captive insurance times

The primary source of global captive insurance news and analysis

April 2025 - Issue 278

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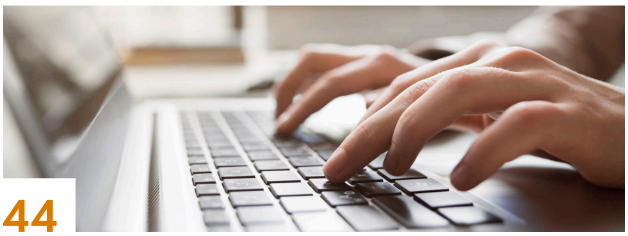


IRS wins microcaptive tax case involving Sani-Tech West

The US Internal Revenue Service (IRS) has won the latest microcaptive tax shelter case, involving Sani-Tech West (STW) and its captive, Clear Sky Insurance, created to cover shipping losses.

Despite forming the captive, STW maintained its commercial insurance policies, leading to a substantial overlap in coverage.

The IRS argued that the premiums charged by the captive were excessive, as many of the risks were already covered by STW's existing commercial insurance.

The Tax Court agreed with the IRS, finding that the captive did not meet the necessary requirements for risk distribution because it only covered STW's risks, rather than spreading risk across a wider pool of insured entities.

Additionally, the captive's participation with 31 other captive planning associates' clients, known as OMNI, was deemed insufficient to meet the IRS's standards for legitimate risk-sharing. The court also found that OMNI's reinsurance structure, which retained only 12.5 per cent of premiums in trust, suggested that it did not expect claims to exceed that amount, further indicating that the risk distribution was inadequate. This, coupled with the fact that OMNI employed a one-size-fits-all approach to premium pricing without regard to specific risks, further weakened the legitimacy of the captive.

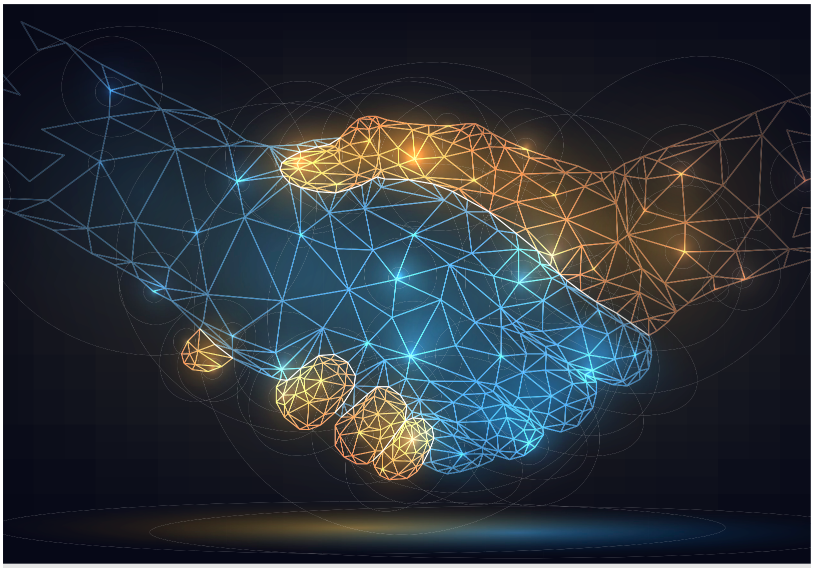
Furthermore, while an actuarial study was conducted, the court noted that the captive failed to properly underwrite its risks, as the actuary only worked with general industry data and lacked specific details about STW's particular risks.

The court also scrutinised the captive's US$400,000 loan to Shor, a company owned by STW's owners, finding it an unreasonable financing arrangement that lacked the necessary collateral.

The court concluded that the captive insurance arrangement lacked economic substance and was primarily designed for tax avoidance, rather than serving as a genuine insurance company.

As a result, STW was unable to deduct the premiums paid to the captive as insurance expenses, leading to substantial penalties.

Experts advised that captive owners must ensure that their arrangements comply with IRS regulations on risk distribution and economic substance to avoid costly penalties. ■



ICS and IPS launch CaptiveXS

Innovative Captive Strategies (ICS) has partnered with Innovative Program Solutions (IPS) to launch CaptiveXS, a specialised excess umbrella insurance programme.

The new product aims to help ICS captive clients manage soaring insurance costs and navigate the challenges of the volatile excess and umbrella market.

CaptiveXS leverages the risk management practices of ICS captive members to provide a cost-effective alternative to traditional coverage.

IPS will serve as the full-service programme administrator, bringing its industry expertise to the initiative. SiriusPoint, a Bermuda-based global specialty (re)insurer, will act as the carrier partner for CaptiveXS.

Creative Risk Solutions (CRS), a long-term ICS partner, has been appointed as the programme's third-party administrator.

Stephani Manning, president of ICS, comments: "The excess/umbrella market has posed significant challenges for our broker partners and group captive clients.

"ICS captive members continue to outperform the traditional market due to their commitment to proactive risk management. This has allowed our partner IPS to create a valuable solution to compete with existing programme limits and offer competitive pricing."

Tim Anders, president of IPS, adds: "We are excited to launch this programme with SiriusPoint as they bring a wealth of expertise, a proven track-record, and a talented team into this partnership." ■

CIRCA's ReConnect returns in April

The Cayman International Reinsurance Companies Association (CIRCA) will host its second annual ReConnect Conference on 10-11 April 2025 at The Ritz-Carlton, Grand Cayman.

According to CIRCA, following the success of its 2024 debut, ReConnect will return with an expanded agenda highlighting Cayman's position as a leading global reinsurance jurisdiction.

The two-day event will bring together regulators, investors, executives, and other industry stakeholders for discussions, networking opportunities, and insights into sector developments.

Greg Mitchell, chair of CIRCA, highlights: "Our objective with ReConnect is to bring together key participants in the industry and provide a forum for constructive dialogue.

"The conference reflects the continued growth of Cayman's reinsurance sector and the jurisdiction's role in the global market."

A key highlight of the conference will be the session titled 'Bridging Borders: A Conversation with Onshore and Offshore Regulators', moderated by Patrick Reeder, chief government affairs officer at Everlake.

The panel will explore cross-border regulatory cooperation and emerging supervisory developments.

Networking opportunities such as a golf social, catamaran cruise, and cocktail receptions will round out the programme.

Cayman's reinsurance industry continues its upward trajectory, with more than 100 licensed reinsurance firms managing US$152 billion in assets and writing US$41 billion in premiums by the end of 2024. ■

AI-powered parametric insurance platform Mythen launches

Insurance technology veteran Sandra DeSilva has launched Mythen, an AI-powered parametric insurance platform writing natural catastrophe risks. The company operates in Bermuda and Texas, bringing together a team of global experts in (re)insurance and technology.

The firm says Mythen harnesses AI, machine learning, remote sensing, and advanced modelling, to develop insurance products and structure coverage for difficult-to-insure risks.

Mythen Holdings Bermuda oversees Mythen Insurance Services, which includes a Texas-based managing general underwriter (MGU), Mythen Claims Services, and Mythen Re, a fully collateralised Bermuda segregated cell unit called Eiger 2025.

The firm has partnered with Texas-based insurer Southlake Specialty Insurance Company, which provides AM Best 'A-' VIII ('Excellent')-rated paper, fronting, and leverage. The MGU also benefits from quota share coverage through partners in the wider reinsurance market.

At the core of Mythen Insurance Services is a technology platform that integrates data, risk forecasting, and portfolio management tools.

The firm has started underwriting windstorm risks, focusing on coastal US hurricanes. The company states that its parametric trigger products are designed to speed up claims payments and keep operational expenses low.

DeSilva says: "We are using the latest technologies and working with highly skilled partner companies to penetrate deeper into the insurance market with products across the natural and other catastrophe risk spectrum."

Aquarian Insurance Holdings launches

Aquarian Holdings has launched Aquarian Insurance Holdings to unify its reinsurance and retail insurance operations. The company says the move aims to enhance growth and operational efficiency within the organisation. Aquarian Insurance Holdings will encompass Somerset Reinsurance, Investors Heritage, and Hudson Life, with Via Management Solutions providing shared services and technological support across these businesses.

John Frye, operating partner at Aquarian Holdings and president of Investors Heritage, along with Jeff Burt, CEO of Somerset Reinsurance, have been appointed as co-CEOs of the new entity.

Frye brings decades of experience from senior roles at Advisors Excel, Security Benefit, and General Electric, where he managed multi-billion-dollar insurance and financial businesses.

Meanwhile, Burt previously served as chairman and CEO of Somerset Re and president of Hannover Life Reassurance Company of America, overseeing over 100 structured reinsurance transactions.

Rudy Sahay, founder and managing partner of Aquarian Holdings, says: "We see opportunity within the insurance sector, and Aquarian Insurance Holdings is the next evolution of our portfolio.

"We'll be able to leverage best practices and shared services across the organisation, specifically the technology expertise and leadership within our Investors Heritage business. All of which position us for continued growth and expansion." ■

Willis unveils new insurance solution

Willis, a WTW business, has launched AdWrap, a master-controlled insurance programme tailored to meet the production insurance needs of businesses and their contracted vendors in the US.

The company says the new product offers a cost-effective and transparent approach for companies creating marketing, advertising, and promotional content.

AdWrap streamlines production insurance for in-house teams, third-party vendors, and social media influencers, ensuring comprehensive protection while optimising costs.

Paul Evans, director of New Business, Technology, Media and Telecommunications at Willis, states: "We're excited to offer a solution that provides robust coverage, along with greater transparency and cost-efficiency for our clients.

"AdWrap simplifies the production insurance process, enabling businesses to focus on creating impactful content without the complexity of traditional insurance solutions." ■

Roundstone returns to Cleveland for 10th Annual Medical Captive Forum

Roundstone Insurance has welcomed its 10th Annual Medical Captive Forum at Hotel Cleveland.

The event, which will take place from 30 April to 1 May 2025, will focus on 'Maximizing Alignment: How Employers Can Take Control of Their Healthcare Cost and Profit'.

Created as an educational event designed to break down the barriers to self-funding, hundreds of professionals, benefits advisors, and solution providers are expected to gather at the event next month, says Roundstone.

This year's agenda will include a roundtable discussion as the opening session which will feature a Q&A session for attendees. In addition, Josh Linkner, managing partner and co-founder of Mudita Venture Partners, will be a keynote speaker at the forum. Linkner is also a New York Times bestselling author, an entrepreneur, and a professional jazz guitarist.

Sessions at the conference will be suitable for all captive experience levels, covering topics from 'Understanding How the Captive Model Works', to 'Exploring Emerging Cost Containment Solutions'.

Commenting on the event, Mike Schroeder, president and founder of Roundstone, says: "I believe in providing a space for re-education and understanding, which can lead to powerful change.

"Celebrating the 10th annual MCF in Cleveland is a special homecoming for me. It serves as the perfect backdrop to reflect on the progress we've made over the past decade." ■

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Aon launches employee benefits cell captive facility

Aon has announced the launch of its employee benefits (EB) cell captive facility, a move which the firm says is a "first-to-market innovation" that will transform how multinational companies manage risk and finance employee benefits.

The solution will integrate with Aon's Risk Capital and Human Capital capabilities, offering an alternative risk transfer strategy, which they say will enable clients to self-insure employee benefits risks in a simplified manner.

Aon notes that while some traditional captives may be out of reach for some, due to the resources needed to integrate employee benefits, this new facility helps to resolve these challenges, providing a streamlined solution that allows businesses to retain the advantages of a captive structure without the administrative burden and high capital investment associated with traditional captives. ■

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ILS market worldwide hits record US$107bn in 2024

The insurance-linked securities (ILS) market reached a record capacity of US$107 billion by the end of 2024, driven by retained earnings and new capital inflows, according to a recent AM Best report.

The report, developed in collaboration with Guy Carpenter, highlights that the ILS segment benefited from two consecutive years without significant catastrophe losses.

Catastrophe bonds experienced the most substantial growth, with the 144A natural catastrophe bond market exceeding US$45 billion by year-end 2024.

"ILS managers believe that the strong returns in the cat bond segment may intensify the appetite of investors for other forms of ILS," says Matt Tuite, director of ILS at AM Best.

The report also notes that catastrophe bonds often serve as an entry point into the broader ILS market. Sidecar capacity increased, estimated between US$8 billion and US$10 billion in the period.

Industry loss warranty capacity remained stable at US$5 billion to US$7 billion, while collateralised reinsurance capacity was estimated between US$45 billion and US$50 billion, with expectations of growth following two strong years of investor returns.

At 1 January 2025 renewals, property catastrophe capacity surpassed demand, leading to overall risk-adjusted rate decreases.

The Guy Carpenter Global Property Catastrophe Rate-on-Line Index decreased by 6.6 per cent at these renewals, contrasting with a nearly 30 per cent increase two years prior.

"Retro capacity was widely available, coming off another essentially loss-free year, so those deals tended to see larger rate decreases, in the 10 to 20 per cent range," notes Wai Tang, senior director of ILS at AM Best.

Additionally, capacity was abundant in the upper layers of reinsurance towers typically covered by catastrophe bonds, influencing the pricing and sizing of cat bond deals throughout 2024. ■

Vitesse partner with Five Sigma

Vitesse, a global treasury and payment provider for the insurance industry, and Five Sigma, an AI-native claims management technology firm, have announced a strategic partnership to modernise claim payouts and enhance customer experience in insurance claims.

The combination of Five Sigma's claims management platform and Vitesse's real-time payment structure, will mean insurers leveraging both platforms can now eliminate delays, reduce administrative burdens, and improve financial oversight, the firms say.

Phil McGriskin, CEO and founder of Vitesse, says: "By embedding Vitesse's payment capabilities into Five Sigma's platform, we're giving insurers a seamless solution that optimises the entire claims lifecycle — from reserve management to final disbursement — while ensuring faster and transparent payments that enhance policyholder experience.

"This is also an important step forward in our US expansion, which strengthens our market presence and reinforces our global leadership in claims fund management." ■

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Howden to acquire Barnett Waddingham

Howden has agreed to acquire Barnett Waddingham, a UK professional services consultancy specialising in risk, pensions, investment, and insurance.

The merger will double Howden's global employee benefits business, bringing together approximately 4,000 experts and generating combined revenues approaching £500 million worldwide.

The integrated firm will offer a comprehensive range of employee benefits and pensions advisory services to corporate clients, spanning multinational corporations to SMEs, across both private and public sectors.

Additionally, it will provide health, life, and specialised pension products to individuals.

David Howden, CEO of Howden, states: "In our journey to build a global broker we recognise the need to create a world-class employee benefits business for our clients.

"Together, we will take a leading position in our home markets of the UK and Ireland in employee benefits as well as in insurance broking."

