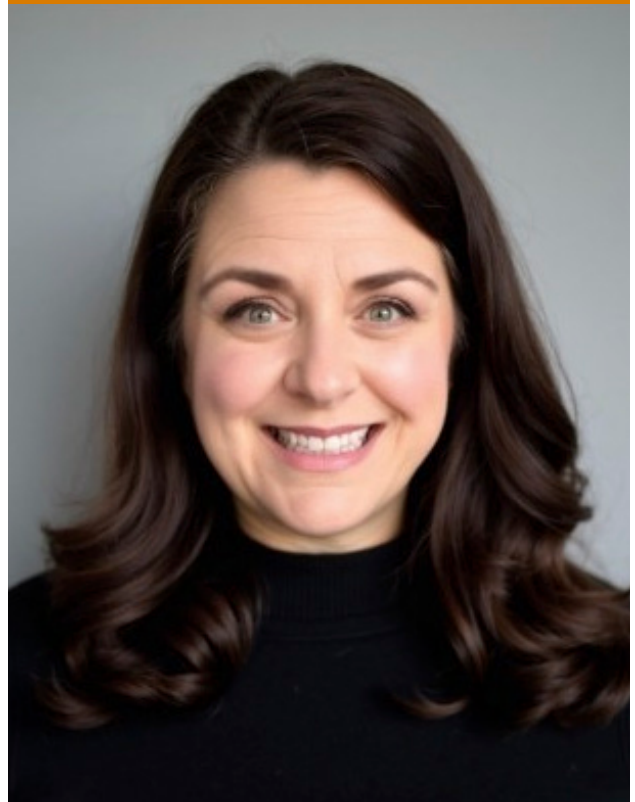
Throughout the year, RIMS provides a wide range of learning opportunities to address these critical issues. RIMS Risk Management Magazine and RIMScast, our podcast series, regularly cover these emerging and evolving risks. Of course, I would be remiss if I did not mention RISKWORLD, the largest gathering of risk professionals globally. This year, RISKWORLD takes place from 4-7 May in Chicago, where we expect over 11,000 attendees, 300 risk management solution providers, and more than 100 educational sessions. With cybersecurity and AI top of mind, not only will there be numerous sessions dedicated to these topics, but they are sure to be central to many discussions during networking events and business meetings at the conference.

Looking ahead, what would you like your legacy as RIMS President to be?

Wow, it has only been a month into my presidency, and I am already being asked about my legacy! Over the past 75 years, so many incredible risk professionals have held this role, and my goal is to follow in their footsteps.

At the end of my term, I hope the RIMS community recognises just how passionate I am about advancing both the risk management profession and RIMS itself. ■

"Proactive risk management in technology not only safeguards the organisation but also enhances processes, expands service offerings, and drives business success"



Kristen Peed

President

Risk and Insurance Management Society

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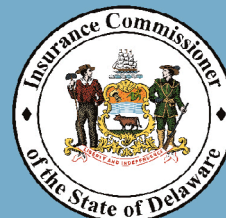
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A captive solution with premium potential

Capable, compelling, and with lower costs than a single-parent captive, Mark Dugdale looks at renting captives as an alternative risk financing strategy

Rent-a-captives have many names. Depending on where they are domiciled, they are known as protected cell, sponsored cell, segregated account or segregated portfolio companies.

'Sponsored cell company' arguably does this form of captive the most justice, because they involve the 'sponsor' establishing separate, segregated cells or underwriting accounts for each risk.

As Nick Frost, president of captive management at Davies, which provides technical solutions to captives in Europe, the US, Latin America, Canada, Asia, Guernsey, Australasia, and the UK, along with full-service captive capabilities, explains: "The sponsor is usually a captive manager or broker who 'rents' the licence of the facility to their clients for a fee, and they are generally used when the insurance programme is considered too small to justify the incorporation of a wholly owned captive."

A rent-a-captive is able to write any type of business, as a single-parent captive can, but generally one line of business will go through a cell.

Frost continues: "The main difference between cells and regular captives is that the exposures are normally fully funded in each cell. Fully funded is understood to be funded to an actuarially determined loss pick."

As the names differ from domicile to domicile, so too do the rules around them, but Frost says that rent-a-captives registered under the Bermuda Segregated Accounts Companies Act, for example, must provide statutory legal division to protect the assets of one segregated account from the liabilities of another. Other jurisdictions have similar legislation protecting the assets in one cell from the liabilities of another.

Rent-a-captives are "very hot and trending right now", likely among most captive consultants and managers, "because they are so user-friendly, versatile, inexpensive, simple and easy", says Michael Serricchio, managing director and the Americas consulting leader for Marsh Captive Solutions.

Marsh, which operates rent-a-captive facilities under the Mangrove brand in domiciles around the world, including Bermuda, Barbados, the Cayman Islands, Malta, the Isle of Man, Guernsey, Delaware and Washington DC, is witnessing strong client appetite first-hand.

Within the last three years alone, the number of cells in Marsh sponsored-facilities more than doubled.

In 2023, cells accounted for approximately 25 per cent of Marsh's new captive implementations.

Rent-a-captives enable organisations to "dip their toes" into captive insurance and learn what these entities are and how they work, says Serricchio.

"Using the cell of a rent-a-captive is, as the name suggests, like renting before you buy. I'd liken it to renting a condo on the shore before committing to building a 10,000 square-foot house in the same location. And it's a great way of gaining knowledge, experience and critical mass."

Anything a captive can do, a cell can do too

The many benefits of renting a cell are best demonstrated in comparison to setting up a single-parent captive.

Serricchio says organisations “really can do anything in a cell that they can do in a very large single-parent captive, as long as local regulations permit it”.

“And you can do it a little easier, simpler, and in a more streamlined way, usually in the best domiciles because they are where all the best builders put their captives, like Marsh.”

Rent-a-captive cells can write a single or multiple lines of business. “There are billions of dollars going through our cells to access reinsurance,” says Serricchio — and there is less administration involved than single-parent captives, with a formal board meeting not required in the domicile every year, if permitted.

They are also very portable. Serricchio explains: “Organisations can have a cell operational for a few years and then ‘port’ it into a regular single-parent captive in the domicile of their choice, whether it’s Bermuda, Vermont, New Jersey, Connecticut, Utah or Hawaii. We have a lot of clients that do that. The process is so simple, it’s almost like, why not start as a cell?”

Aside from their flexibility, the biggest attraction of cells in a rent-a-captive is cost. Serricchio says: “Cost is always a driver and cell costs are much lower than a single-parent captive. In some instances, it could be 30-50 per cent cheaper to do it in a cell.”

For Frost, the benefits of a rent-a-captive are ease of entry and exit. He says: “As the rent-a-captive facility is already set up by the sponsor, there is no need to set up a new company. All that needs to be done is to set up a new segregated cell or account, which can be done very quickly. This means that it is cheaper, quicker and easier to set up. The ongoing costs tend to be cheaper as well.

“In a captive, there are ongoing legal fees, audit fees, corporate admin fees, and annual meeting and board of directors expenses, which are not needed in a rent-a-captive scenario.”

Due to their many benefits, rent-a-captive cells are in fact utilised for lots of different purposes, from “stretching your legs a little and learning from your mistakes”, to “growing it as you see fit, as the needs of the organisation change”.