Glenn Thomas, CEO of UK Health & Employee Benefits and global practice leader at Howden, highlights: "Barnett Waddingham's extensive pensions expertise, together with Howden's market-leading presence in the health and employee benefits market, creates a full-service proposition and one of the largest pensions and employee benefits consultancies in the UK." ■

WTW: Health and safety risks top D&Os' concerns

A recent survey by Willis, a WTW business, in collaboration with Clyde & Co, reveals that 80 per cent of directors and officers (D&Os) worldwide consider health and safety risks to be very important or extremely important to their organisations. Physical workplace risks were identified as the primary concern by 43 per cent of respondents, while employee mental health and wellbeing issues related to work were highlighted by 28 per cent.

For the first time since 2018, civil litigation and third-party claims have entered the top seven concerns, with 63 per cent of D&Os acknowledging these as significant risks.

Smaller organisations, those with revenues under US$50 million, and mid-sized firms with revenues between US$1 billion and US$5 billion, reported litigation risks more frequently.

In contrast, larger organisations, with revenues exceeding US$5 billion, identified diversity, equity, and inclusion (DEI), as well as bribery and corruption, as top risks, while financial distress and insolvency were less of a concern.

Notably, climate change has dropped out of the top seven risks in regions such as Asia, North America, and the Middle East. Conversely, DEI has emerged as a significant concern in Great Britain, North America, and Africa.

Social risks have seen a marked increase over the past five years; concerns about human rights breaches within business operations have risen from 23 per cent in 2021 to 62 per cent in 2025.

Similarly, apprehension regarding supplier business practices has grown from 27 to 59 per cent over the same period.

While there is generally strong alignment between perceived material risks and board expertise, cybersecurity and data privacy stand out as areas needing more attention, the survey says.

A significant 77 per cent of respondents view data loss and cyber-attacks, including extortion, as very important or extremely important risks. AI is considered a major concern by 51 per cent of respondents and is perceived as the area where boards have the least expertise.

The survey gathered responses from 765 global senior decision-makers across sectors including services, finance and insurance, healthcare, industry, energy and utilities, transportation, and retail. the potential to broaden the spectrum of risk profiles that the institution can secure coverage for, enlarge access to risk carriers, including the reinsurance market, and generate long-term cost efficiencies." ■

Marsh introduces new offer to boost cyber insurance capacity

Marsh has unveiled Cyber Echo Encore, an enhancement to its existing Cyber Echo facility, offering clients up to US$45 million in additional cyber insurance capacity.

The firm states that Cyber Echo Encore, underwritten by London market insurers outside Lloyd's, provides global clients enhanced options for capital and coverage.

Established in 2016, Marsh's Cyber Echo facility is the largest of its kind, offering clients up to US$125 million in cyber insurance cover.

Since its inception, Cyber Echo has delivered nearly US$50 billion in coverage to approximately 500 clients worldwide.

The company says Cyber Echo Encore expands beyond Lloyd's market, preserving key features such as streamlined underwriting, placement, and claims handling, while also allowing reinstatement of cover after a loss within an underwriting year. ■

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Captives Insure and Accelerant partner

Captives Insure, a captive insurance consulting and underwriting firm, and Accelerant, a data-driven risk exchange platform for specialty insurance, have partnered with the aim to "transform the specialty and captive insurance landscape".

The offering for brokerage firms and captive insurance managers will combine Captives Insure's expertise in captive insurance solutions with Accelerant's Risk Exchange.

According to the firms, the partnership brings captive managers and brokerage firms access to turn-key AM Best rated property and casualty solutions.

In addition, the firms aim to offer customised underwriting and risk selection methodology allowing the creation of captive solutions for insureds that have been too small for single parent captive solutions.

Nate Reznicek, president of Captives Insure, says: "By joining forces with Accelerant, we're not just adapting to the future of insurance — we're creating it.

"This long-term partnership, covering multiple lines of business, empowers high-performing businesses to take control of their risk management strategies like never before."

Joshua Kalmikoff, membership relationship director and captive insurance lead of Accelerant, adds: "Accelerant's ability to leverage AI-driven insights from sophisticated analytics and access top-tier issuing carriers complements Captives Insure's deep industry expertise and strategic risk selection. Together, we're transforming the captive industry and building the future." ■

Cayman Captive Forum 2025 offers speaker opportunities

Market participants can now forward their speaker proposals for the upcoming Cayman Captive Forum 2025.

The forum strives to provide educational content, featuring experts who address the pressing topics and emerging trends within the captive insurance industry.

The Grand Cayman's Ritz-Carlton will host the event on 2-4 December 2025.

For market participants interested in participating as a speaker at the captive insurance conference, submissions for proposals must be completed by 16 May.

Potential speakers will need to create an account, make a submission — which includes recommending panel participants, a topic title, and a topic description — and then await confirmation from IMAC. The forum aims to reply to all submissions by the end of July.

Registration for the Cayman Captive Forum 2025 will launch in June, with the agenda set to be released in autumn. ■

Key CICA 2025 Awards announced

At its annual international conference, the Captive Insurance Companies Association (CICA) awarded Paul Phillips, partner, Global Captive Network Tax & Strategy leader, Ernst & Young, with the CICA 2025 Distinguished Service Award. In addition, Tenda, a member of the Ilitch Companies family of businesses, was awarded with the CICA 2025 Outstanding Captive Award.

The Distinguished Service Award is presented annually to an individual or entity that has made a significant contribution to the captive insurance industry, while the Outstanding Captive Award is presented to captive insurance company or risk retention group that has demonstrated creativity in captive use, or has offered some form of outstanding performance in terms of net results or prevailing in difficult times.

Phillips has worked in the captive industry for over 30 years, having been involved in over 1,000 captive formations. Speaking about the award, he says: "I am very honoured and appreciative of the recognition. When I see the list of past recipients, I am humbled to be standing in their company."

Tenda found success through its customised approach to offering health insurance for the family members and others in the Ilitch Family Office. ■

Danica joins MAXIS Global Benefits Network

Danica, a Denmark-based health insurance solutions company, has joined the MAXIS Global Benefits Network (MAXIS GBN).

The move will see the firm offer life, critical illness, disability, and medical coverage to MAXIS GBN's multinational clients in Denmark.

Danica is a private life insurance company, specialising in pension plans, life insurance and health insurance.

As a wholly-owned subsidiary of Danske Bank Group, Danica provides insurance solutions to around 750,000 customers and currently has around 25 per cent of market share.

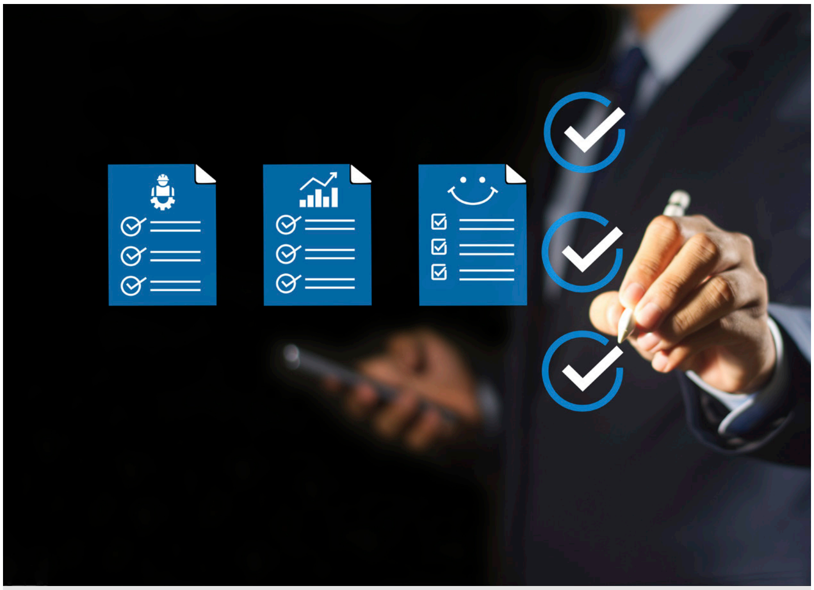
Dorte Bilsgaard, chief commercial officer at Danica, says: "We've been partnering with large multinational employers in Denmark for decades and understand the challenges they face as they look to care for their people.

"We're excited to be joining the MAXIS network so we can use our expertise to deliver vital insurance solutions to its clients."

Iliyana Mladenova, chief operating officer at MAXIS GBN, adds: "Danica's experience and health and wellness expertise makes them an ideal partner for MAXIS, and we're excited to see how this new partnership can help our multinational clients support and care for their people in Denmark."

MAXIS GBN works in partnership with over 300 multinational clients to deliver employee benefits risk management services and solutions. MAXIS GBN's network of local insurers work in over 100 markets globally, covering nearly seven million employees worldwide. ■

Ratings Roundup



AM Best withdraws credit rating of Evergreen Insurance

Though AM Best affirmed Evergreen Insurance Company Limited's (EICL's) financial strength rating of 'A-' (Excellent), and the long-term issuer rating of 'a-' (Excellent), with an outlook 'stable', it has withdrawn these ratings at the request of the company, which no longer wants to participate in AM Best's interactive rating process.

Prior to the withdrawal, AM Best says the ratings reflect EICL's balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business performance, limited business profile and appropriate enterprise risk management.

AM Best also says the ratings reflect the company's support from its parent firms, Evergreen International and Evergreen International Corporation, in terms of capital, business development, operations and risk management.

EICL's in-force underwriting portfolio primarily consists of marine, aviation and property risks related to the group's operations, while AM Best notes its overall capital position and profitability have been stable over the past five years, owing to "prudent underwriting practices, conservative reserving assumptions and long-term reinsurance relationships". ■

AM Best assigns 'B++' rating to Cadence Indemnity

AM Best has assigned a financial strength rating of 'B++' (Good) and a long-term issuer credit rating of 'bbb+' to Cadence Indemnity, single-parent captive of the Sullivan Brothers Family of Companies (SFBC). The outlook for these ratings is 'stable'.

These ratings reflect Cadence's strong balance sheet, adequate operating performance, limited business profile, and appropriate enterprise risk management.

The company's balance sheet strength is supported by its strongest level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR). Additionally, Cadence benefits from low underwriting leverage and minimal dependence on reinsurance.

However, these positives are offset by high per-occurrence limit retention on marine builders' risk coverage relative to its surplus size.

The company's investment portfolio has a high level of equity exposure relative to its surplus, which can lead to volatility during stock market fluctuations.

In 2023 and 2024, Cadence reported small underwriting losses, with investment income being the primary source of pre-tax earnings.

The rating agency anticipates that investment income will continue to drive earnings, with underwriting income expected to grow over time. The company also assumes clinic liability coverage from its fronting partner, Continental Casualty Company.

While Cadence's risks have some geographical spread due to SFBC's national reach, the company offers very limited lines of coverage, contributing to its limited business profile. ■

AM Best revises outlook to 'positive' for Fidvest US

AM Best has revised its outlook to 'positive' from 'stable' for Fidvest US, a South Carolina-based pure captive owned by Fidelity Management & Research (FMR).

The agency also affirms the financial strength rating of 'A-' (Excellent) and the long-term issuer credit rating of 'a-' (Excellent) of the captive.

The ratings reflect Fidvest's balance sheet strength, which AM Best assesses as very strong, as well as its marginal operating performance, limited business profile and appropriate enterprise risk management (ERM).

According to AM Best, the positive outlooks are driven by the company's operating performance, which reflects its sustained trend of improving underwriting results since 2020.

Fidvest maintains a very strong level of balance sheet strength, reflective of its strongest level of risk-adjusted capitalisation — as measured by Best's Capital Adequacy Ratio (BCAR) — a conservative investment risk profile, and strong liquidity position.

Partially offsetting these factors is the volatility in Fidvest's loss reserve balances related to professional liability claims and related litigation expenses.

AM Best assesses Fidvest's business profile as limited, as it covers professional liability, workers' compensation, property, automobile liability, general liability and cyber coverage for its parent in the form of deductible reimbursement and high excess policies.

Fidvest maintains an ERM structure that is appropriate for a company of its size, and as a part of FMR, also benefits from and is an integral part of the parent company's ERM framework.

In addition, the ratings receive lift from its ultimate parent, FMR, a large and diversified financial services organisation.

The enhancement considers Fidvest's strategic importance to FMR, as well as FMR's ability to provide financial flexibility to Fidvest should it become necessary. ■

AM Best upgrades KYAGC

AM Best has upgraded the financial strength rating of Kentucky Associated General Contractors Self Insurers' Fund (KYAGC) to 'A' (Excellent) from 'A-' (Excellent), and upgraded the long-term Issuer Credit Rating to 'a' (Excellent) from 'a-' (Excellent).

AM Best has also revised the outlook on these ratings to 'stable' from 'positive'.

The agency says these ratings reflect balance sheet strength, which AM Best assesses as very strong, as well as KYAGC's strong operating performance, limited business profile and appropriate enterprise risk management.

The upgrade, meanwhile, is said to come from the sustained improvement in KYAGC's balance sheet strength, which is supported by its risk-adjusted capitalisation at the strongest level, as measured by AM Best's Capital Adequacy Ratio (BCAR).

The Kentucky Associated General Contractors Self Insurers' Fund provides workers' compensation coverage to approximately 3,600 construction-related contractor members. ■

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Jason Stevenson
Director
ALT/r Consulting

If they're asking, it's already too late

Jason Stevenson, director at ALT/r Consulting, sits down with Karl Loomes to discuss the role of an independent consultancy and how to advise clients interested in captive insurance

Can you tell us a little about ALT/r and your role as an independent consultant?

As an independent consultant, we work with all the major off-the-shelf, group captive product producers. We also work with the independent single-parent captive producers. We do independent consulting relative to captive setup, captive management, captive formation, captive theses and thought processes, as well as feasibility and viability work. We help people assess what exists in the market.

Our role is to support independent agencies and their clients as they think about whether or not a captive is a good idea for them, and if it is a good idea for them, we help them figure out which direction they should go.

There's no one-size-fits-all element to the captive environment, so our role is really to discern what is right for the client, and we do that through the independent brokerage model. Our unique differentiator is that we distribute what we do through independent agencies, and as far as I am aware, we are among the only ones. We are not a captive manager, so we do not compete in that space. We are a purely consulting division that allows independent agencies to bring in experts where they need them.

There is a big vacuum in the market related to that, because generally, the off-the-shelf product market has done such a good job of monetising its product and becoming sales organisations that they take up so much space. In many cases, independent agencies do not really know what exists in the market, and important clients only see whatever one of those off-the-shelf product producers has to show today.

What are some of the distinct advantages and disadvantages of off-the-shelf compared to structured captives, and what considerations do you take into account when recommending either to your clients?

Off-the-shelf products have a tonne of advantages, in the sense that they are already built. They are a proven machine. They have been tested, and worked well.

The downside, or the disadvantage, is just that they are not customised and they are not unique. they do not, in general, provide for the diverse requirements of any particular business that needs or is interested in a captive insurance solution.