Serricchio says: “We have some clients that have a single parent and a cell. Some clients have an offshore Cayman captive that is in the healthcare arena, but then they also have a US cell for some US business, such as terrorism, employee benefits or medical

stop-loss, which they feel more comfortable doing in cells so they can wall it off.

“Organisations can even have multiple cells for different businesses. For example, we talk to private equity funds about their different funds and portfolio companies. They are able to structure it in such a way that each fund or portfolio company can have its own walled-off cell and it’s still cost-effective to do that.”

Frost adds: “We just formed a cell in our segregated accounts facility for a client looking for a solution for their property insurance. The insurance rates were so high so we helped them to place the first US\$20 million in a cell, they purchased US\$15 million excess of US\$20 million in the London market and then placed a further US\$15 million excess of US\$35 million in the cell.

“Also agents and MGAs tend to use rent-a-captives to take risk on books of business that they have, and they can provide an advantage of helping the broker to retain the business by offering cells to their clients. Cells are also popular for medical stop-loss programmes and we have seen a growth in this area.

“Almost anything can be put into a rent-a-captive structure.”

New rent-a-captives on the block

The rent-a-captive concept is well-proven, with facilities available around the world from household names, including Marsh (Mangrove), FM Global (Watch Hill in Vermont and New Providence Mutual in Bermuda) and Aon (White Rock in Guernsey), along with offerings from Liberty Mutual, AIG and many others.

One relatively new facility is Macquarie Insurance Facility’s (MIF) rent-a-captive, which was launched in late 2024 for property and casualty-related risks.

MIF is one of the largest global aggregators of insurance, accessed by both Macquarie-related assets and third-party financial sponsors. It aggregates a combined premium spend of around US\$1.8 billion annually from participating private equity, infrastructure, energy and real estate firms.

Those clients approached MIF about captive insurance solutions, as a result of “increasing uncertainty in the world and the insurance market,” says its global head, Nick Wiiski.

Wilski explains: “Clients are driven by the appeal of cost savings, risk management customisation and enhanced opportunities for cash flow. Establishing the rent-a-captive offering is a way for MIF to utilise its existing structures that will bring further benefit to clients. By offering clients the opportunity to leverage the benefits of captive insurance, without the operational burden, we’re providing an efficient, flexible and tailored insurance solution.”

MIF’s rent-a-captive is a segregated accounts company domiciled in Bermuda, so individual accounts (or cells) are able to make gains or losses strictly within that account and be insulated legally from those of other accounts and the captive itself, which protects the assets of a particular account from the activities of creditors in the event of insolvency of either another account or of the captive.

The rent-a-captive can be accessed using any broker and clients are free to build their programme how they see fit with regards to fronting, risk retention and reinsurance. Captive fronters must be ‘A-’ rated or higher.

Much like other rent-a-captives, MIF’s solution “offers clients all the benefits of a captive without the large upfront investment and ongoing expense associated with establishing and operating a single-parent captive insurer,” comments Wilski.

“In addition to cost effectiveness, it also offers clients a greater speed to market and flexibility. MIF’s rent-a-captive offering is fully broker-independent and competitively priced compared to similar offerings in the market.”

Where MIF’s rent-a-captive differs is its sponsor. Wilski says: “MIF also has a track record of providing purchasing power benefits to participating buyers. Utilisation of MIF’s rent-a-captive enhances the leverage that [we] can bring to the insurance market to drive further improved insurance outcomes for clients.”

Taken all together, this new rent-a-captive on the block is a compelling proposition.

Wilski comments: “As a Macquarie Group-owned entity, the counterparty risk associated with using [our] rent-a-captive is mitigated given Macquarie’s long track record of financial stability. MIF is also offering its rent-a-captive solution at below market rate fees for MIF clients.”

MIF’s rent-a-captive is attracting interest from businesses contending with the increasingly challenging market environment for insurance within their industries or jurisdictions. This includes interest from clients in the waste industry in the US, for example. Wilski says: “Increased premiums and reduced

"Organisations can have a cell operational for a few years and then 'port' it into a regular single-parent captive in the domicile of their choice"

Nick Frost, Davies





"The establishment of a captive can be a costly and timeconsuming process; so the MIF rent-a-captive is a faster and cheaper option to establish the strategy for businesses within these industries"

Nick Wilski, Macquarie Group

coverage are passed onto the whole industry, regardless of the individual performance of better risk-managed businesses. A captive strategy allows businesses to retain some risk within the captive, which they can price according to their individual risk performance. This can lead to increased coverage and underwriting profits to the business.

"The establishment of a captive can be a costly and time-consuming process; so the MIF rent-a-captive is a faster and cheaper option to establish the strategy for businesses within these industries."

Wilski adds: "In addition, MIF has also been speaking to a number of clients who are interested in utilising the rent-a-captive as a way to access the reinsurance market. This provides clients with further capital solutions to insure specialty products and lines of business."

"Since launch, enquiries have come from a range of differing industries and risk classes but all looking to explore different ways to approach risk management and cost reduction," Wilski concludes.

"Looking to the future, MIF is constantly evolving and looking at new ways it can build and develop structures that further benefit its clients."

Another new offering is ReadyCell from Marsh. This 'insurance-company-as-a-service' (ICaaS) launched at the beginning of 2024 after a few years in development and in response to a need for a "creative, innovative, cost-effective, user-friendly and flexible" solution.

ReadyCell is not like other rent-a-captive facilities out there. This solution enables no fronting or reinsurance.

Serricchio says: "It has its limitations but there are a lot of organisations that need a captive for just one thing. ReadyCell could be their solution."

Indeed, ReadyCell is a Washington DC-based cell captive that "can form in just a few seconds". It's a rapid-response captive insurance solution, capable of being "ready for any renewal".

It's also as low-cost as they come and able to be left in dormancy until its owner is ready to utilise it. Serricchio says: "We can do as low as US\$10,000 to start up a cell and organisations have 18 months to use it. In those 18 months, we do a one-line feasibility study for the client and we recommend what they do with it.

"The good news is if they decide not to do anything with it, the cell just shuts down and they walk away. The better news is that most clients find a use for it with our help. And now they have a

fully operational cell ready to go for their renewals, perhaps for a property line, an excess liability line, or a deductible for wind, flood or quake.

"It's very user-friendly and it's as cheap as US\$10,000 a year to run. That cannot be beaten anywhere; no-one else can compete with ReadyCell."

Like the rent-a-captives that came before it, ReadyCell cells are portable. Clients that want to do more with a cell, perhaps two lines of coverage, fronting and reinsurance, can simply work with Marsh to transfer it to a regular cell in any domicile where Marsh runs traditional rent-a-captives.

Serricchio says: "And now they can do all the great things that a regular captive can do. ReadyCell is about being user-friendly, portable, cheap, easy, but also low-touch and low-admin, that's why we're able to keep the cost so low. It's only a light-touch."

The AI and blockchain technology behind ReadyCell are why it is so low-cost and light-touch. They enable Marsh to super-streamline the regulatory process.

Serricchio explains: "If it wasn't for the technology, where we give a risk score to an organisation and it searches the web and

pre-populates a streamlined application and submits it to the regulator, there is no way we could get an application for a cell set up in a week, let alone minutes or seconds."