Generally, an off-the-shelf product is going to insure three or four lines of coverage. Usually, that is casualty coverage in the US, general liability, auto liability, and workers compensation. I consider that only a partial solution for part of the problem.

There are quite a few other exposures to a business. On the one hand, that may be the majority of a business's insurance premium spend — and so it seems like it has significant value.

But by contrast, it really is only three or four lines of coverage, and businesses have risk in a wide variety of areas, sometimes insured, sometimes not.

If you look at the other side of captives, which are not off-the-shelf or custom produced — typically single-parent structures — you are able to insure just about anything that is fortuitous and otherwise unpredictable. You can create an insurance vehicle that will insure all those things with a lot more control.

Are there any specific considerations that small and medium-sized enterprises need to be aware of?

Small to medium, obviously, is a function of definition. For a trucking company, for example, small to medium is a totally different thing than say, manufacturers. If you are measuring insurance spend, you have got very different turnover and gross revenue figures, with the same amount of insurance premium or risk. In general, however you define it, small and medium-sized enterprise (SME) insurance was typically reserved for off-the-shelf and group products, because there has been a vacuum or limitation in a single-parent environment.

In a sense that while single parent structures have always been functionally capable of handling SMEs, the large and largely international brokers and captive managers, have been focused on the Coca Colas of the world; the Premier Leagues; the NFL teams of the world — where you have massive global risk — and therefore you need your own insurance company. In the last decade, single-parent captives have 'migrated downward', in the sense that they are now relatively far more commonplace for small and medium-sized enterprises. This is because of their access to people like me. Their access to information is so much greater, they are not dependent on having just one expert in their region, or one or two in their country, or just one little broker or another to bring them the information. The way that people buy their insurance and the way that people buy their risk management services has changed. It used to be that you would buy your insurance from a guy with a cocktail in one hand and a business card in the other, from your country club or local pub. Today you have convenient online international access. So information and access to experts have now proliferated, with access to non-off-the-shelf, non-marketed products that did not exist before. This, incidentally, is largely the basis for our business model. We can affect outcomes anywhere.

What would you say are some of the most pressing regulatory compliance and tax considerations facing firms, and how do you help them navigate these?

I would say, frankly — and especially in an off-the-shelf product environment — there is not a whole lot of regulatory or compliance noise. They are simple, in the sense that they come 'delivered in a box'. You open the box and your captive programme is effectively ready for you. The majority of the tax, compliance, and regulatory considerations, have already been assumed, paid for, and managed, meaning you get a product 'ready to roll'.

Alternatively — just like it sounds — if you create something from scratch, you have got more compliance and regulatory considerations, and especially here in the US, tax considerations. It used to be that the majority of single-parent captives were offshore — Bermuda and Cayman were the big domiciles. There were certain advantages associated with that, largely, perceived tax benefits. But really, that was about regulators. Cayman and Bermuda especially, having experience and a regulatory environment that understood what single-parent captives and self-insurance was all about, and creating a business environment that reduced the viscosity of trying to put a product or a programme like this together.

In the last 10 to 15 years, domestic markets — or states as insurance is regulated at the state level in the US — have, in many cases, expanded or broadened their regulatory and insurance divisions of their governments to allow for single-parent captives, and allow for product production and distribution, largely to retain business within their state, because they want to be competitive. I would say that tax complexity, which is not associated with regulatory authority, has gotten more and more complicated, and has a lot more attention on it, both from the EU and from the United States.

By contrast, I think regulation of the insurance company itself, such as consumer protection, has actually been easier and has become simpler to navigate, on account of the markets where captive insurance is built, getting more and more competitive. This competitive environment has been good for consumers. If you have a choice, you are going to choose a regulator that makes the most sense for you, which means regulators are required to be a little more competitive.

What would you say are some of the more common misconceptions or apprehensions that come from your clients looking at captive solutions?

Captives have these really tantalising headlines — 'You have more control', 'You choose your own rates', 'You get a bunch of money back if you do well', 'Tonnes of tax advantages' — right? These are the selling points of a captive, generally, and of course they create interesting or compelling headlines. However, captives are a form of self-insurance. There is no free lunch. So in many cases, a client is very excited about this, what they may see as a new, revolutionary way to buy insurance that is going to provide them all those great headline advantages. But the misconception, of course, is that all of those things are assured — if you are in a captive you are going to have all these great outcomes.

The reality is that captives are a form of self-insurance, and self-insurance means that you are on the hook for your claims. You do not do that without some measure of protection, and some measure of understanding about what your risk is, quantified in a way that makes it possible for you to comfortably take that risk. Even so, you could have bad years. You are in the insurance business — group or single-parent, off-the-shelf or individually funded. Captives are a lot more than their headlines, just like anything else. I would say the common misconception is essentially, that if I get myself into a captive arrangement, I will have a lot more money and a lot of tax advantages, when the reality is that that is certainly possible, but not guaranteed.

How do you work with traditional insurance to ensure a smooth transition, or integration, for firms adopting captive solutions?

The net of it is, you are not exiting or leaving the insurance market. Captives are additive and complementary to your commercial insurance programme. In a group captive environment, for example, and in an off-the-shelf product environment, typically what firms do is switch insurance carriers. These new insurance carriers can have an arrangement with the captive, but they are linked to one another, so that a firm is not fully self-insured. For all of their risk, they are sharing some of it with a good carrier. That carrier provides services like claims management and fronting paper, and enables companies to provide certificates to your customers and vendors that look, act and feel, like regular insurance — which means they do not get spooked by the idea that the firm has this other arrangement involved.

In that sense, it is a pretty traditional transition. You cancel or let one policy expire, you bind another, and you have made the transition in a group captive structure. By contrast, with a single parent structure, typically you are saying to either the existing commercial carrier or a new carrier: “I currently insure the majority of my risk. I have a small retention or a small deductible of some kind. I would like to, at renewal, take a much larger deductible or larger retention. I would like to go from US$10,000 to US$250,000.” The carrier therefore stays involved, but just stays involved at a higher level, and you receive a meaningful discount in exchange for taking on more risk.

You utilise your captive — your new insurance company — to insure the difference between zero and US$250,000. What you have done, in that sense, is internalise, or self-insure, the areas where you feel like you have got control. You are not really transitioning away from your insurance carrier, more like you are transitioning the complexity of your arrangement.

What kind of novel products and captive structures do you know of and work with, handling emerging risks such as cybercrime?

It is one of the exciting advantages of being in the captive space, that you get to build, create, and distribute new things. It is not the same old iso form auto liability that has existed since the 1950s; there is a lot of variety and a lot of development work.

Cyber is new in one way, in the sense that there is a new version of a cyber problem every day. In another way it is not new at all — cyber issues have been going on for more than 20 years.

There are all kinds of other emerging risks. Most recently in the US, cannabis is a major area. Cannabis has been legalised throughout many states in the US, and that is an emerging risk in the sense that it has never been covered before. Regulation is still in limbo at the federal level, so there are a lot of captive formations supporting those in the cannabis industry, navigating the sort of regulatory environment where there is no traditional coverage available.

AI, of course, is a key topic getting mentioned everywhere. A couple of years ago there was a big push to figure out how to insure drone activity — drone incursion, drone liability, and drone crashes. We see all kinds of things. We have been building products for colleges and universities. There are professional sports leagues who need to insure around traumatic brain injury.

There is sexual abuse and molestation as an emerging risk, which is coming about in the US with changes to the statute of limitations rules. This means if you were in an environment where an abuse or molestation event occurred, even though there may be a statute of limitations, they will waive the statute of limitations. This means you have got forever risk. Naturally, insurance companies are not particularly keen on taking a forever risk.

So there are plenty of ongoing and emerging risk areas where the traditional insurance market is unprepared or unwilling to take on the risk in so many unknown ways. There's a never-ending string of emerging risk issues. Depending on what your emerging risk is, the likelihood is that you are going to need a captive to take care of it. The commercial insurance industry is, traditionally, slow to respond.

"Your clients are not active in the captive industry. They are at the country club or playing golf, or they are at the bar with their buddies"

What are some of the recommendations you would give brokers aiming to help their clients with captive insurance?

For the broker, to a large extent, you know the client, its size and complexity, and its capacity for risk-taking. You, as the broker, are the expert and have context, and I think it is incumbent on the broker to continue to provide proactive solutions. Captives are being introduced earlier and earlier, or at smaller and smaller insured levels. You should look at a client, and if it is good at risk-taking, if it is willing to bet on itself — almost at any size of six-figure insurance premium and up — you should probably start to broach the subject of captives, because it is only a matter of time before the client hears about it elsewhere.

It is probably appropriate to start illuminating what happens to insurance as they grow beyond a certain point of impetus. If you do not have expertise, experience or access to the right information or the right people, that is exactly where we fill in. As a broker, if you need help talking about captives — how they work, are they right for your client, what is the plan to evolve into a captive or self-insured environment — you bring in an expert to help you navigate that. That is our role.

I would say to any independent brokers, if you think there is a chance that your client could be interested in the concept of a captive, you should bring it up proactively The train is on the tracks, and that industry is growing, and it is a much better message than “I want to sell you insurance”. Marketers in the captive business are better and more aggressive than the marketers in the traditional insurance market, so if you do not bring it up with your client, they are going to hear about it somewhere else, and you will be behind.

I tell everybody who will listen, if your client calls you and says, “Hey, you know anything about captives?” you are probably in trouble. Your clients are not active in the captive industry. They are at the country club or playing golf, or they are at the bar with their buddies. Worst case scenario, they got a phone call from somebody who talked to them about all the advantages of a captive and you didn't bring it up. The most likely thing is that the advanced and extremely aggressive marketing people in the captive industry called and said, “How come your broker hasn't talked to you about captives? You're a great fit!”

What does the future hold for the captive industry, your clients and your business?

I think the insurance industry is ready for a pretty significant change in its delivery models, and frankly, its underlying expense structure. I mentioned AI earlier, and though I hate to be on the bandwagon, AI can write insurance policies. You do not need a lawyer or an underwriter anymore.

AI can adjust insurance policies. It can decide whether or not the claim data that was entered matches the claim. There are no judgement calls necessary by a human being. AI can probably predict which clients are right for captives.

As a result, clients are going to be the beneficiaries of that, as the delivery mechanism for insurance and risk management becomes easier and more commonplace. When that happens, they are going to have access to the concept of captives, which, for the right clients, are an enormous boon.

It is a better flexibility tool. It is a better tax tool. It is a way to collect and retain margin, where the insurance company was collecting and maintaining that margin before. The future looks like clients will take more active control over the way that their insurance looks, because they have better access to what the risk really quantifies out to. It has always been an underwriting mystery — what ingredients are in the cake that got baked? Now they know all the ingredients that were in the cake, and they have got access to an oven, a baker, and they are going to customise what they want the way that they want it.

The future looks a lot like clients having more control and more access, and very, very little geographical limitations, which has been traditionally kind of a dependency in the insurance industry. You have got one broker in a spot, and they know everybody in their circle. That circle is now the size of the globe. ■


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The Cook Islands

A growing hub for captives

Experts from the Cook Islands Financial Services Development Authority highlight the jurisdiction’s stability and regulatory maturity as key factors driving its appeal as a captive insurance domicile

Diana Bui reports

The Cook Islands, a remote Pacific nation known for its pristine beaches and thriving financial services industry, has steadily gained prominence as a captive insurance domicile. The passage of the Captive Insurance Act 2013 (CIA) and the Captive Insurance Regulations 2013 (CIR) marked a significant step in strengthening its financial services industry, enabling businesses to establish captives in a jurisdiction offering business-friendly regulations, a robust legal system, and competitive financial incentives.

Legal and regulatory framework

Captive insurance in the Cook Islands is primarily governed by the CIA and CIR, under the supervision of the Cook Islands Financial Supervisory Commission (FSC). The legal framework was crafted in response to market demand, balancing flexibility and administrative simplicity with robust regulatory oversight. The Cook Islands' captive regime is designed to accommodate various business structures. Companies can register as either Cook Islands International Companies under the International Companies Act 1981-82 or domestic entities under the Companies Act 2017.

According to the Financial Services Development Authority (FSDA), over the past year, the Cook Islands has not introduced significant regulatory changes specifically targeting the captive insurance sector. However, this stability underscores the strength and maturity of the existing framework, which continues to support captives effectively while aligning with international best practices. The focus has remained on maintaining and reinforcing compliance with global standards set by organisations such as the Financial Action Task Force (FATF), the Organisation for Economic Co-operation and Development (OECD), and the European Union (EU).

Despite this regulatory stability, the FSC continues to refine its approach, ensuring it remains competitive. Industry professionals acknowledge that the regulatory environment must evolve alongside global insurance trends and economic shifts. There is an ongoing commitment to streamlining processes for licensing and compliance while maintaining the jurisdiction’s high international standing.

Key features of the Cook Islands captive regime

One of the standout features of the Cook Islands captive insurance regime is its low statutory minimum capital requirement, which is set at NZ$100,000 (US$58,800), significantly lower than other leading domiciles such as Bermuda, Guernsey, and the Cayman Islands. To establish a captive, a company must be registered in the Cook Islands and have at least two directors, one of whom must be a natural person resident in the Cook Islands.

All directors and shareholders must pass a ‘fit and proper person’ test. Furthermore, captives are required to appoint an approved insurance manager, either licensed under the Cook Islands Insurance Act 2008 or an external manager approved under the CIA. Captives can be owned by individuals, corporations, unincorporated bodies, groups, and associations. The licensing process involves a one-time application fee of NZ$1,100 and an annual renewal fee of NZ$3,100. Additionally, a Cook Islands international company incorporated after 18 December 2019 and acting as a captive must pay Cook Islands company tax of 20 per cent on profits unless it is non-resident for Cook Islands tax purposes whereby it will not be subject to Cook Islands company tax on its foreign sourced income.

There is also an increasing interest in how captives in the Cook Islands can integrate risk retention groups and protected cell companies (PCCs). These structures allow businesses to manage their risks more effectively while taking advantage of the jurisdiction’s competitive regulatory environment. While the Cook Islands has yet to enact provisions for segregated cell companies, regulatory discussions indicate that these developments could materialise in the near future.

Compliance with international standards

The FSC is known for its pragmatic and business-friendly regulatory approach while maintaining compliance with international standards. The Cook Islands boasts a well-established legal system based on English common law, with High Court judges often being experienced New Zealand judges. This provides investors and captive owners with confidence in the jurisdiction’s legal stability and contract enforcement.

Representatives of the FSDA note that notwithstanding the ever-increasing demands placed on jurisdictions to comply with international regulatory standards, the Cook Islands has maintained its reputation for accountability and being a good international citizen without any significant impact on its captive insurance business.