He adds: "We used it for a client with a renewal coming up and at the last minute they needed it and within a day we had the cell ready to go. They got the policy instituted and then they actually ported it into a single-parent captive. So it was a speed to market that no-one else has that we are really excited about."

Marsh is aiming to promote ReadyCell as much as possible this year, especially to small and medium-sized businesses, given its position as the solution "for the right company, at the right time" and their typical lack of expertise in and experience of captive insurance.

And future versions of ReadyCell are being planned, taking it beyond the current single-line 1.0 iteration. Serricchio says: "Let's say we had a 100 clients that needed a specialised insurance policy type and there was one fronting carrier. We could coin that a version 2.0 or 3.0 and bring all those 100 clients into ReadyCell, leverage the economies of scale we have and keep the costs way down — not as low as US\$10,000 but even if it's US\$20,000 or US\$30,000, that could be a great way for volume business to come into ReadyCell and create something new." ■

"The main difference between cells and regular captives is that the exposures are normally fully funded in each cell"

Michael Serricchio, Marsh



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Weathering the storm

Industry experts examine how businesses can harness captives and reinsurance solutions to mitigate unprecedented climate risks

Diana Bui reports



Severe wildfires raging through the Los Angeles area have marked the start of 2025, raising alarms across global insurance and reinsurance markets. Initial estimates suggest insured losses could range between US\$20 billion and US\$45 billion, while the true economic toll is expected to be far higher.

These projections put into perspective the growing frequency of extreme weather events and the mounting costs of adapting to a changing climate.

According to Aon's Climate and Catastrophe Insight report, natural catastrophe insured losses amounted to US\$145 billion worldwide in 2024 — making it the sixth-costliest year on record. Only around 40 percent of global economic losses were covered by insurance, exposing a substantial shortfall in protection.

Experts observe that traditional insurance alone may no longer suffice for these large-scale risks, prompting many to explore reinsurance and captive insurance solutions as alternative risk-transfer methods. These options allow organisations to spread or retain risks more strategically, providing a measure of resilience in the face of accelerating climate impacts.

Anchoring risks with captives

Captives have traditionally insured predictable risks such as employee benefits, workers' compensation, and commercial fleets. Over time, as commercial insurance markets have become more selective and expensive, captives have evolved to handle less predictable exposures.

With climate risks escalating, many large companies are integrating significant natural catastrophe (Nat Cat) risks into their captives.

Vittorio Pozzo, director of the Europe and Great Britain captive advisory team at WTW, explains: "Captive owners aim for dynamic risk management and proactive risk mitigation. To tackle the challenges posed by rising natural catastrophes, they need a clear view of their exposures, policies, losses, and risks that can be easily assessed, analysed, and modelled."

"The evolution of captives over recent years has enabled them to help with Nat Cat risks more effectively. Traditionally, they were used for straightforward risk retention, but today they provide tailored solutions and even incorporate innovative triggers like parametric insurance," he adds.

A key driver of this shift is cost control. For large multinationals, commercial insurance for wildfire, flood, or hurricane risks is often prohibitively expensive or laden with exclusions. Retaining some risk in-house allows captives to smooth out the peaks and troughs of the insurance cycle, while excess layers can be transferred to reinsurers to shield against catastrophic losses.

Allan Smith, client service leader at Marsh Captive Solutions, further elaborates: "Captives play a crucial role in managing Nat Cat risks in a couple of key ways. First, they are particularly effective in the lower layers of an insurance tower, where risks are more predictable and companies have the capacity to retain them.

"This allows businesses to take on and manage those risks directly. On the other hand, when it comes to the higher, more volatile layers of the tower, captives serve as an access point to the reinsurance market, helping companies expand their capacity and secure coverage for those larger exposures."

Yann Krattiger, head of Alternative Risk Transfer EMEA at Swiss Re Corporate Solutions, highlights the strategic role captives play in assessing climate risk: "Captives can specifically analyse the effects of climate change in relation to their own insurance programmes, helping corporates better understand and protect their assets."

He adds: "With access to strategic and confidential risk information, captives gain deep insights into their parent companies and affiliates. This knowledge is instrumental in effectively participating in and managing these risks."

However, managing extreme events through captives is not feasible for every organisation. Hurricanes, earthquakes, and wildfires can result in sudden, massive losses that may overwhelm less capitalised captives. Pozzo warns: "Captives may have limited capacity to absorb the financial impact of extreme or high-severity Nat Cat events. While captives can effectively manage predictable and moderate risks, their ability to retain high-severity losses could be constrained by their capital base."

When considering whether to include Nat Cat risks in a captive, Krattiger notes that businesses must evaluate key factors such as the capacity of subsidiaries to absorb risks, the economic efficiency of self-insurance, and the capital costs of the captive.

He stresses: "In any case, captive owners are recommended at least to check the solvency as well as creditworthiness of their captive in accordance with an extended underwriting policy."

Smith echoes this, emphasising the importance of a strategic approach: "When structuring a captive for Nat Cat exposure,

"With access to strategic and confidential risk information, captives gain deep insights into their parent companies and affiliates. This knowledge is instrumental in effectively participating in and managing these risks"

Yann Krattiger, Swiss Re Corporate Solutions



businesses need to carefully consider their risk appetite and how their coverages are modelled in relation to their financial strength. It is crucial to assess their ability to absorb risk and manage the associated volatility at different levels. There are several key factors that need to be carefully evaluated to ensure a well-thought-out approach.”

In practice, many captives depend on frontiers and reinsurers to strengthen capacity, safeguarding their reserves from being depleted by a single event. “Captive owners generally need an efficient frontier and reinsurer,” Krattiger explains. “The decision to transfer Nat Cat risks to the captive is likely to be the result of a capacity bottleneck in the traditional market.

“On the other hand, the effects of various entrepreneurial self-financing strategies were weighed up. However, an additional assumption of Nat Cat risks is likely to be promising for well-capitalised captives.”

For many, the solution lies in a combination of captive retention and reinsurance. A captive might take on the first layer of losses before passing the higher layers to reinsurers. This structure allows the parent company to maintain control over coverage terms and pricing while capping its financial exposure in worst-case scenarios, such as the recent wildfires in LA.

Reinsurance as a lifeline

“When disasters happen,” says Pozzo, “businesses often face immediate financial strain from claims or operational disruptions. Reinsurance agreements, in their various forms, ensure that funds are available quickly to cover these unexpected costs, enabling faster recovery and minimising disruptions to operations.”

In the wake of a massive event like the LA wildfires, quick access to funds can determine whether a business endures the crisis or collapses under financial pressure. Well-structured reinsurance programmes that provide timely payouts allow businesses to cover immediate expenses, such as repairing damaged property or relocating employees, helping to contain a crisis before it spirals into a deeper financial threat.

Smith points out that reinsurance capacity is constantly in flux, shaped by recent events and emerging risks. “Wildfires are a major focus right now, but last year, for example, convective wind was the big concern. As different types of catastrophes become more prominent, they start to reshape the allocation of funds.”

However, reinsurance has its limits. With catastrophic events becoming more frequent and severe, reinsurers’ payouts are mounting. In the case of the LA wildfires, Fitch Ratings warned that

"When disasters happen, businesses often face immediate financial strain from claims or operational disruptions. Reinsurance agreements ensure that funds are available quickly to cover these unexpected costs"

Vittorio Pozzo, WTW



if final losses hit US\$35 billion, it could wipe out more than 30 per cent of the natural catastrophe budgets for Europe's four largest reinsurers — Swiss Re, Munich Re, Hannover Re, and SCOR.