The jurisdiction continues to reinforce its global compliance through the integration of FATCA and CRS for automatic financial

"The Cook Islands offers competitive pricing compared to larger captive domiciles, making it an attractive choice for mid-sized enterprises or businesses seeking cost-effective alternatives to traditional insurance markets"

information exchange, the adoption of AML and CFT regulations in accordance with FATF recommendations, participation in the OECD's Inclusive Framework on BEPS, and strengthening cybersecurity measures through the 2024 Cyber Security Policy, which aligns with the Budapest Convention.

The Cook Islands' appeal as a captive insurance domicile extends beyond its regulatory framework. The financial services industry has been operating since the 1980s, offering a strong foundation of professional expertise in trust and fiduciary services. This experience ensures businesses establishing captives can access knowledgeable service providers, including insurance managers, auditors, and legal advisors.

Experts from the FSDA stress that the jurisdiction offers competitive pricing compared to larger captive domiciles, making it an attractive choice for mid-sized enterprises or businesses seeking cost-effective alternatives to traditional insurance markets. Its strategic geographic location and time zone also provide convenient access for businesses in the Asia Pacific region, aligning with major financial hubs such as Sydney, Auckland, Singapore and Hong Kong.

Moreover, the Cook Islands provides companies with extensive operational flexibility. Captive owners have greater autonomy in designing coverage terms, risk management frameworks, and investment strategies. This flexibility is particularly valuable for industries with unique insurance needs, such as healthcare, construction, and financial services.

Future developments: Innovation and expansion

While no specific provisions have yet been introduced for insurtech, blockchain, or AI, the FSDA emphasises that "the Cook Islands remains open to developing innovative legislation to strengthen captive insurance operations. The FSDA is committed to establishing strong regulatory foundations to seize opportunities for innovation in the short and medium term".

Plans to introduce segregated cell company legislation later this year will further enhance the jurisdiction's captive insurance offerings.

"The introduction of segregated cell legislation will give captive service providers and their clients an increased and enhanced captive offering, allowing the Cook Islands to position itself as the regional hub for captive insurance business in the South Pacific," the FSDA states. Additionally, the FSDA is actively engaging with financial services providers, legal experts, and industry stakeholders to ensure that the regulatory framework remains competitive and responsive to market demands. "International regulatory standards will continue to develop and increase. The Cook Islands will continue to be proactive in adhering to international requirements ensuring it remains competitive while meeting client expectations."

A significant factor in future growth will be the role of technology in captive insurance. Digitalisation is expected to reshape the industry, with electronic onboarding processes, AI-driven risk assessments, and blockchain-based policy administration becoming more prevalent. The Cook Islands, while still in the early stages of technological adoption, has indicated a willingness to integrate emerging technologies to improve efficiency and transparency. The FSDA envisions the Cook Islands becoming a "South Pacific regional hub for captive insurance business", with strong demand in the region for captive services. "The Cook Islands is strategically positioned to serve markets in Australia and New Zealand, as well as other countries around the Pacific Rim. It can and will offer tailored captive insurance solutions to attract businesses from the region that seek cost-effective and flexible risk management options."

With continued regulatory enhancements, technological adoption, and market diversification, the Cook Islands is well-positioned to capitalise on emerging trends in the captive insurance industry over the next decade. By remaining proactive in regulatory development and open to new technological advancements, the jurisdiction is set to maintain its reputation as a competitive and reliable captive insurance hub. ■

Inspiring the next wave

Diana Hardy and Bailey Roese, co-chairs of CICA's NEXTGen initiative, share their insights and strategies for attracting more young talent to the captive insurance industry

The Captive Insurance Companies Association (CICA) launched its NEXTGen initiative in 2019 to bring the voices of young and new professionals to the table.

The programme advises CICA on providing the education and networking opportunities, including social networking, needed to help advance captive insurance careers.

Can you share what inspired your journey into the captive insurance industry and how you became involved with CICA NEXTGen?

Diana Hardy: I became involved in the captive industry almost a decade ago when I started at RH CPAs. It was a whole other world of accounting, and I had fun solving complex problems. About four years ago, I jumped in on a subcommittee on CICA NEXTGen with the help of Adam Miholic. This was a perfect time for me to serve as the accounting industry's retention rates dropped after Covid-19 and I was eager to help grow our firm and the captive industry.

Bailey Roese: I was introduced to the captive insurance industry through my partner and mentor, Chaz Lavelle. A few years into my career, Chaz began involving me in captive-related matters, and I was immediately drawn to the complex challenges he tackled with his clients. Over the past few years, my engagement in the sector has deepened, and I have found the captive industry to be both dynamic and innovative. As I spent more time working with captives, Chaz introduced me to Joe McDonald, a member of CICA NEXTGen. I quickly joined a subcommittee and became increasingly involved from there.

What do you see as the primary drivers behind the industry's current growth, and how can emerging professionals take advantage of these opportunities?

Hardy: A hard insurance market, increased risk awareness of alternative risk solutions, and an evolving regulatory landscape are all contributing to the industry's growth. Emerging professionals can take advantage of these opportunities by joining CICA NEXTGen, volunteering for their state's captive association, and staying educated with conferences or ICCIE courses.

But most importantly, build relationships. The captive industry thrives on strong connections so I encourage young professionals to engage with regulators, captive managers and other service providers to long-term opportunities.

image by irabel8/stock.adobe.com

Roese: I believe the primary driver of the industry's current growth is the hard insurance market. Businesses are increasingly seeking more effective ways to manage risk while reducing costs and optimising resources.

For emerging professionals, the key to seizing these opportunities lies in continuous learning — engaging with industry leaders, attending conferences, and staying informed through industry publications.

With so many new and evolving opportunities, those who dedicate themselves to developing expertise have the potential to become thought leaders in their chosen area.

How do you envision CICA NEXTGen's role in providing educational resources and networking opportunities for those who are new to captive?

Hardy: While CICA NEXTGen has been providing networking and educational resources for over five years, we will continue this effort with more virtual opportunities, both from an educational and networking perspective. Our goal is to provide a platform to connect young or new professionals to the captive industry to connect and make meaningful relationships in the industry.

Roese: CICA NEXTGen is a key programme for young professionals, offering networking opportunities that create an inclusive and welcoming environment for those new to the captive industry. It also delivers tailored educational resources, including articles, webinars, and conference panels, designed specifically for emerging and early-career captive professionals.

By ensuring intentional programming, CICA NEXTGen helps this group gain industry knowledge and build valuable connections with confidence.

What strategies do you believe will best attract talented individuals to the captive space and encourage them to pursue long-term careers in this sector?

Hardy: It is all about the rebranding of a career in captive insurance. While it has come a long way, college kids still think of insurance jobs as boring and uncomplicated. If industry professionals can get involved in university risk management programmes and help rebuild the brand of captive insurance as a dynamic career, we can attract even more young talent.

Roese: I believe captives are an incredibly exciting sector. The more effectively we can convey to young and emerging professionals that this is a dynamic, growing industry — one that is welcoming and focused on delivering innovative risk management solutions — the more talent we will attract. More than any other area within the insurance industry, captives offer a space where creative and driven individuals can truly thrive.

In your experience, how important is mentorship for professional development, and how does CICA NEXTGen help connect newer professionals with more experienced industry leaders?

Hardy: I have had various mentors throughout my career, but the connections I have made in the captive industry and through my involvement with CICA NEXTGen have instrumentally led me to where I am today. While I continue to learn, I also hope to be a mentor and help an incoming certified public accountant (CPA) navigate their first few years in the industry.

Roese: Mentorship is crucial for professional development, and I would not be in the industry at all without the guidance of my mentor. CICA NEXTGen programming, including our networking events, provides excellent opportunities for new professionals to connect with experienced mentors.

What are some immediate objectives you hope to accomplish as co-chair, and what longer-term vision do you have for CICA NEXTGen's influence on the captive insurance sector?

Roese: Our immediate goal this year is to expand our educational and networking initiatives by introducing more virtual events. Young professionals do not always have the opportunity to attend in-person events and conferences, so we want to ensure they have accessible ways to engage with the captive insurance community.

We also aim to increase active participation in CICA NEXTGen's programmes, whether through volunteering on subcommittees, speaking at conferences, or organising networking events tailored to young professionals.

In the longer term, I hope CICA NEXTGen establishes itself as the leading platform for young and new professionals seeking to advance their careers, grow their networks, and deepen their understanding of captives.

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How does CICA NEXTGen help young professionals stay current with evolving regulations, technology, and risk management trends in the industry?

Hardy: Our online educational courses provide great resources on topics that people new to the industry are interested in. Various conferences have incorporated sessions proposed by CICA NEXTGen that are geared toward topics relevant to young professionals in the industry and have promoted the young professionals speaking on panels.

Roese: Our educational initiatives, delivered through virtual webinars and conference programmes, are specifically designed for young professionals, providing content tailored to their level. Additionally, our virtual programmes are free, ensuring accessibility without financial barriers.

Reflecting on your own professional path, what advice would you give to someone just starting out in captive insurance and considering involvement with CICA NEXTGen?

Hardy: Dive in! Get involved! You get out what you put in.

Roese: Put yourself out there. If you have the opportunity to attend a conference, do not stay in your hotel room — make the effort to join meals and sit with people you have not met before. Attend receptions and exchange business cards with new contacts. Follow up after meeting someone new. Becoming involved with CICA NEXTGen can make these experiences far less daunting by providing you with a natural introduction to others in the industry.

Where do you see the captive insurance industry heading in the next 5 to 10 years, and what role do you believe CICA NEXTGen will play in shaping that future?

Hardy: Over the next 5 to 10 years, the captive industry will continue to see significant growth, driven by emerging risks, advancements in technology, regulatory support, and global market expansion. CICA NEXTGen will play a crucial role by fostering innovation across all generations, developing future leaders, and driving collaboration in the industry. With new technologies and risk strategies emerging, CICA NEXTGen will continue to be the launching pad of making connections and finding creative solutions together.

Roese: I believe the captive insurance industry will continue to expand as businesses face increasingly complex, costly, and potentially severe risks. CICA NEXTGen plays a crucial role in ensuring that professionals entering the field have a strong understanding of the captive sector and are equipped to educate business leaders on how captives can support their financial resilience.

Our industry is fortunate to have a wealth of experienced professionals who have shaped the captive landscape and possess invaluable expertise — CICA NEXTGen is committed to ensuring this knowledge is passed on to the next generation. ■

Bailey Roese
Co-chair
CICA NEXTGen

Diana Hardy
Co-chair
CICA NEXTGe

Bermuda sets the pace

As digital assets gain traction, the Bermuda Monetary Authority has adapted its regulatory framework, creating new opportunities for captive insurers in this evolving space

Diana Bui reports

image by designhunt/stock.adobe.com

Bermuda is emerging as a key hub for integrating digital assets into evolving risk management strategies. As businesses increasingly adopt blockchain technology, the Bermuda Monetary Authority (BMA) has introduced frameworks that help insurers navigate cryptocurrencies and tokenised assets.

A notable example is Meanwhile, a Bitcoin-denominated life insurer that became the first company to receive a Class IILT licence from the BMA, allowing it to operate entirely in Bitcoin. These developments also open new possibilities for captives, enabling them to fill coverage gaps and design specialised products for an expanding digital market.

New frontiers

Cryptocurrencies, tokenised assets, and the overarching technology of blockchain have reshaped the boundaries of global finance, prompting industries — including insurance — to grapple with an entirely new class of opportunities and risks.

Once viewed with skepticism by established markets, digital assets have rapidly matured, driven by decentralised networks and buoyed by growing institutional interest.

Yet, despite their expanding acceptance, they introduce a layer of uncertainty for risk managers, underwriters, and regulators around the world.

While skeptics highlight price volatility and regulatory murkiness, advocates see a sweeping transformation of how value is stored and transferred. Zac Townsend, CEO of Meanwhile, describes digital assets as nothing less than a “once-in-a-lifetime opportunity to reimagine the global financial system,” likening Bitcoin to “the digital store of value”.

In his view, the Bitcoin network is already home to a “growing economic system, a currency in BTC, and more" — one that operates without a conventional government but still demands the same kind of financial infrastructure found in traditional nation-states. That infrastructure, he argues, extends to long-term savings and inheritance planning.

“When we were setting out,” Townsend says, “we made a list of financial institutions that need to exist for an economy to thrive — payment companies, banks, exchanges, and more. Then we started thinking about savings — retirement savings, intergenerational wealth transfer, planning — and we realised that this digital economic system needed a long-term insurer.”

Bitcoin’s decentralised nature, as he sees it, grants holders a durable store of value that is ideally suited to a life insurance product. “If you have concerns about inflation, currency, or regime risks, it makes sense to hold some portion of your protection and intergenerational savings in Bitcoin,” Townsend explains.

Such a perspective highlights one reason insurance professionals are paying closer attention to blockchain technology: its capacity to facilitate frictionless transactions, reduce fraud via immutable ledgers, and tokenise previously illiquid assets.

Yet adopting these solutions also demands a recalibration of underwriting approaches. Historical data on cryptocurrency losses, for instance, is sparse, leaving insurers with the challenge of devising new analytical frameworks. Traditional carriers often respond with stringent restrictions or high premiums, which can leave technology-driven businesses in a bind.

Townsend, who envisions collaborating with established insurers as well, notes that his team has “spoken to some global onshore insurance companies about running a Bitcoin — or other crypto — denominated balance sheet for them as a subsidiary of our company, which is more a segregated accounts business model than a captive one per se, but rhymes with the intention of captives.”

This openness to hybrid solutions underscores just how broad and potentially transformative the market for digital-asset-driven insurance can become.

Bermuda’s regulatory framework

Bermuda has long been at the forefront of regulating blockchain and cryptocurrency-based services.

The government has established one of the world’s first comprehensive regulatory frameworks, providing legal and regulatory certainty while ensuring the sector operates in line with international standards.

George Alayon, deputy director of FinTech supervision at the BMA, highlights: “The BMA recognises the potential of digital assets to create new opportunities for insurers through the efficiencies it offers and the capability to develop more innovative products and platforms for the whole insurance value chain.”

Amendments to Bermuda's Insurance Act 1978 — in 2018, 2019, and 2022 — explicitly permit the use of digital assets for underwriting risk and holding capital, reinforcing the jurisdiction's commitment to both innovation and stability.

Alayon explains that the BMA's framework categorises insurance licences into two tiers. Sandbox classes, including Class IGB for general business and Class ILT for long-term business, enable companies to test and refine their models under regulatory oversight. Successful ventures can progress to full licences — Class IIGB for general business or Class IILT for long-term operations — where they are subject to stringent governance, risk management, and compliance requirements.

"All four licence classes can incorporate digital assets into their operations for underwriting risk and holding capital to support their insurance undertakings," he notes, adding that the BMA applies additional measures tailored to the unique risks associated with digital assets.

This tiered approach stems from the BMA's early engagement with crypto ventures.

"Since 2018, the BMA has recognised the need for a specialised framework that supports innovation while addressing the unique risks associated with digital assets. The introduction of Class IILT is a natural progression from the sandbox Class ILT," Alayon explains.

In addition to innovation, the BMA places a strong emphasis on regulatory compliance. "We hold these companies to a high standard when it comes to risk management and compliance with various regulations, such as the sanctions and suspicious activity report regulations and the Anti-Money Laundering/Anti-Terrorist Financing frameworks, as applicable," he states. "This also applies to our cybersecurity code of practice because of the on-chain nature of the insurance business that these classes tend to transact."

The BMA also assesses companies' policies, including those of their third-party custodians, against the Digital Asset Business Custody Code of Practice. "This is a regulatory framework under the Digital Asset Business Act, a separate legislation we introduced in 2018," Alayon explains.

"Insurers that also perform activities under the DABA may be required to obtain a separate Digital Asset Business licence, as may be applicable, and in which case, the BMA applies consolidated supervision."

For companies looking to utilise Bermuda's digital asset framework, early engagement with regulators is key. "It is important to emphasise that while the BMA is open to all forms of innovation, innovators who are interested in utilising this innovative framework should start by consulting the BMA early so they can be given proper guidance as to the appropriate innovation track for their business," he advises.

Case study of Meanwhile

The power of Bermuda's digital asset licensing framework is perhaps best exemplified by Meanwhile, a Bermuda-based life insurer that received the world's first Class IILT license to operate exclusively in Bitcoin.

Townsend views Bitcoin as "a new country or developing economy" that transcends borders and central governments, with its own evolving financial system and currency. For him and his co-founder, launching a long-term insurer in this environment was a natural step.

Underpinning Meanwhile's model is a conviction that Bitcoin serves as a "durable store of value" and will maintain or increase its purchasing power over time. To that end, Meanwhile's whole life policies are fully denominated in Bitcoin. Premiums come in BTC, the policy's value grows in BTC, and the death benefit is paid out in BTC. Borrowing against the policy's cash value also happens in BTC, creating a self-contained ecosystem that avoids the volatility faced by companies measuring their financials in traditional fiat.

"We do not need to concern ourselves with BTC:USD volatility because our insurance company doesn't touch any USD," Townsend notes. "To us, 1 BTC = 1 BTC."

Nevertheless, this notion of a fully Bitcoin-based insurance operation poses regulatory and operational hurdles. Townsend credits the BMA for guiding Meanwhile through an 18-month process in the innovation sandbox, which culminated in the company receiving its full license.

The BMA demanded rigorous testing of Meanwhile's governance, risk, and compliance protocols, especially regarding custody and cybersecurity. According to Townsend: "The BMA has been a fantastic partner in working with us closely to identify the areas where our Bitcoin model might have additional risks, which we have then carefully addressed."

Townsend sees the potential user base for Meanwhile as individuals who already have exposure to Bitcoin — be they high-net-worth family offices or smaller holders — and want life insurance built on a crypto standard.

“We don’t really dispel myths about cryptocurrency or digital assets,” he says. “People who come to us already believe in Bitcoin on some level.” He acknowledges that the idea of a life insurer dealing exclusively in BTC can be jarring for those still living on a dollar standard. Even so, Meanwhile has seen significant year-over-year growth.

Long-term, Townsend expects to expand product lines to include annuities, group life, insurance bonds, and beyond. His ambition is for Meanwhile to become “the world’s largest life insurer,” serving what he perceives as an enormous global market of BTC holders lacking structured options for wealth planning.

Future for captives

The success of ventures like Meanwhile opens the door to broader adoption of digital assets in the insurance industry, including captive insurance. As Alayon notes: “Digital assets certainly have the potential to transform the captive insurance market by enabling new efficiencies, such as real-time settlement and transparent policy administration through blockchain networks.”

Still, he acknowledges that this is “easier said than done". He argues that a deep understanding of blockchain’s capabilities, combined with a willingness to innovate within compliance frameworks, could lead to new risk transfer mechanisms — such as tokenised insurance products and decentralised risk-sharing pools. “Captives will need to study digital assets, particularly the decentralised ledger technology, closely to learn and determine the best use case for their business,” he says.

Compliance and prudent oversight remain critical. Alayon underscores that the BMA holds companies to high standards, not only during the sandbox phase but throughout their first year of full licensing and beyond. For Bermuda, this dual focus on innovation and vigilance is central to maintaining a stable yet forward-thinking environment.

“Our vision is to position Bermuda as a global insurance leader that supports responsible innovation in the financial services industry,” he says. “We aim to foster an ecosystem where innovative insurers (Class IILT and IIGB), supported by our innovative intermediary classes (IB, IA, IM, IMP), co-exist with

"The BMA recognises the potential of digital assets to create new opportunities for insurers through the efficiencies it offers and the capability to develop more innovative products and platforms for the whole insurance value chain"

George Alayon
Deputy director of FinTech supervision
BMA

traditional players to work together to help close the protection gaps that exist in all lines of business."

In the meantime, risk managers evaluating digital asset coverage are finding that traditional carriers may be slower to adapt. Market capacity remains uneven, premiums can be high, and many policies carry exclusions for cryptocurrency theft or hacking events.

Captive insurance continues to shine in bridging these gaps, offering organisations a powerful tool to craft bespoke coverage terms and potentially access reinsurance layers that further spread risk.

For those who do wish to operate fully in cryptocurrency — like Meanwhile — a cooperative regulator such as the BMA can provide the regulatory certainty needed to attract policyholders and ensure protection.

Yet for all these developments, the journey is only beginning. Digital asset volatility, regulatory fragmentation, and ongoing security concerns mean that companies entering the field must tread carefully.

The BMA itself cautions that heightened transparency, strong governance, and clear risk disclosures are non-negotiable.

Townsend, for his part, believes that the promise of a borderless, decentralised economy is too compelling to ignore, and that "people who want exposure to Bitcoin for the long term need financial products that match their worldview and risk tolerance." He sees Meanwhile as the tip of a much larger wave of insurers, reinsurers, and captive managers who will eventually embrace cryptocurrency on a more systematic level.

Where this wave ultimately leads may depend on how effectively regulators, innovators, and the broader market collaborate. If the BMA's sandbox approach proves successful in bringing more innovative solutions to scale and forward-thinking insurers adopt safe and transparent practices, the global insurance industry could be on the brink of a significant transformation.

Blockchain technology might soon underpin everything from claims administration to parametric triggers, drastically streamlining procedures and enabling real-time settlements. Captives, too, might leverage tokenisation to attract broader pools of capital or offer fractionalised risk participation models.

For now, what is certain is that Bermuda has positioned itself as a leading test bed for the future of digital-asset-based insurance, and companies like Meanwhile are illustrating just how viable and revolutionary these ideas can be. ■

"The BMA has been a fantastic partner in working with us closely to identify the areas where our Bitcoin model might have additional risks, which we have then carefully addressed"

Zac Townsend
CEO
Meanwhile

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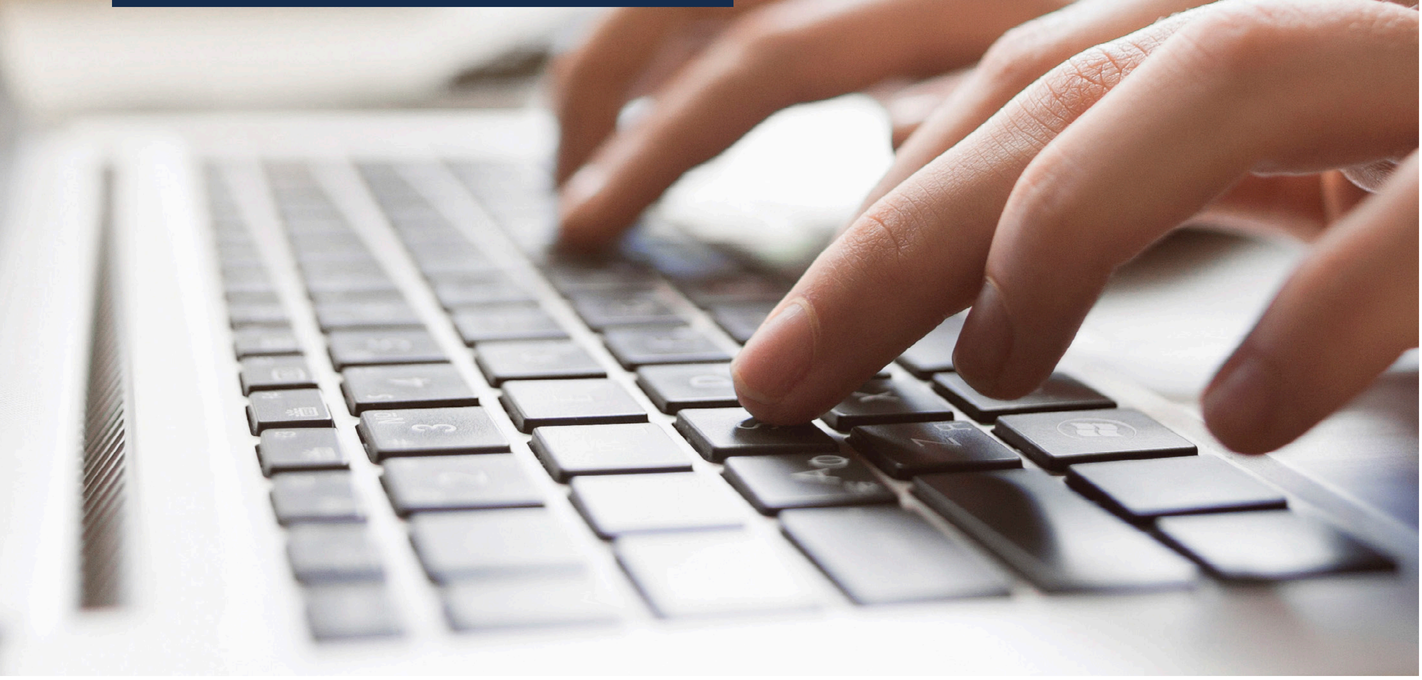
CICA 2025 Student Essay Contest winners

The Captive Insurance Companies Association (CICA) has announced the winners of its annual Student Essay Contest at the 2025 CICA International Conference.

The competition tasked college students with choosing one of three case study topics and developing a captive insurance solution to tackle risk management challenges. University of Wisconsin-Madison students Rachel Claire Gibson and Ella Pernsteiner received first-place honours and a US$2,500 prize.

Captive Insurance Times is honoured to be an official media partner with CICA and to have the privilege of showcasing a Q&A with each of the students and publishing each of the finalists' essays.



2024-2025

CICA STUDENT ESSAY CONTEST

Captive Insurance Solutions for Today's Risk Management Challenges

1

WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

UNIVERSITY OF WISCONSIN-MADISON:

Rachel Claire Gibson &
Ella Pernsteiner

SEAGRASS LODGES

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CICA® STUDENT ESSAY CONTEST

Rachel Claire Gibson

Rachel Claire Gibson

Rachel Claire Gibson is a sophomore at the University of Wisconsin-Madison, studying Risk Management and Insurance, Data Science, and Economics. She serves as the president of the Wisconsin Evans Scholars Chapter and works in events and outreach for the Risk Management and Insurance Society. This summer, Rachel will join Mercer as a health consultant in Portland. In her free time, she enjoys playing intramurals, weightlifting, and coaching middle school volleyball.

What interested you about the CICA essay contest Captive Insurance Solutions for Today's Risk Management Challenges?

While risk management is gaining prominence in college programs and coursework, I believe the education surrounding captive insurance and its value to businesses remains underrepresented in university curricula. Competing in this case competition offered me a focused, hands-on opportunity to deepen my understanding of the functions and real-world applications of captive insurance, bridging the gap between theoretical knowledge and practical experience.

How was captive insurance helpful for your chosen organisation?

By combining a captive insurance structure with reinsurance, Sea Grass Lodges successfully consolidated their lower-impact and niche risks. This approach allowed them to avoid higher premiums while ensuring effective coverage for their assets.

What did you learn about captive insurance while researching and writing your essay?

I gained valuable insight into the various captive insurance structures and the complexities businesses like Sea Grass Lodges face when insuring their risks. While niche risks pose significant challenges, I also developed a deeper understanding of the disparities caused by global warming and its impact on increased hazards, premiums, deductibles, and natural disaster perils. I learned how these exposures often need to be managed outside of a captive structure to ensure effective insurance solutions for coastal companies.

How does your expanded knowledge of captive insurance compare to your understanding before entering the competition?

Before researching and writing this case, I had almost no prior knowledge of the captive insurance industry. While my introductory course briefly touched on the subject, it never fully highlighted the significance of captives or their impact on businesses. Through this project, I gained a deeper appreciation for the freedom captives provide companies and the autonomy they restore, empowering businesses to manage their risks more effectively and strategically.

Would you consider a career in captive insurance? What about captive insurance appeals to you as a career choice?

I would definitely consider a career in captive insurance. While I am still exploring the full range of opportunities available in this field, I firmly believe that greater awareness and education about the industry could benefit my generation. Captive insurance offers unique and valuable career paths, and investing in this knowledge could open doors for innovative risk management solutions.

How does your college coursework align with a career in captive insurance?

My university offers an excellent selection of coursework in risk management and captive insurance. However, I strongly recommend that any student interested in captives participate in this competition. The hands-on experience and practical knowledge it provides are far more impactful and valuable than what can be gained through coursework alone.

Ella Pernsteiner

Ella Pernsteiner

Ella is a sophomore at UW-Madison, majoring in Operations Technology Management and Risk Management & Insurance. Through certificates and minors in consulting and sustainability, she applies continuous improvement with strategic problem-solving to real-world challenges. Her background includes internships in risk management and operations, and student organisation leadership where she has focused on fostering collaboration and driving impactful action. Ella is passionate about creating innovative, sustainable solutions for everything she does.

What interested you about the CICA essay contest Captive Insurance Solutions for Today's Risk Management Challenges?

This essay contest interested me due to its focus on creating innovative, practical solutions for current and evolving risk management issues. This opportunity is a great way to apply knowledge that was learned in the classroom to real challenges that a company faces and contribute to the evolution of risk management strategies.

How was captive insurance helpful for your chosen organisation?

Captive insurance was extremely useful for Seagrass Lodges as it allowed us to address the multiple specific exposures the hotel chain was currently experiencing. After determining that a captive insurance programme was feasible, we worked to tailor the coverage to exactly what this company needed and through captive insurance that was possible.

What did you learn about captive insurance while researching and writing your essay?

Through the research completed when writing our essay, I learned how vast the captive space truly is and the number of options available for companies to select from. I also found out how to determine whether a captive is the best option for a company through a set of requirements.

Once a captive is selected, it can be tailored to what the company needs based on its structure.

How does your expanded knowledge of captive insurance compare to your understanding before entering the competition?

My knowledge of captive insurance and its industry has grown sustainably since working on the CICA competition.

Before starting this experience, I had some in-class knowledge of the industry and how companies set up captives, but was lacking in certain aspects of captives like what makes a company a good fit for this insurance and how it benefits them in the long-term.