In response to rising losses, the reinsurance market has adopted new structures. "Parametric covers, which pay out when a predefined trigger — like wind speed or fire perimeter — is reached, have gained traction. They reduce claims settlement times and offer greater certainty in payouts," emphasises Pozzo.

Ming Li, partner, EVP, and global head of catastrophe modelling at Acrisure Re, notes that parametric reinsurance has gained popularity in recent years, largely due to the hard insurance market. "It certainly has its advantages and disadvantages," he says.

"One of the key benefits of parametric reinsurance is that all parties have access to the same data, and payouts can be made almost immediately. Unlike traditional indemnity-based insurance, where claims must be assessed before payment, parametric triggers allow for a much faster process. However, the main challenge is basis risk — the potential disconnect between the payout and the actual financial loss experienced."

Beyond structural innovations, the decision to retain or transfer risk through reinsurance remains complex. "In many ways,

the decision about retaining versus transferring risk through reinsurance is subjective and depends on several factors — such as how much capital a company has, the strength of its balance sheet, its annual premium volume, current reinsurance market conditions, and regulatory requirements," says Li. "All these elements influence whether to retain or transfer risk."

A key part of this decision-making process is economic analysis, which boils down to understanding the cost of capital. "Reinsurance is just another form of capital, so the question is whether to use reinsurance to cover risk or rely on internal capital," Li explains.

He continues: "The key is to compare the cost of both options. For reinsurance, it is possible to get a rough estimate of how much coverage would cost in the market and assess the capital relief it provides to the portfolio."

Ultimately, comparing parametric solutions with traditional reinsurance is a balancing act. "Many insurers turn to parametric products because they can be more cost-effective and offer lower pricing," Li says. "However, there is always a trade-off — you have to accept a certain level of basic risk. The challenge is to strike the right balance between cost and coverage, and that's where robust cat modelling becomes invaluable in decision-making."

"There is always a trade-off — you have to accept a certain level of basic risk. The challenge is to strike the right balance between cost and coverage, and that's where robust cat modelling becomes invaluable"

Ming Li, Acrisure Re



Catastrophe modelling

One of the biggest changes in how companies approach natural disasters over the past decade has been the growth of advanced catastrophe modelling. “The models, developed by leading firms like RMS and AIR, integrate sophisticated algorithms, historical data, and real-time analytics to estimate the potential impact of catastrophic events,” Pozzo says.

“This data-driven approach allows companies to make more informed decisions about risk transfer and retention. One significant advantage of cat modeling is its ability to identify high-risk geographies and vulnerabilities.”

Smith agrees: “Advancements in cat modelling tools have significantly changed the way captives approach Nat Cat risks. These models are constantly evolving, with regular updates incorporating new loss data as it becomes available. One major shift has been the integration of more detailed loss history, which enhances the accuracy of predictions.”

He adds: “The way risks are evaluated has become increasingly complex. Where earlier models may have focused on primary and secondary risk characteristics, newer iterations now delve into tertiary and even more granular factors. This deeper analysis

broadens the understanding of loss probabilities and makes the models even more sophisticated.”

A growing trend in cat modelling is increased transparency and flexibility. Li says: “Cat models were once seen as black boxes, but today, (re)insurers can adjust model outputs based on their own data and experience rather than relying solely on standard vendor models. This shift allows companies to form their own views on catastrophe risk, improving decision-making and capital efficiency.”

Another key advancement is improved modelling of secondary perils. “Historically, reinsurance purchases were mainly driven by primary perils like hurricanes and earthquakes,” Li explains. “However, with the increasing frequency and severity of secondary perils such as floods, wildfires, and severe convective storms, better modelling of these risks has led to a rise in reinsurance demand.

“This has been a major factor in the hard reinsurance market over the past few years, as insurers adjust to the growing impact of secondary perils and how Cat models now reflect them.”

Krattiger builds on this, noting: “Actuarial modeling based on reliable data aims to quantify the impact of Nat Cat events on

"As different types of catastrophes become more prominent, they start to reshape the allocation of funds"

Allan Smith, Marsh Captive Solutions



the captive owner's insurance programmes. The captive owner can then benchmark this information with the availability of Nat Cat capacities and cede any capacity gaps to the captive, thanks to sufficient solvency, or to the (re)insurance market based on respective credit strength."

For captive owners, these insights are crucial in determining risk retention levels and structuring reinsurance arrangements that align with their risk appetite and financial strength. "Such models are very helpful in the entrepreneurial planning of new business premises," says Krattiger. "They allow companies to proactively manage their risks rather than simply reacting to losses."

A look to the horizon

The LA wildfires serve as a stark reminder of the urgency to rethink traditional approaches to Nat Cat risk. As extreme weather events become more frequent and severe, the demand for innovative and flexible solutions has never been greater. Smith says: "One of the biggest short-term challenges is finding capacity — ensuring there's enough insurance market capacity to protect the company and its exposures."

"That is the immediate concern. In the longer term, the question shifts to where things will be in 5 to 10 years. Is there an emerging trend? Are we dealing with isolated weather events, or is there a broader climatic shift that will fundamentally change how we approach risk retention?"

There is no one-size-fits-all solution. Succeeding in a world of growing climate risks depends on a company's ability to anticipate challenges, adapt strategies, and embrace innovation. As Pozzo puts it: "Climate change is reshaping the frequency and severity of natural catastrophes, prompting businesses to rethink their risk management and risk financing strategies."

"Rising sea levels, intensified storms, and shifting weather patterns are creating new challenges for insurers and captives alike. To stay ahead, companies are investing in adaptive risk solutions, including dynamic reinsurance programs and scenario-based planning tools."

Nat Cat risk management is evolving rapidly, driven by technological advances, new insurance models, and shifting market demands. Digital transformation is at the forefront, with AI playing a growing role in how businesses assess and mitigate risks.

"AI-driven tools can analyse vast amounts of data, predict emerging risks with greater accuracy, and improve decision-making," says Pozzo. "From optimising catastrophe models to personalising risk transfer solutions, AI is enabling a more proactive approach."

Li echoes this sentiment, highlighting AI's untapped potential in cat modelling: "The potential applications are vast — from enhancing model development to standardising data and integrating insurance contract terms into modelling frameworks."

"AI could bring a revolutionary shift in cat modelling if we find effective ways to embed it into the process. There is a lot of promise in this space, and I believe it will play a transformative role in the reinsurance industry moving forward."

Meanwhile, ESG considerations are becoming integral to risk strategies, with captives increasingly used to fund climate resilience initiatives.

"The insurance market in some cases is demanding ESG solutions to provide capacity," Pozzo adds.

He also highlights that the increasing complexity of Nat Cat risks is driving deeper collaboration across the industry. "Public-private partnerships are emerging as effective mechanisms for funding disaster recovery and resilience-building efforts," says Pozzo.

"These collaborations enable businesses to share knowledge, pool resources, and address systemic risks more effectively."

The recent LA wildfires may mark a turning point, accelerating the shift toward a more coordinated, data-driven approach to risk management. Smith sees the greatest opportunity in managing Nat Cat exposure through risk managers fully leveraging the wide range of tools available to them — captives being just one of many.