Since completing my research, I feel more confident in my knowledge and my ability to make decisions in this industry.

Would you consider a career in captive insurance? What about captive insurance appeals to you as a career choice?

I would consider a career in captive insurance as it genuinely interests me. Because there is such a wide array of options when it comes to captive insurance, I could learn something new every day. Because this space is a niche area of insurance.

There is a tightly knit community of professionals and I appreciate that as someone who is newly entering the workforce.

How does your college coursework align with a career in captive insurance?

The coursework at UW-Madison has a wide variety of relevant coursework and materials relating to the use of captives.

An overview of captives, their structure, and how they work was presented as early as our introductory risk management course.

Furthermore, through higher-level courses, students get a deeper understanding of the industry and can participate in the UW Risk Management and Insurance Society, speaker events in which professionals from many risk management and insurance fields come in and share their expertise.

The professors throughout the Wisconsin School of Business like Carl Barlett, Jim Swanke, and many more work to set up students for success and are always willing to talk about the industry.

Introduction

In this paper, the feasibility and benefits of Seagrass Lodges establishing a captive insurance program will be explored by addressing several key areas. First, the rationale for a captive will be examined, focusing on why Seagrass Lodges is well-suited for this approach, including its geographic exposure, operational risks, and potential cost savings. Second, the optimal structure for the captive will be evaluated, including direct and reinsurance captives, feasibility studies, and financial projections. Third, the logistics of the insurance program will be detailed, including how premiums will be set, risk retention levels, and the role of reinsurance, such as excess loss coverage and parametric insurance. Finally, the regulatory and compliance aspects will be considered to ensure the captive meets domicile regulations, maintains tax benefits, and aligns with Seagrass Lodge's overall risk management strategy. This analysis will provide a comprehensive roadmap for understanding how a captive can enhance Seagrass Lodge's financial stability and risk management capabilities. By adopting a proactive approach, Seagrass Lodges can gain greater control over its insurance costs, enhance risk mitigation, and secure a more stable financial future in an evolving hospitality insurance market.

Seagrass Lodges Key Risks

Seagrass Lodges ("Seagrass") is a premier collection of 15 oceanfront hotels along the picturesque West Coast of the United States. Each location offers approximately 50 uniquely designed rooms alongside a restaurant and bar, creating a luxurious and memorable experience for guests. The company employs 900 professionals and attracts a steady flow of high-end clientele.

Seagrass faces multiple insurance challenges due to its corporate structure and diverse operations. Key risks include managing liquor liability from alcohol service in on-site bars and restaurants, protecting against natural disasters and guest-related incidents through property and general liability, and addressing employee safety risks across hotel, restaurant, and maintenance staff through workers' compensation. These specialized risks make it difficult for Seagrass to secure fair and consistent insurance premiums, particularly for unpredictable liabilities like liquor-related claims. Additionally, the geographical and operational diversity of Seagrass properties complicates efforts to apply uniform risk solutions across all locations.

Challenges in the Insurance Marketplace

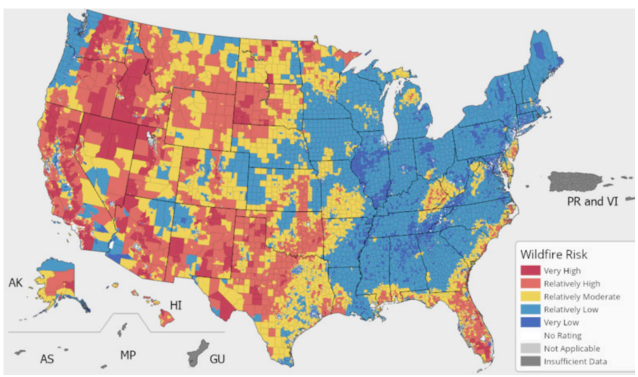
Recently, shifts in insurance legislation have significantly impacted the hospitality industry, forcing insurers to adjust pricing models. Richard Look, president and chief strategist at Vertibrands, emphasized the growing need for de-risking strategies, stating, “Insurers in some markets may need to adopt de-risking strategies, such as adjusting premiums or limiting coverage, to offset the effects of rising catastrophe claims” (Panteloucos, 2024). To avoid substantial premium hikes, Seagrass must proactively assess its risk exposures and consider alternative risk financing strategies across its properties.

External Factors

The hospitality insurance market is experiencing significant disruptions due to various external factors. These include regulatory changes with new legislation impacting coverage terms and insurer risk appetite, environmental challenges with increased frequency and severity of wildfires, floods, and other natural disasters, and economic and political shifts following the national election, resulting in potential tax reductions that could expand insurer capacity or tariffs that could strain international insurance markets and significantly drive up the cost of claims. These external pressures have resulted in rising premiums, restricted coverage availability, and, in some cases, entire regions being deemed uninsurable, creating major obstacles for Seagrass in securing affordable, comprehensive coverage.

Insurance Marketplace

Figure One



The insurance marketplace for hospitality businesses, like Seagrass Lodges, is experiencing significant disruptions caused by multiple external factors. A prime example of this is the rising frequency and severity of natural disasters, like wildfires and floods seen on the West Coast (reference Figure One). These natural disasters have been increasing premiums and tightening coverage availability, with certain at-risk areas deemed ‘uninsurable’. Additionally, in the wake of the national election, many economic and international policies may play a role in the shift of the insurance industry. For example, if President Trump lowers taxes it may allow carriers to increase their optimization and risk appetite. On the contrary, the tariffs he has proposed would dampen the abilities of international insurance firms because material and supply chain availability will be at an all-time low (Panteloucos, 2024). The result of this is that insurance prices will skyrocket because domestic insurance companies are not able to meet the demand for coverage required in the States.

Captive Insurance Solution

As tariffs are implemented and premiums rise, managing risk is an ever-present challenge. Due to the high-risk region Seagrass Lodges operates in, upward pressures on pricing, and macroeconomic factors, it is likely that transferring risk via insurance is both more expensive and restrictive. Creating a captive insurer provides Seagrass Lodges with a valuable alternative to the insurance market, offering greater flexibility and control over their risks. The primary objective is to free up capital, allowing Seagrass to make strategic decisions while reducing the financial impact of risk transfer on the company.

Captive insurance allows a company to insure itself through its own insurance subsidiaries, providing greater autonomy over risk strategies through personalization. A captive is owned and controlled by its parent organization and is created to insure the risks of the parent or its affiliates. This approach enables a deeper understanding of personal risks and exposures, allowing for more intentional and effective risk management strategies.

The first step in analyzing a captive's viability is conducting a captive feasibility study. This study evaluates potential cost savings, tax implications, risk exposures, and potential coverage gaps, creating an in-depth foundation for decision-making. Insights gathered from this study aid in tailoring coverage options that may be unavailable in the traditional insurance market. After this is done, a cost-benefit analysis should be conducted. The outcome of the feasibility study allows for further confidence in this analysis, aiding Seagrass in adapting to market fluctuations and increasing stability by mitigating premium volatility.

Captives can be structured in a variety of ways. The most common is a single-parent captive, in which a single company forms a captive to insure its own risks. In contrast, group captives are formed by multiple organizations that join to share insurance coverage, pooling their risks for mutual benefit. A key benefit of captives is cost savings, as companies can avoid paying additional fees and profit margins charged by primary insurers. Companies with predictable and large risk profiles are well-suited to captives, as they can stabilize insurance costs and protect against volatility in the commercial insurance market (National Association of Insurance Commissioners, NAIC, "Captive Insurance Companies: An Introduction").

It is crucial to note that captives come with disadvantages that businesses should consider. Establishing a captive requires a large initial investment. Captives are also subject to varying regulations depending on the captive's domicile (domestic or offshore), which can bring forth compliance challenges. Captives are not a one-size-fits-all solution and may not be viable for smaller companies or those with unpredictable risk profiles (NAIC, "Captive Insurance: The Basics"). Success with a captive relies on effective risk management, a thorough understanding of potential claims, and the ability to forecast future exposures (Insurance Information Institute, "Captive Insurance").

Why a Captive?

Seagrass Lodges is well-suited for the captive marketplace because of the company’s size, geographic spread, and diverse operational risks. With 15 hotels along the West Coast, Seagrass is located in a high-risk environment that is prone to weather-related incidents, natural disasters, and liability exposures. According to our predicted result of a present value analysis, a captive insurance program would allow Seagrass Lodges to control its risk management strategy, customize coverage to suit its specific needs, and potentially reduce costs over time.

A present value analysis would give Seagrass a clear projection of the long-term financial impact of forming a captive. This analysis would compare the setup and operating costs of the captive with potential savings from lower premiums, reduced administrative expenses, and more efficient claims handling. As noted by the Captive Insurance Companies Association (CICA), companies with captives often see a reduction in overall insurance costs after a few years due to the retention of underwriting profits and the ability to control claims.

First, Seagrass will have the ability to tailor insurance coverages to its precise needs, rather than relying on off-the-shelf policies. Second, by retaining more risk internally, Seagrass could generate underwriting profits in the captive, which would be retained rather than paid out to third-party insurers. Furthermore, a captive offers a more stable and predictable cost structure, insulating Seagrass Lodges from fluctuating premiums and restrictive coverage terms in the traditional insurance market. Another significant advantage of establishing a captive insurance program is the potential tax benefits associated with it. According to the Captive Insurance Companies Association (CICA), premiums paid to a captive insurance company can generally be deducted as business expenses under IRC Section 162, reducing taxable income for the insured company (CICA, 2017). This tax deductibility can provide substantial financial relief, allowing Seagrass Lodges to allocate more resources towards other critical areas of its operations. However, it's crucial to ensure that the captive arrangement qualifies as genuine insurance, meeting requirements such as risk transfer, risk distribution, and risk retention (CICA, 2017). Proper compliance with IRS regulations is essential to maintain these tax benefits and avoid potential penalties.

By leveraging the tax deductibility of captive insurance premiums, Seagrass Lodges can enhance its financial stability and reinvest the savings into further improving its risk management strategies and overall business operations (CICA, 2017). Ultimately, a captive would provide long-term financial benefits, greater control over risk management, and an opportunity for Seagrass Lodges to gain a competitive edge by managing the risks inherent to its business.

Captive Structure

To ensure that this hybrid captive structure is financially viable, Seagrass needs to conduct a feasibility study and develop a parametric insurance solution. According to Captive.com, a feasibility study focuses on regulatory requirements, including financial assumptions, actuarial support for loss projections, reinsurance details, and compliance with domicile capital requirements, essentially serving as a business plan. According to Marsh Captive Solutions, such studies are crucial for understanding the financial benefits and potential risks associated with establishing a captive, especially for businesses with multiple locations and diverse risks. Parametric insurance is a type of coverage that pays for the occurrence of a specific, pre-defined event, such as a natural disaster, based on objective data rather than actual loss assessments (Swiss Re). For example, based upon triggers like geographic areas or wind speed exceeding 65 mph, parametric insurance can provide quick payouts, reducing the time and complexity involved in claims processing. The reinsurer writes the policy, providing an additional layer of protection (*Basis Risk in Parametric Insurance: Challenges and Mitigation Strategies Content*).

This coverage would act as an extra safeguard, complementing the more traditional coverage provided by the gross line captive, which is paired with reinsurance. Together, these solutions help the company manage extreme weather events that could otherwise lead to costly delays and downtime for its hotels. By integrating parametric insurance into their risk management strategy, Seagrass Lodges can enhance their financial stability and ensure a more efficient response to natural disasters, ultimately supporting their goal of securing affordable, comprehensive coverage.

A gross line captive will help lower costs by decreasing expenses associated with fronting insurers, simplifying claims management, and enhancing financial stability. Meanwhile, a reinsurance policy will add flexibility and cost savings for managing property, liability, and business interruption risks. Utilizing both a gross line captive and reinsurance structure allows for Seagrass the ability to complement traditional insurance with a parametric insurance solution.

Insurance Program Logistics

In a captive arrangement, Seagrass would pay premiums to the captive to cover its core risks. These premiums would be calculated based on factors such as the size and value of the properties, the company's claims history, and exposure to specific risks like coastal weather events, guest injuries, and employee-related accidents. While exact premium amounts would vary depending on the specifics of coverage and retention levels, Seagrass Lodges could expect to pay a substantial amount to the captive annually, with funds used to cover smaller, more frequent claims.

A fronting insurance company will likely be required by counterparties such as banks and landlords. Since Seagrass' business counterparties will require A-rated insurance and licensed policies for certain risks, partnering with an AM Best-rated fronting company would help meet these standards. There are two main reasons why a fronting company would be beneficial for a business like Seagrass. Fronting companies excel in underwriting niche risks with sophisticated risk analysis, often justifying slightly higher premiums of 3-5%; and the premiums paid to fronting companies are tax-deductible, increasing the company's liquid capital for reinvestment. Two strong options for fronting companies are Old Republic and Markel. As noted by Chris Weber (2021), “Fees charged by the fronting carrier are intended in large part to cover its internal costs to issue the policy and are usually much less than traditional risk transfer policy premiums.” Since fronting fees are lower than full-risk transfer premiums, companies must implement effective risk controls and closely monitor state laws to mitigate vulnerabilities like those faced by Seagrass Lodges.

For property coverage, Seagrass’s captive policy would insure against damage to its hotels from natural disasters such as floods, earthquakes, and storms. Given the high cost of insuring oceanfront properties, the captive enables Seagrass to retain more risk and mitigate exposure to volatile pricing in the commercial market. A Per-Risk Excess of Loss (XOL) Treaty would be used to manage large individual claims, with the captive covering routine property losses while reinsurance steps in for catastrophic events exceeding a predetermined threshold, such as $5 million to $10 million per occurrence.

The general liability coverage would be handled in a similar fashion, with Seagrass Lodges retaining smaller, more frequent claims within the captive and purchasing excess loss reinsurance for larger claims. This approach helps to stabilize premiums and manage costs, as it effectively allows Seagrass Lodges to control its risk retention levels while benefiting from the financial protection provided by reinsurance for catastrophic events. For general liability, the company might structure its reinsurance to cover losses above a set threshold, such as $1 million, ensuring that the captive can absorb smaller claims without significant cash outflows.

When determining the appropriate attachment point for reinsurance, Seagrass Lodges can assess its risk appetite and analyze its loss distribution using a Monte Carlo simulation. This method helps identify which risks should be retained within the captive and which require excess loss coverage. By isolating potential losses, the simulation provides insight into the optimal percentile for reinsurance attachment. Reinsurance allows Seagrass

Lodges to protect against large, unpredictable losses while maintaining control over its risk management program. Premiums depend on retention levels, coverage type, and specific policy terms. The company would likely pay an additional premium based on the size and scope of coverage. Reinsurance policies often use parametric triggers which are numeric thresholds such as dollar amounts, wind speeds, or other weather-related factors to determine payouts. These triggers would be set on a per occurrence basis, providing an automatic payout once met, ensuring Seagrass Lodges has immediate capital to begin rebuilding after a catastrophic loss. By retaining more risk in-house and using reinsurance for extreme events, Seagrass Lodges could lower long-term insurance costs, particularly as its captive accumulates surplus and improves its loss experience.

To address Seagrass Lodges' workers' compensation risk, they need a mitigation strategy that complements their captive and allows them to retain control over workers' comp risks. The captive would issue a deductible reinsurance policy, covering a large deductible of one to two million, allowing Seagrass to finance the risk while meeting legal requirements. This strategy will also reduce their overall premium charged for workers compensation and allow them to retain smaller losses. A broader risk management plan will further reduce insurance costs by addressing key risks such as slip-and-fall incidents and workers' compensation claims. Proactive measures like, slip prevention strategies, and employee safety training—have been shown to lower claims and insurance costs over time (O'Fallon & Rutherford, 2009). Implementing this strategy will lower workers' compensation costs, enhance employee safety, and ensure long-term financial stability.

Where to Domicile?

Vermont stands out as the best domicile for Seagrass Lodge's captive, mainly due to its reputation as a leading jurisdiction in the captive insurance industry, as well as having a great regulatory and tax environment. Vermont is home to over 1,000 registered captives, making it the largest captive insurance domicile in the world and a key global player in the sector (Vermont Captive Insurance Association, 2023). The state's Department of Financial Regulation (DFR) is known for its pragmatic approach to regulation, providing oversight that is both rigorous and flexible, ensuring that captives are managed efficiently while still maintaining the necessary standards for solvency and risk management (Vermont Department of Financial Regulation, 2023).

According to the Vermont Captive Insurance Association, Vermont's regulatory framework allows for customized policies, making it easier for companies with complex risk profiles, like Seagrass Lodges, to create a tailored insurance program that meets both their specific operational needs and long-term goals (Vermont Captive Insurance Association, 2023). Vermont also offers a competitive premium tax structure, typically at 0.5% of gross premiums for captive insurers, which is lower than many other states. Furthermore, the Vermont Department of Taxes reports that captives within the state have substantial tax advantages, especially as they begin to accumulate underwriting profits, which can be reinvested into the business or used to further enhance the company's risk management capabilities (Vermont Department of Taxes, 2023).

Initial Capitalization

According to the International Risk Management Institute, "A captive issues policies directly to the insured entities rather than reinsuring an insurance carrier that issued the policies (IRMI, n.d.)." Vermont has a minimum capital requirement of $250,000 for a captive, though it is important to note that in many instances companies pay more than that due to an actuarial study, deeming that they are valued at a much higher loss level than the minimum capitalization.

Risk Management Techniques

Seagrass Lodges employs several risk management techniques to enhance financial stability and control insurance costs. Captive insurance allows the company to insure itself through its own subsidiary, providing autonomy and tailored risk strategies. To ensure accuracy in risk assessment, effective underwriting is essential, with skilled underwriters properly evaluating exposures. Additionally, Seagrass Lodges leverages the tax deductibility of captive premiums, gaining a competitive edge by reinvesting savings into risk management initiatives. Parametric insurance further strengthens financial resilience by using predefined triggers, such as wind speed or earthquake magnitude, to ensure rapid payouts after natural disasters. Reinsurance plays a crucial role in protecting against large, unpredictable losses while maintaining control over the risk management program. Through a deductible insurance policy, Seagrass Lodges retains a high deductible of $1–2 million, lowering workers' compensation premiums and allowing for greater financial flexibility. A proactive risk mitigation strategy, including slip prevention measures and employee safety training, helps reduce claim frequency and insurance costs; as noted by the *National Restaurant Association* (2020), businesses with strong risk management practices enjoy reduced premiums and better protection. Lastly, the company benefits from domicile tax advantages, as captives within certain jurisdictions receive favorable tax treatment, enabling profits to be reinvested in business operations or risk management improvements. By integrating these techniques, Seagrass Lodges effectively balances risk retention and transfer, ensuring long-term financial sustainability.

Conclusion

In conclusion, a captive insurance program offers Seagrass an effective solution to the issues they are currently facing in the market, allowing the company to control costs, customize coverage, and retain more risk internally. By choosing a high deductible for workers' compensation and establishing a gross line captive with reinsurance for broader risks like property and liability, Seagrass can stabilize premiums, enhance claims management, and tailor coverage to its specific needs. With a strong risk management plan, Seagrass can reduce claims, strengthen financial stability, and secure long-term success in an increasingly unpredictable insurance market.

While establishing a captive insurance company has significant benefits, a feasibility study should be done to determine its true value for the organization. An analytical analysis should be employed to assess the company’s size, risk exposure, and long-term financial implications. However, it's important to note that captives are not a one-size-fits-all solution. Approximately 25% of companies that conduct feasibility studies ultimately find that forming a captive is not necessary, and in many cases, maintaining traditional insurance coverage may prove to be more cost-effective. Thus, careful evaluation is critical to ensure that the decision to create a captive is truly the best financial strategy for the organization.

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2024-2025

CICA STUDENT ESSAY CONTEST

Captive Insurance Solutions for Today's Risk Management Challenges

2

CONNECTICUT COLLEGE

CONNECTICUT COLLEGE:

Matthew Sharretts & Samuel Brockelman

ACADIA FIELD

Matt Sharretts

Matt Sharretts

Matt Sharretts is a junior at Connecticut College double majoring in Quantitative Economics and German. Matt interned at RenaissanceRe's New York City branch last summer and will work at Convex Insurance's office in Luxembourg this summer.

Outside of the classroom, he plays on his college's varsity soccer team and is working towards founding a Gamma Iota Sigma chapter at Connecticut College. Matt is from New Hampshire and enjoys hiking in his free time.

What interested you about the CICA essay contest Captive Insurance Solutions for Today's Risk Management Challenges?

The act of writing the essay, which sort of resembled a feasibility study, required us to think critically about a given captive structure.

This meant that simply repeating information wouldn't cut it. As a result, Sam and I saw the competition as an opportunity to learn about an interesting topic in a relatively short time period.

Most importantly, we had to actually apply the knowledge.

How was captive insurance helpful for your chosen organisation?

Captive insurance allowed Acadia Field to manage its risks using a fronting insurer.

This could possibly be a more affordable and profitable choice for Acadia Field over a long period of time when compared to traditional insurance.

What did you learn about captive insurance while researching and writing your essay?

I learned about the types of captive structures, their purposes, advantages and disadvantages, and when they should be used. In addition, we spent a lot of time on our domicile choice and learned about a variety of different domiciles along with their pros and cons.

How does your expanded knowledge of captive insurance compare to your understanding before entering the competition?

Before the competition, my teammate and I hardly had any knowledge of captives. As a result, we spent at least a few hours daily researching before beginning the essay. My knowledge of the captive insurance industry significantly improved.

Would you consider a career in captive insurance? What about captive insurance appeals to you as a career choice?

I would absolutely consider a career in captive insurance. I'm interested in an international career, and some up-and-coming domiciles especially interest me.

How does your college coursework align with a career in captive insurance?

At the moment there is no coursework for insurance or risk management at Connecticut College, so my teammate and I are both self-taught.

Sam Brockelman

Sam Brockelman

Sam Brockelman is a junior at Connecticut College majoring in Quantitative Economics and Hispanic Studies. On campus, he is part of various clubs and activities, including playing on the men's soccer team and serving as a Team Impact Fellow. Last summer, Sam interned for an insurance agent at American National, learning the ins and outs of running an insurance book of business. This summer, he will intern at OdysseyRe in an underwriting rotational programme.

What interested you about the CICA essay contest Captive Insurance Solutions for Today's Risk Management Challenges?

What interested me most about the CICA essay contest was how the competition gave me the chance to learn more about captive insurance through a real-world example. Explaining the reasoning behind the implementation of captive insurance demands that you learn in depth about what captive insurance is and using a practical scenario furthers the learning experience. With the combination of learning a new topic and critically thinking about how to apply this new knowledge, the CICA Essay contest piqued my interest.

How was captive insurance helpful for your chosen organisation?

Captive insurance was helpful for our chosen organisation because it allowed Acadia Field to have its specific needs for the high-risk exposures that come with a stadium, retain underwriting profits from effective loss prevention and risk management, as well as maintain financial control over its insurance costs and not having to focus on unpredictable premium prices in the commercial insurance market.

What did you learn about captive insurance while researching and writing your essay?

While researching and writing our essay, something I learned about captive insurance was how it can be used to cover niche and unique risks for a business that traditional insurers may not be able to. For example, in our case study of Acadia Field, we were able to address the niche risks associated with a large stadium, instead of being concerned with whether an insurance company can provide the same coverage. I was unaware of this aspect of captive insurance before writing the essay, but I now understand that it is one of the key elements that make captive insurance so attractive to businesses.

How does your expanded knowledge of captive insurance compare to your understanding before entering the competition?

This expanded knowledge that I have of captive insurance now is a drastic change to my understanding before I began writing this essay. I had never heard of captive insurance before writing this essay and I am grateful that through the format of the competition, I was able to learn so much about captive insurance in such a short amount of time.

Would you consider a career in captive insurance? What about captive insurance appeals to you as a career choice?

I would consider a career in captive insurance because it would give me the ability to help a wide range of businesses strategically manage their risk. One of the reasons a career in captive insurance is appealing to me is because it is a niche part of the broader insurance industry that is not as well known as I believe it could be. This niche industry has what seems to be a ton of growth potential and the future of risk management, which makes a career in captive insurance quite appealing.

How does your college coursework align with a career in captive insurance?

My coursework at Connecticut College aligns well with a career in captive insurance. As a double major in Quantitative Economics and Hispanic Studies, my background in economics will allow me to have a better understanding of what is happening in the global insurance market as well as the different risks associated with large-scale events such as natural disasters, pandemics, and infrastructure accidents. Furthermore, my background in Hispanic Studies will allow me to use my Spanish-speaking skills to communicate with a wider range of people and communicate effectively with professionals in the US and other Spanish-speaking countries.

– Acadia Field Captive Proposal –

Matt Sharretts and Sam Brockelman

CICA Student Essay Contest

7 February 2025

Introduction:

The owners of Acadia Field face a question encountered by many large arenas: how can consistent profits be generated while creating a positive and safe experience for spectators and protecting the business and consumers from risks? Acadia Field is the home of the Maine Lobsters and the United States' 9th largest stadium complex with a seating capacity of 100,000, therefore answering this question is no small task. Acadia Field employs and is responsible for 1,700 people, while it also hosts over 600 events annually with more than 1.6 annual million attendees. These events include – but are not limited to – professional games, high school tournaments, concerts, state high school tournaments, and stadium tours.

Since Acadia Field is a large venue that hosts a variety of performances and sporting events each year, it faces an extensive amount of insurance risks. These risks include safety, weather, operations, transportation, technology and more. Acadia Field is also facing increasing insurance premiums for several of its top risks as well as limited coverage options from traditional insurers. The risks that struggle with rising premiums and limited coverage options the most are entertainment, general liability, liquor and food safety, weather/event cancellation, and production and event equipment. In order for Acadia Field to run successfully, be profitable, and provide value to the community, it must ensure an adequate risk management program that recognizes the unique and specific needs of the stadium's risks.

Due to rising insurance premiums and limited coverage options available, many companies are looking for alternative ways to mitigate risk and maintain protection while not spending a fortune on insurance. Especially during a hard market, companies may find it difficult to find flexible and affordable coverage, particularly in property lines.[1] This has resulted in the increasing popularity of captive insurance. In its most basic form, captive insurance involves a

[1](“Risk Management Magazine - Navigating the Hard Market in 2024” 2024)

policy (which occurred in the wake of the 9/11 attacks). In general, stadiums tend to be sites of high profile, high traffic activities, and face numerous risks with varying degrees of severity and frequency. In 2017, the Manchester Arena bombing resulted in the loss of 22 lives as well as millions of dollars of insured losses.[4] While modern crowd control measures have greatly reduced stadium disasters, many stadiums are still susceptible to events involving widespread mortality or injury of patrons. Looking ahead, a report by climate research group Climate X estimates that NFL stadiums could experience $11 billion worth of cumulative losses – a significant portion of which could stem from accelerating climate threats.[5]

Risk Examination:

Low frequency risks such as terrorist attacks are only a small portion of the stadium's risk, as Acadia Field's exposure is largely driven by its day-to-day operations. Firstly, Acadia Field faces numerous liability risks associated with those that use its facilities. Spectator liability risks arise from spectators, who could be involved in slips, falls, or injuries during stadium events. In addition, events involving athletes or performers introduce a new layer of risk, which could induce claims from either spectators, attendees, or other individuals on the premises. Vendor or contractor liability could arise from a stadium that relies on various vendors and contractors for services such as food, cleaning, and security. For example, a liability could arise in the event that a foodborne illness or security breach results from a vendor or contractor's harmful actions.

Along with its patrons, the stadium faces risks related to its employees. The stadium's employees have numerous roles, including the security, maintenance, and event setup. Workers' compensation insurance – a common policy covered in captive insurance structures – is legally

[4] (Koblensky 2017)
[5] (Ltd 2024)

required to cover employee injuries sustained during work. A captive can customize workers' compensation to include specific coverages for the wide range of roles. Next, property damage risks arise from a number of sources. At a basic level, natural disasters and catastrophic events such as hurricanes, floods, and earthquakes pose a threat to the stadium, which can cause significant amounts of structural damage. Acts of vandalism and potential terrorism require coverage as well, as stadiums tend to be high profile targets. As a result of property damage, the stadium may be subject to further revenue loss from an event's abandonment. This prompts the need for event cancellation and business interruption protection. Cancellations may stem from natural disasters, security threats, or pandemics, in turn causing revenue loss. Business interruption coverage can help hedge against the chance of significant revenue loss, and certain scenarios may be excluded in normal insurance policies. Lastly, a captive structure formed to protect against cybersecurity risk – which is increasingly managed using captive insurance – may be beneficial towards the stadium, which likely holds large amounts of consumer information from ticketing and the sales of merchandise.