He stresses: "The strength of a captive's balance sheet and the ability to self-fund part of the exposure are key advantages, but the reinsurance market is constantly evolving, becoming more complex and dynamic. Beyond traditional reinsurance, there are alternative risk financing mechanisms such as insurance-linked securities, catastrophe bonds, and parametric coverages."

In an era of escalating climate threats, those who embrace innovation and proactive risk strategies won't just weather the storm; they will help shape a more sustainable future. ■

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Understanding IRS's final rules on micro-captive transactions

As the IRS tightens rules on micro-captive transactions, industry experts highlight key implications for captive owners and outline strategies to navigate new compliance hurdles

Diana Bui reports



After nearly a decade of legal battles, public consultations, and regulatory revisions, the US Internal Revenue Service (IRS) has unveiled its final regulations on micro-captive transactions, effective from 14 January 2025. These rules establish specific requirements for classifying a micro-captive arrangement as either a 'listed transaction' or a 'transaction of interest', narrowing the scope of earlier proposals and tightening the regulatory framework.

As the industry braces for these changes, the question remains: how will these new rules impact the future of micro-captive transactions?

Tightening the grip

The IRS's new regulations aim to crack down on potential tax abuse in micro-captive transactions by splitting them into two categories: listed transactions, presumed abusive, and transactions of interest, which raise red flags but are not automatically labeled as such.

Both classifications carry enhanced reporting duties for taxpayers and advisors, yet listed transactions come with stricter rules and steeper penalties. The IRS contends that some micro-captive setups let taxpayers claim premium deductions without assuming real risk, while critics argue that low loss ratios often reflect prudent underwriting rather than tax avoidance.

Under the rules, a listed transaction is flagged if losses remain under 30 percent of premiums over a 10-year period or if certain financing benefits flow tax-free to related parties.

Transactions of interest, triggered by factors like a loss ratio under 60 per cent or intercompany loans, still demand detailed disclosures and carry significant penalties for noncompliance. For businesses and advisors, the regulations mean heightened scrutiny and greater compliance challenges, as the IRS seeks to separate legitimate risk transfer from tax-driven schemes.

Michael Maglaras, principal of Michael Maglaras & Company, sees these regulations as overdue.

"With the possible exception of the continuing controversy regarding the loss ratio test, I am in complete agreement with the IRS's finalised regulations," he says, noting that unscrupulous brokers and consultants have sought to market what he calls "tax avoidance schemes under the guise of risk financing".

He adds: "The regulations were needed. The regulations draw an important line in the sand. Abusive micro-captive arrangements are obvious on their face when you encounter them and when you are a skilled captive practitioner."

On the other hand, Matthew Reddington, partner at Zerbe, Miller, Fingeret, Frank & Jadav, cautions that smaller and mid-sized captive owners will face a heavier burden under the new regime.

"The IRS's release of these final regulations means that certain transactions will trigger additional disclosure by taxpayers, and those taxpayers likely will receive a higher degree of scrutiny going forward," he says. Reddington worries the heightened oversight could amount to IRS overreach, especially in situations where legitimate risk management practices might be misread as abusive.

Scott Simmons, director of Verve Risk Services, weighs in from an underwriter's perspective. He believes that if captives maintain underwriting protocols recognised as sound by commercial insurers, compliance should not pose a major obstacle.

Still, he remains concerned about the time and expense these regulations demand, particularly given their retroactive reach.

"Captives should already have an understanding of the high-level changes that the IRS has put forward," he says, pointing out that capable underwriters have anticipated the IRS's shift for some time.

Reporting obligations

One of the most consequential elements of these regulations is their application to prior tax years. Although the rules officially took effect on 14 January, taxpayers must disclose arrangements from earlier years if those years remain open under the statute of limitations. This means a captive formed several years ago but still within an audit window might now need to file updated or additional disclosures.

The IRS also secures an extended statute of limitations to pursue enforcement actions against these arrangements, a point Reddington highlights when advising clients: "Those that fail to comply with reporting requirements face severe penalties, including up to US\$100,000 monetary penalties for individuals and US\$200,000 for entities that fail to disclose a listed transaction and US\$10,000 in penalties for individuals and US\$50,000 for entities that fail to disclose a transaction of interest."

"With the possible exception of the continuing controversy regarding the loss ratio test, I am in complete agreement with the IRS's finalised regulations"

Michael Maglaras, Michael Maglaras & Company



He adds: "The heightened categorisation of micro-captives as listed transactions provides the IRS with an extended statute of limitations to seek penalties years after the fact. Material advisors who fail to file required disclosures would also face heightened audit risks as well as additional enforcement actions."

Maglaras sees a broader lesson in this enhanced reporting environment, insisting the captive sector should have acted sooner to curb abuses. "We have permitted those who have created abusive captive arrangements to come to our industry meetings, to speak at those meetings, and to pretend that they are a part of our industry," he says, arguing that the IRS stepped in where the industry failed to self-regulate.

"The long-term impact of letting the IRS 'peek under the tent' cannot be over-estimated," he adds, emphasizing that even legitimate micro-captives must now undertake rigorous compliance measures to avoid falling under suspicion.

Revisiting loss ratios benchmark

Under the final rules, loss ratios now stand as one of the IRS's primary tools for identifying potentially abusive micro-captive arrangements. According to the IRS, a captive's loss ratio

must remain below 30 per cent over a 10-year span to warrant classification as a listed transaction, with a 60 per cent threshold for those deemed transactions of interest.

Critics, including Reddington, say this single numeric test overlooks the complexities of insurance and the many legitimate reasons claims may be minimal. "The profitability thresholds outlined by the IRS, penalising captives with high efficiency, misrepresent the fundamental purpose of insurance, raising concerns about the rationale underpinning these rules," he explains.

"Frustratingly, the rules discourage reinvestment back into the insured businesses and disproportionately affect small and medium-sized captives, potentially stifling innovation in risk management."

Reddington warns that the compliance burden may force smaller captives to divert resources or close altogether if they cannot keep pace. "The regulations unfairly target small and middle-market insurers that provide efficient, tailored coverage that is often absent from the commercial market," he says.

"The IRS attack on the captive market will quash small business creativity and allow larger insurance companies with substantial

"Frustratingly, the rules discourage reinvestment back into the insured businesses and disproportionately affect small and medium-sized captives, potentially stifling innovation in risk management"

Matthew Reddington, Fingeret, Frank & Jadav



capital to take over what is left of the market. The IRS's approach to this compliance issue also creates uncertainty for businesses that rely on captives for risk management during periods of heightened natural disasters."

Meanwhile, Maglaras, who has spent more than four decades in the captive industry, echoes concerns about oversimplification. He notes that long-tail exposures sometimes generate claims years down the line, while excess-layer policies may only respond to catastrophic events. "Insurance is never one-size-fits-all," he says, emphasising that similar premiums can produce drastically different claims patterns.

Simmons worries that this heavy focus on loss ratios might prompt some owners to scale back underwriting just to avoid scrutiny. "The forced approach taken by the IRS in some of the underwriting metrics could push underwriting processes to be scaled back in an effort to reduce costs and negatively impact underwriting results," he says.

He notes: "The lower loss ratios for both classifications are undoubtedly going to challenge underwriting practices. There is a possibility that captives could look to further reduce expense budgets and costs to ensure compliance.

"I have concerns that additional costs attributed to third-party professionals for the industry make it a less attractive proposition and the captive industry loses the entrepreneurial spirit that exists today."

Loan-back arrangements

One area of particular concern in the final rules is loan-back arrangements, where captives redirect funds to benefit insured parties or related persons through loans, dividends, or guarantees.

Reddington warns these practices threaten the core principle of risk transfer, which underpins genuine insurance. "Commenters requested clearer definitions and examples of such practices, but the IRS reaffirmed that loan-back arrangements strongly indicate abusive behaviour and must be evaluated on a case-by-case basis," he says.

He believes the new rules leave little room for these setups going forward. "Loan-back arrangements will now elevate the captive arrangement to be categorised as a listed transaction, intensifying the IRS's scrutiny," he adds.

"I have concerns that additional costs attributed to third-party professionals for the industry make it a less attractive proposition and the captive industry loses the entrepreneurial spirit that exists today"

Scott Simmons, director of Verve Risk Services



“While these arrangements have long been discouraged, the new rules virtually eliminate their viability. In rare cases where loan-back arrangements are deemed necessary, they must be structured at arm’s length and comply with legal requirements. Even then, disclosure is mandatory, and an audit is almost certain to follow.”

Meanwhile, Simmons sees the increased focus on financing as a potential catalyst for more disciplined underwriting practices. “The heightened scrutiny could refocus the industry and flush out any bad actors,” he says.

Simmons notes that his team anticipated these changes well before the final regulations, particularly when creating their Micro Defender product.

“The bigger picture could impact captive D&O rating on a wider scale if the IRS were to attack the captive industry as a whole. During our own creation of the Micro Defender product we did consider rating factors that included loan arrangements and classification by the IRS of these transactions.”

The road ahead

The captive industry, once described by Michael Maglaras as “self-regulated,” now operates under a more rigorous federal regime — a shift many insiders consider inevitable given longstanding IRS allegations that questionable practices went unchecked for too long.

Although the final regulations have taken effect, Reddington expects further legal battles.

“Other avenues to remedy this situation include legal challenges to the regulations under the Administrative Procedure Act (APA) that argue the regulations are arbitrary, capricious, and exceed permitted authority,” he explains.

He points to a recent lawsuit filed by tax consulting firm Ryan in the US District Court for the Northern District of Texas, arguing the new rules violate the APA and impose “additional limitations and burdens upon the use of captive insurance companies that Congress has not authorised.”

Reddington predicts more challenges ahead, prompting courts to scrutinise the regulations’ validity and the IRS’s adherence to proper rulemaking standards.

While the industry awaits these legal outcomes, micro-captive owners must decide whether to maintain, reconfigure, or dismantle current structures to comply with heightened disclosure and documentation demands.

Simmons insists that “any thought of forming a micro captive should start and end with appropriate compliance and risk management,” adding that rigorous underwriting remains the best safeguard. “It could go one of two ways,” he says.

“Either owners struggle to find appropriate professional firms and underwriting partners to assist in setting up and managing the captive, and we see a reduction in new 831(b) captives, or the opportunity is grasped and these new regulations bring the cream to the top and those setting up an 831(b) for legitimate reasons succeed.”

Simmons also anticipates narrower profit margins for managing general agents and underwriters due to the added scrutiny, yet he believes this environment could reward experts adept at transparency and precise risk assessment.

Though some captive managers may hesitate to create new 831(b) captives, he points out that states like Florida are still experiencing growth in this arena, largely driven by escalating insurance costs that are steering more businesses toward self-insurance.

Maglaras, for his part, remains confident that legitimate captives can flourish under the new framework. If arranged properly — with real risk transfer, strong documentation, and authentic business purposes — he believes they should survive any IRS challenge.

“The best way I know how to do this is to rely on the findings and conclusions of the actuary’s study,” he says, emphasising the importance of rigorous actuarial reports. “Find me a captive without an annual actuarial study, and I will find you a captive ripe for demolition by the IRS.”

The industry veteran charts a clearer path forward: “This never should have happened to begin with, but it has happened, and what we in the industry must do about this is make certain that it never happens again by calling out the purveyors of abusive transactions for the bad actors they are.”

The new direction has arrived, and the burden now falls on legitimate captive players to demonstrate they adhere to core insurance principles. ■



Carmel L. Haynes

Executive director
Barbados International Business Association

BRIM 2025

Exploring the future of risk
and insurance management

Carmel L. Haynes, executive director at Barbados International Business Association, highlights the significance of the upcoming Barbados Risk & Insurance Management 2025 Conference in fostering innovative solutions and global collaboration in the industry

BIBA rebranded in 2020 as 'the Association for Global Business'. Can you tell our readers about this evolution and how it reflects Barbados' growing role in the international insurance market?

Our board wanted to send the signal that we are not an association for offshore companies but that our membership is open to any company that does global business through or from Barbados. For example, one of our members is Sagicor Life, a multinational insurer with operations throughout the Caribbean, the US, and Canada, but whose origins are Barbadian.

With over 140 member companies across various sectors, how does BIBA support the specific needs of captive insurance and risk management professionals?

Barbados International Business Association (BIBA) counts the Barbados Financial Services Commission (FSC), the regulator of domestic and international insurance business on the island, among its strategic partners, and through the efforts of our board sub-committee on insurance, we provide a conduit through which our members can have direct input into legislative or policy changes proposed by the FSC.

Our executives and members actively support Invest Barbados, the government's inward investment promotion agency, in its efforts to attract more captive business to the island.

This is achieved through their participation in exhibitor booths at key events, such as the Canadian and US-hosted Risk Insurance Management Association conferences and the World Captive Forum, among others.

Additionally, the establishment of the Barbados Risk & Insurance Management (BRIM) Conference in 2021 has created a valuable platform for thought leadership and dialogue between industry experts and regulators, aimed at advancing the enabling environment for captive insurance and risk professionals.

What factors led to the creation of the BRIM Conference, and how has it evolved to become a significant event in the region's insurance calendar?

Barbados is a well-established international insurance jurisdiction with over 30 years of experience and has consistently ranked among the top 10 domiciles for captive insurance during this time. However, unlike some of our competitors, we had been somewhat slow to host an in-country event that highlights our expertise, regulatory framework, and exceptional quality of life as a comprehensive package.

That said, this event stands out because it is not solely a captive conference. Instead, it fills a niche by bringing together professionals from property and casualty (P&C), reinsurance, risk management, and related fields in banking, finance, and legal services. It provides a platform for cross-cutting discussions on emerging issues in (re)insurance, risk, investments and financing, cyber-risk, and cybersecurity.

The BRIM Conference is now in its fifth year. What can attendees expect from the 2025 event, and how does it differ from previous years?

The BRIM Conference continues to grow each year, and in 2025, we are excited to move to a new venue: the luxurious all-inclusive Wyndham Grand Barbados. Situated along the coast and adjacent to the historic ruins of Sam Lord's Castle, this stunning location enables us to welcome even more delegates and sponsors to this year's event.

We are also thrilled to introduce a new addition to the programme — the BRIM Golf Tournament — which will take place on 26 March at the Barbados Golf Club, just before the conference begins. This boutique 18-hole course, a favourite among many of our members, provides yet another fantastic opportunity for our international and regional delegates to maximise their networking experiences during BRIM 2025.

Looking at this year's conference programme, what key industry challenges and opportunities will be addressed during the sessions?

We are excited about some of the leading-edge discussions that we will have taking place at this year's conference. Our speakers will delve into topics such as the environmental and health impact of PFAs, known as 'forever chemicals', and how insurers and captive managers can prepare for anticipated losses; the pivotal role of insurance-linked securities (ILS) as the most significant development in the insurance sector over the past two decades; emerging risks being placed in captives and the associated analytical challenges; and innovative strategies to mitigate the cyberthreat risks faced by cryptocurrencies, among other key subjects.

The event attracts a diverse group of professionals from risk management to P&C underwriting. How does BRIM 2025 ensure valuable content for all attendees, particularly those in the captive insurance sector?

Our conference committee comprises international captive insurance managers, global wealth managers, multinational general insurance, private life placement, and cross-border legal executives, who all draw on their professional experiences to suggest speakers and topics that are top of mind within their respective industries.

Can you highlight some of the networking opportunities available during the conference, including the golf tournament, and how these facilitate meaningful connections among industry professionals?

In addition to the thought leadership sessions offered during the conference, we recognise the importance of providing delegates with opportunities to network and socialise. Alongside the scheduled breaks and the closing party, we have introduced a pre-conference golf tournament this year.

This tournament offers delegates, speakers, and sponsors a chance to connect with other BIBA members and the wider business community, including those not attending the conference. In recent years, we have also embraced sponsors hosting private dinner engagements and other social events for their clients and invited delegates, further enhancing networking opportunities.

"The BRIM Conference brings together local, regional, and international thought leaders to showcase Barbados' expertise in risk management and insurance, positioning the country as a hub for innovative insurance solutions"

What role do you see technology and innovation playing in the captive insurance sector, and how will these topics be explored during BRIM 2025?

Overall, technology and innovation are enhancing the captive insurance sector, making it more agile, efficient, and responsive to the evolving risk landscape. Automation and digital platforms have already streamlined administrative processes, reduced costs, and improved efficiency.

Additionally, big data is being harnessed to address specific risks that traditional insurance might not cover. To delve into these advancements, one of our panels at BRIM will explore the analytical challenges associated with emerging risks being placed in captives. With Barbados rapidly establishing itself as a FinTech hub in the region, another session will examine insuring risks associated with cryptocurrencies.

Looking ahead, what do you hope attendees will take away from BRIM 2025, and how do you see the event contributing to Barbados' position in the global insurance market?

The BRIM Conference brings together local, regional, and international thought leaders to showcase Barbados' expertise in risk management and insurance, positioning the country as a hub for innovative insurance solutions. In addition to sharing knowledge that helps delegates stay competitive and informed about the latest industry trends, the conference aims to foster relationships that can lead to new business opportunities and partnerships well beyond the event itself. ■



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Carl Ericson

Vice president, head of Platform Products
ClearPoint Health

Redefining the future of captives

Carl Ericson of ClearPoint Health shares his passion for developing innovative solutions for captive insurers in the healthcare space

Could you share any insights or experiences you have had in the captive insurance industry?

Throughout my journey in the captive insurance industry, one undeniable truth has emerged: we are running a 21st-century business with outdated, 20th-century tools. Redundant and manual operations remain the industry's Achilles' heel, hindering its potential for meaningful progress. Yet, the most exciting part is this: the industry is not just ready for change — it is ravenous for it. Emerging technologies and bold, visionary approaches hold the power to redefine the landscape.

I have had the privilege of developing a technology solution that serves as a vital connective tissue between benefit advisors, carriers, managing general underwriters (MGUs), third-party administrators (TPAs), and ClearPoint Health. It is a 'Swiss Army Knife' of efficiency, designed to streamline processes, dismantle silos, and empower stakeholders. My mission has been to transform friction into flow through moments of innovation. We are rewriting the future of captive insurance.

How has your previous experience prepared you for your current role?

My experience in management consulting across diverse health systems provided me with a crash course in tackling complex challenges — creative problem-solving has been at the heart

of my work. Additionally, my time with an AI-driven healthcare company ignited a passion for leveraging technology to transform captive operations.

These experiences have shaped my ability to blend bold innovation with the solid foundations of the healthcare industry's traditional frameworks. It is not about reinventing the wheel but putting turbochargers on it — making it smarter, faster, and more intuitive. My goal is to build on what works and reimagine the possibilities within our space.

Based on your experience, what would you say are the key benefits of working in this industry?

The beauty of captive insurance lies in its ability to go beyond a one-size-fits-all approach. Captives empower organisations to take genuine control of their risk management strategies — something traditional insurance simply cannot achieve.

They provide flexibility, transparency, and the capability to address unique challenges while promoting cost efficiency and building lasting financial resilience.

This industry is not just about transactions; it is about making a real impact. Few industries offer the chance to be both an innovator and a trusted partner, creating solutions that genuinely transform how businesses operate.

Captive insurance is an underexplored field that offers the opportunity to redefine what's possible.

Can you name your main influences in the industry?

I would say Gene Pompili. As a key advisor and leader in the captive insurance industry, Gene embodies everything you would want in a leader, mentor, and collaborator. His deep expertise and strategic mindset are perfectly complemented by his ability to inspire those around him.

Gene has a remarkable talent for bringing clarity and focus, cutting through the noise to highlight what truly matters.

Outside the industry, I draw inspiration from one of my favourite quotes by Jack Dorsey: "Make every detail perfect and limit the number of details to perfect." This mantra helps me stay focused on what is truly important — whether it is developing an innovative solution or simply preparing dinner.

What are your aspirations for your future career in the industry?

Looking ahead, I aim to reshape the future of captive insurance by driving the integration of cutting-edge technology into the industry. By leveraging AI, including large language models, machine learning, and automation, along with advanced data analytics, my goal is to build an ecosystem defined by transparency, efficiency, and precision.

I strive to draw on innovative technologies from various industries, seamlessly integrating them into transformative solutions that enhance the value captives deliver.

What advice do you have for someone considering a role in captive insurance?

Dive into the core of this dynamic industry and channel your passion to empower employers in taking control of their health insurance strategies.

Captive insurance is a vibrant, ever-evolving field that thrives on curiosity and rewards innovative problem-solving. Mastering the balance between risk management, product innovation, and tech-driven solutions will pave your way to success. ■

Personal bio

Carl grew up in the heart of Minnesota, dreaming of becoming an architect and designing spaces that seamlessly blend form and function.

However, over time, his passions evolved, leading him to a new mission: tackling projects aimed at improving the US healthcare system.

With over a decade of experience spanning healthcare, consulting, and product leadership, Carl combines creative insight with operational expertise in his role at ClearPoint Health.

His career is marked by leading transformative initiatives at organisations like Deloitte, Accenture, and R1 RCM, where he refined his expertise in strategic analysis, operational efficiency, and revenue cycle management.

"Carl is an innovative leader and a true role model within our organisation. He has transformed the way we handle quoting for level-funded, traditional stop-loss, and group captive RFPs by introducing a unified workflow that simplifies and streamlines the process.


"What makes this accomplishment even more remarkable is the integration of intelligent document processing, which boosts efficiency while automating the creation and delivery of proposals to our benefit advisor partners.

"This innovation has greatly reduced manual effort, improved accuracy, and enhanced the experience for our stakeholders."

Tawfiq Bajjali, president and chief technology and product officer, ClearPoint Health

"Carl is a vibe and creates a cultural wake that I get to surf on."

Jeb Dunkelberger, founder and CEO, ClearPoint Health



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Industry Appointments



HDI Global hires Sammons to boost captive's team

HDI Global UK and Ireland has onboarded Dan Sammons in the newly created role of captives manager.

Sammons joins from AIG, where he held a variety of roles across the alternative risk transfer and captive underwriting units, most recently as head of Alternative Risk Solutions UK.

In his new role, he brings extensive experience in international programmes, captives and alternative risk transfer to further enhance the

firm's proposition to deliver strategic long-term growth.

Sammons will report to Oliver Davies, chief distribution officer at HDI Global UK and Ireland.

Commenting on the appointment, Davies says: "Captives is a core part of HDI's extensive value proposition.

"I am thrilled to welcome Dan to HDI to lead our captives growth strategy across the UK and Ireland and further cement HDI's position in captives and alternative risk transfer." ■

Buskirk joins SRS as Director of Medical Stop Loss Captive Management

Strategic Risk Solutions (SRS) has appointed Chad Buskirk as US director of medical stop loss captive management.

Buskirk brings over 25 years of experience in finance leadership and third-party administrator services. He previously served as chief accounting officer at Roundstone Insurance.

He will be part of the SRS US captive management operations, working under Patrick Theriault, managing director of US captive management at SRS.

Buskirk says: "I am thrilled to join SRS at this pivotal point in my career. The values and vision of SRS align with my professional goals and personal ethos.

"I believe my extensive experience with medical stop loss captives will be a significant asset to the team at SRS, and I am eager to contribute to the company's continued success and innovation."

Theriault adds: "SRS has seen a significant interest in medical stop loss-focused captives and desired to have someone with significant experience in this industry to help lead the client service teams for these types of captives.

"We found this with Chad, who has a wealth of experience not only on the financial reporting side but also claims administration."

Hanson appointed as Aon's managing director

Diane Hanson has been promoted to managing director at Aon Captive & Insurance Management.

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Lloyd's appoints Cliff as new Chief Financial Officer

Lloyd's has named Alexandra Cliff as its next Chief Financial Officer (CFO), with her appointment set to take effect on 1 May.

Cliff, who joined Lloyd's as deputy CFO in November 2022, is currently a member of the executive committee. She will succeed Burkhard Keese, who is leaving Lloyd's to pursue investment roles in the German insurance market.

Keese will remain a strategic advisor to Lloyd's, focusing on the development of the risk transfer vehicle London Bridge Two.

Cliff brings over two decades of experience in the insurance industry, having held senior finance roles at Direct Line Group, StarStone, and AJ Gallagher.

Lloyd's CEO John Neal comments: "Since joining Lloyd's as deputy CFO, Alex has played a vital role in achieving our enhanced financial strength, including recent ratings upgrades, building our investment proposition and transforming market reporting. She is a well-respected member of the executive committee and I have no doubt she will continue to deliver against our strategic priorities as CFO." ■

The new appointment comes after a 25-year tenure at the company, where Hanson has served in a number of roles including accounting executive, local practice leader, and associate director.

She holds a wealth of experience in financial reporting, insurance, and operations, with a specific focus on strengthening client relationships and talent management. With her long standing expertise, Hanson is well-positioned to advance as managing director of the firm.

In a statement posted on LinkedIn, she expressed her gratitude and excitement at being appointed to the role.

Nelson named as Director of Missouri DCI

Missouri Governor-elect Mike Kehoe has appointed Angela L. Nelson as director of the Department of Commerce and Insurance (DCI), effective from 1 March and awaiting Missouri Senate confirmation.

Most recently, Nelson served as vice president of public affairs and government relations for the American Automobile Association (AAA) Missouri. She began her career as an insurance agent before serving as an insurance regulator with DCI, then as the department's director of the Market Regulation division and as the director of the Consumer Affairs division.

Nelson also held roles with both health and P&C insurance companies.

Commenting on the appointment, Governor Kehoe says: "With extensive industry experience, [Nelson] is uniquely equipped to lead the department. I am confident that, together, we can promote fairness, transparency, and protect Missouri consumers."

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Arch promotes Bottle to Managing Director of UK Regional Division

Arch Insurance International has appointed Mike Bottle to managing director of the UK Regional Division, following the retirement of Steve Bashford as chief executive of the unit. In this role, Bottle is responsible for leading Arch’s network of UK regional offices as well as continuing to oversee the strategy and distribution for the division.

He will work closely with Stuart Danskin, director of underwriting and Vicky Rowley, national director for business transformation, to deliver on the growth plans for the business. Bottle reports to Kirsten Valder, deputy CEO of Arch Insurance International.

Most recently, he was senior vice president, Strategy and Distribution for the UK Regional Division, having joined Arch in 2019. Prior to that, he was managing director of Axiom Underwriting Agency.

Commenting on the appointment, Valder says: “[Bottle] is highly respected by the broking market and has been integral to the impressive growth of the business.

“Under his leadership, we will continue to build on our momentum, strengthen our broker-focused approach and develop new solutions to respond to the evolving needs of our customers.” ■

Bicknell moves to Revantage as VP of captive insurance

Joshua Bicknell has started a new position with Revantage, a Blackstone Portfolio company, as vice president (VP) of captive insurance.

Previously, he was director of captive initiatives at GPW and Associates. Prior to that, he worked as an account executive at Hylant and WTW.

Bicknell says: “It is great to be working with Adam Miholic again and has been amazing meeting the impressive individuals I will get to work alongside.

“I am excited to shift gears in my career to focus on forming new strategic partnerships, to develop innovative management approaches, and to hit every ounce of potential we are capable of.”

CIRCA announces new leadership team for 2025

The Cayman International Reinsurance Companies Association (CIRCA) has announced its new board of directors and leadership team for 2025.

Greg Mitchell of Aureum Re will serve as chair, with Faramarz Romer of Greenlight Re as vice chair.

Outgoing chair David C. Self says: “2024 was a year of firsts and successes. From the inaugural ReConnect conference, which welcomed over 430 attendees and generated significant industry interest, to the expanded Reinsurance Roundtable in New York, our Caymanian Rising Stars Programme, and the launch of the Reinsurance Insights Series, CIRCA solidified its reputation as a leader in advocacy and education for Cayman’s reinsurance sector.” ■



LABUAN IBFC ASIA'S PREMIER INTERNATIONAL FINANCIAL HUB



Labuan International Business and Financial Centre (Labuan IBFC), located off the North West coast of Borneo, offers global investors and businesses the benefits of being in a well-regulated jurisdiction that provides fiscal, legal and currency neutrality, in addition to being an ideal location for cost-efficient substance creation.

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.

Well-supported by a robust, internationally recognised yet business-friendly legal framework, Labuan IBFC operates within comprehensive legal provisions and guidelines, enforced by a single regulator, Labuan Financial Services Authority - a statutory body under the Ministry of Finance, Malaysia.

Labuan, also known as the 'Pearl of Borneo', offers a myriad of business and leisure opportunities. It is also a hub for financial tourism as its excellent location and compact structure offer easy connectivity between the financial district, and nature offerings.

Labuan IBFC Inc. Sdn. Bhd. (817593-D)

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