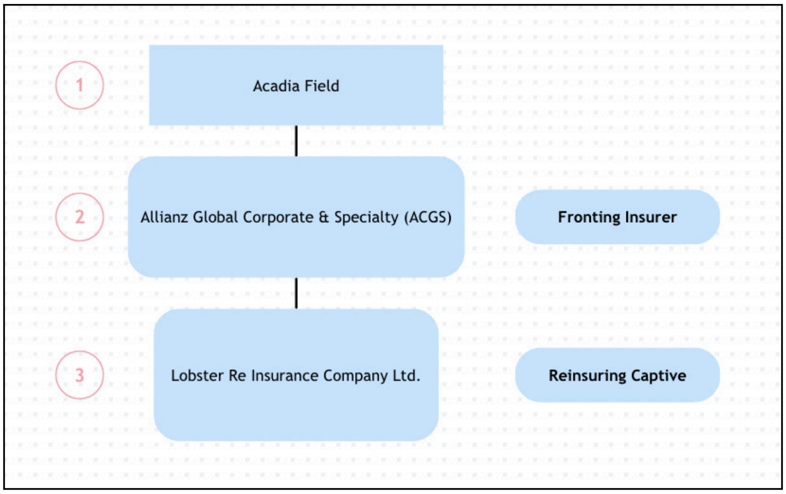
Revenue Sources:

Acadia Field pulls in revenue from a number of different sources, including ticket sales for concerts, sporting events, and performances, food and beverage sales, raffle tickets, selling sponsorship and advertisement rights, team and performer merchandise, event parking, media and broadcasting rights, stadium tours, interactive fan experiences, retail and restaurant leases in the stadium, and charity events. All these put together generate an immense amount of revenue for Acadia Field. On average, a NFL stadium generates $172 million a year in revenue[6] and NFL stadiums seating capacities range from 61,500 up to 82,500.[7] With Acadia Field's seating

[6] (Neufeld 2024)
[7] (Scott 2024)

capacity of 100,000 for its professional football team, the Maine Lobsters, the revenue from ticket sales alone will rank among the top ticket revenue amongst the rest of the professional football stadiums. With the seating capacity and the wide range of revenue sources, it is imperative that Acadia Field's revenue sources have systems and practices in place that protect them.

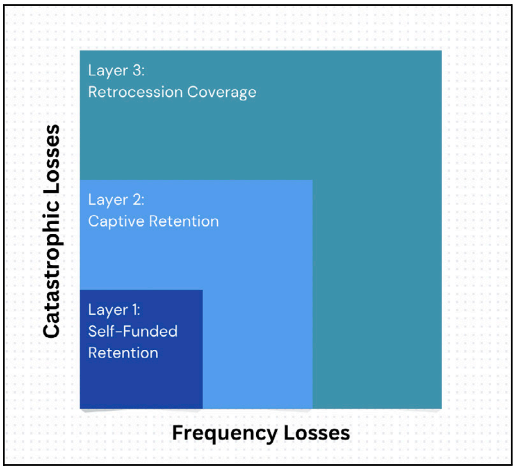
Captive Structure:



Before pursuing a captive, an in depth examination of the structure's feasibility should be conducted containing pro-forma financial projections, an actuarial assessment, as well as capital requirements and the overall financial viability of a captive structure for Acadia Field. Most well-established captive domiciles require a feasibility study as a part of the captive's approval process.

We propose a single parent, pure captive structure to act as a subsidiary of Acadia Field. This captive would exist to insure the risks of the stadium and potentially some of its related entities (such as the Maine Lobsters or management subsidiaries associated with the operations of the Maine Lobsters and Acadia Field). This structure provides control over the risk management and claims handling processes, allowing Acadia Field to tailor policies to its unique needs. In addition, improved cash flow management can be gained from the utilization of this captive structure, and underwriting profits can be reinvested into the stadium's risk management efforts or can act as a financial incentive for the stadium's employees, who can receive a dividend following years with positive underwriting outcomes. Depending on its use, this mechanism can be used to further incentivize risk management and loss prevention efforts among those responsible for the stadium.

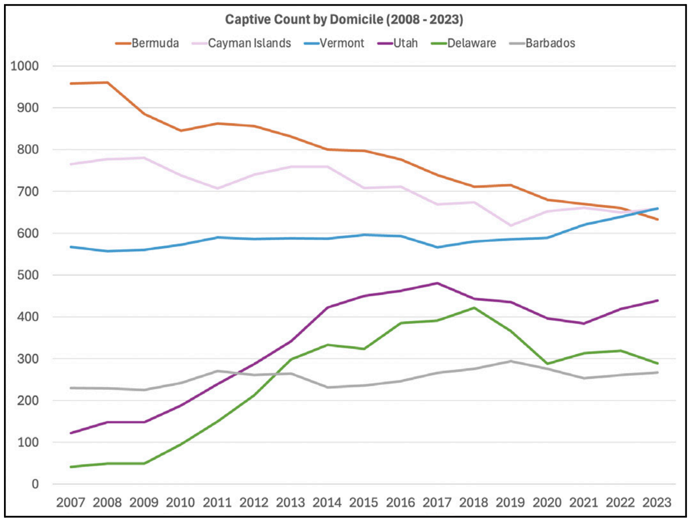
In addition, we suggest the pursuit of a partnership with a licensed fronting insurer who will issue insurance policies on behalf of the reinsuring captive. Our chosen fronting insurer, Allianz Global Corporate & Specialty, is a well established player in the global captive marketplace. Since the captive is an unlicensed, nonadmitted insurer except in its own domicile, the reinsuring captive will use the fronting insurer as a vehicle to issue policies. This may also expedite claims handling and administration processes, which is presumably conducted efficiently at a large, well-established insurer. The cost of utilizing a fronting insurer is often based on a percentage of gross written premiums (GWP), and may be somewhere between 5 to 15 percent of each premium dollar.[8] In this structure, premium payments would flow from Acadia Field to the fronting insurer, and claim payments would flow the opposite way. A similar story would exist between the fronting insurer and captive reinsurer, as net premium payments would flow from the fronting company to the captive reinsurer. Finally, potential underwriting and investment income from Lobster Re could return to Acadia Field. For higher risk exposures or catastrophic events, Lobster Re should elect to purchase retrocession if exposure levels are high, passing on higher attachment points to the



[8] ("What Is a Fronting Arrangement and Why Do Captive Insurers Use Them?," n.d.)

reinsurance markets. Ideally, Allianz's pre-established relationships should prove helpful in attaining retrocessionary (reinsurance) coverage for Lobster Re.

Domicile Analysis:



Over the last ten to fifteen years, there has been a gradual increase in the domestic use of captives, while the count of captives in numerous offshore domiciles has stayed stagnant or decreased slightly. The offshore captive staples – most notably the Cayman Islands, Bermuda, and Barbados – provided appealing, flexible legislation and options for various captive licenses in the early years of captives' formations. Recently, US jurisdictions have become more captive friendly, mirroring legislation of some of the more established, offshore domiciles. While Vermont acted as a pioneer for captive-friendly, domestic legislation in the late 1960s, many other states including Utah, Delaware, Hawaii, and North Carolina expanded or adjusted their legislation to make themselves more captive-friendly. The passing of certain legislation, such as the Dodd-Frank Act, along with state-specific tax-positions, US jurisdictions are increasingly creating captive legislation to improve their relevance in the captive market.[9]

The leading captive domicile of Vermont would provide Acadia Field with a well-established, trusted regulatory body in a nearby state. Vermont's Department of Financial Regulation (DFR) has deep expertise in the captive field and is staffed with regulators who are experienced with captive structures. Overall, the domicile possesses transparent, flexible

[9] ("The Growth of US Captive Insurance Domiciles" 2021)

regulation and cost structures, while also boasting an approximate average setup time of 30 days for captives. The domicile hosts a dense network of captive managers, actuaries, accountants, and law firms with captive expertise. Vermont is also a stable domicile with access to reinsurance markets.

Initial Capitalization and Financials:

For this captive structure, initial capitalization involves the setting aside of sufficient funds to ensure the captive arrangement can fulfill its reinsurance obligations. In the domicile of Vermont, costs include an initial capitalization fee of $250,000, the initial/annual licensing fees (each $500), as well as an actuarial application review for $6,000.[10] The initial capitalization fee can be funded through cash, a letter of credit (LOC), preferably liquid investments, or a mix of the listed sources. The actuary will be responsible for determining the captive's premium structure and required capital levels, ensuring that initial capitalization and regularly paid premiums (as well as the captive's reserves) align with expected losses. The actuary performs this analysis by examining Acadia Field's loss experience and loss exposure. With regards to its fronting insurer, additional collateral (which often equals expected liability) ranging between 50% to 100% of the reinsured amount should be set aside. For a stadium like Acadia Field with significant liability and catastrophic exposure, market data suggests that minimum capital could realistically range from $1 million to $5 million. Vermont's low, competitive captive tax rates also benefit Acadia Field. While Vermont has a minimum annual premium tax of $7,500, tax payment is also capped at $200,000. Tax credits worth $5,000 are awarded in the first two years of licensure. Given Acadia Field is utilizing a captive reinsurer, taxes on their assumed premiums in Vermont will be even lower in comparison to direct premiums. As an onshore captive, Lobster Re would not face a federal excise tax (FET).

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[10] ("Forming & Operating a Captive," n.d.)

Given the information presented regarding Acadia Field, a balance sheet and income statement covering the Lobster Re Insurance Ltd. captive structure is provided below:

Lobster Re Ltd.
Balance Sheet

Description	
Assets	
Cash and Cash Equivalents	$ 750
Investments	$ 7,725
Accrued Investment Income	$ 30
Accounts Receivable	$ 100
Premium Receivable	$ 1,500
Reinsurance Premium Receivable	$ 400
Interest Receivable - Funds Withheld	$ 10
Prepaid Expenses	$ 40
Losses Recoverable	$ 500
LAE Recoverable	$ 100
Loss Reserve Recoverable	$ 800
Loss Reserve LAE Recoverable	$ 200
Federal Income Taxes Recoverable	$ 25
Deferred Tax Asset	$ 75
Total Assets	**$12,255**

Liabilities	
Accrued Expenses	$ 75
Accounts Payable	$ 100
Losses Payable	$ 400
LAE Payable	$ 90
Taxes, Licenses and Fees Payable	$ 20
Federal Income Taxes Payable	$ 30
Deferred Tax Liability	$ 60
Underwriting Fees Payable	$ 35
Unearned Premium Reserve	$ 1,200
Loss Reserves	$ 1,500
Loss Reserve	$ 300
Loss Reserve LAE	$ 300
Total Liabilities	$ 3,810
Member's Contribution	$ 5,000
Change in Unrealized Gain / Loss	$ 50
Retained Earnings - Current Year	$ 895
Retained Earnings - Prior Year	$ 2,500
Total Member's Equity	$ 8,445
Total Liabilities and Member's Equity	**$12,255**

Lobster Re Insurance Ltd.
Income Statement

Description	$	45,657
Underwriting Revenue:		
Direct:		
Direct Premium Written	$	-
Provision for UEPR - Direct	$	-
Direct Premium Earned	**$**	**-**
Reinsurance Assumed:		
Reinsurance Premium Assumed	$	5,000
Provision for UEPR - Assumed	$	200
Assumed Premium Earned	**$**	**4,800**
Reinsurance Ceded:		
Reinsurance Premium Ceded	$	2,000
Provision for UEPR - Ceded	$	100
Net Reinsurance Ceded	**$**	**1,900**
Net Premium Earned	**$**	**2,900**
Underwriting Expenses:		
Paid Losses	$	500
Paid LAE	$	100
Provision - Loss Reserve	$	1,200
Provision - Loss Reserve LAE	$	300
Paid Losses Recoverable	$	250
Paid LAE Recoverable	$	50
Provision - Loss Reserve Recoverable	$	400
Provision - Loss Reserve LAE Recoverable	$	100
Claims Administration Expense	$	150
Fronting Fee Expense	$	75
Taxes, Licenses and Fees	$	20
Total Underwriting Expenses	**$**	**3,145**
Underwriting Gain (Loss)	**$**	**(245)**

Underwriting Investment Income	$	250
Underwriting Profit	**$**	**5**
General & Administrative Expenses:		
Management Fee Expense	$	50
Actuarial Expense	$	40
Audit and Tax Fees	$	30
Legal Fee Expense	$	20
Miscellaneous Expense	$	15
Total G&A Expenses	**$**	**155**
Operating Income (Loss)	**$**	**(150)**
Other Income (Expenses):		
Investment Income	$	250
Total Other Income (Expenses)	**$**	**250**
Net Income (Loss) Before Federal Income Tax	$	100
Federal Income Tax (Expense) Benefit	$	21
Net Income (Loss)	**$**	**79**

Risk Management and Captive Planning:

As a result of the large amount of risks posed by the venue, it is vital for Acadia Field to maintain an active risk management plan. Having these plans in place is an aspect of their business that must be constantly reassessed, as 75% of executives predict that their business continuity planning and crisis management will change drastically.[11] Many measures can be taken by the owners and managers of Acadia Field to ensure that their risk is as limited as possible. For example, those responsible for Acadia Field must ensure they are protected from cyber risk by installing systems that guarantee secure ticket purchasing and payment systems. Also, hiring extensive amounts of security personnel in training them, as well as limiting alcohol consumption and incorporating surveillance systems to ensure safety within the stadium will help to prevent security risk. Another measure to limit safety risk is by having emergency response plans in place and training staff to deal with unexpected events such as severe weather, medical emergencies, a security breach, and more. By taking precautionary measures such as these to mitigate risks before they happen, the underwriting profits of Lobster Re will be greater and Acadia field will retain underwriting profit. If Acadia Field did not have a captive, they would have less of an incentive to have a strong risk management plan because their underwriting profits for mitigating the risk would go to a primary insurance company. The combination of a captive and a holistic risk management plan will allow Acadia Field to retain profit for successfully managing their risks and minimizing their losses.

Conclusion:

By using a captive, Acadia Field will be able to personalize coverage to meet its specific risks of the stadium as well as retain profits from Lobster Re for developing and executing a

[11](Overvest 2023)

successful risk management plan. Despite captives being a lesser known solution to rising insurance premiums and limited coverage, Acadia Field could benefit from implementing this innovative risk management tool.

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2024-2025

CICA STUDENT ESSAY CONTEST

Captive Insurance Solutions for Today's Risk Management Challenges

3

ST. MARY'S UNIVERSITY

ST. MARY'S UNIVERSITY:

Isabella Martinez & Skilee Soto

ACADIA FIELD

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CICA

STUDENT ESSAY CONTEST

Skilee Soto

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Skilee Soto is a senior at St. Mary's University majoring in Finance and Risk Management. She has completed internships in finance and risk management, which have allowed her to build valuable skills and knowledge in these fields. As a proud San Antonio native, Skilee is passionate about giving back to her community, dedicating over 30 hours per semester to service. She strives to make a positive impact in both her industry and community.

What interested you about the CICA essay contest Captive Insurance Solutions for Today's Risk Management Challenges?

I was interested in participating in the CICA essay contest because I knew it would broaden my knowledge on captive insurance and I was eager to learn more about it.

I am a senior with a Finance and Risk Management major, and this past summer I had an internship with Valero Corporation as a Risk Management intern. I was exposed to terms and processes I didn't know much about and it was a great experience for me to absorb new concepts hands-on.

This upcoming summer, I will be interning with Munich Re which is a global reinsurance company and I will be working on the claims side. I'm thrilled that this essay competition is preparing me for the insurance industry and I am looking forward to sharing our essay with industry professionals.

How was captive insurance helpful for your chosen organisation?

Captive insurance was instrumental for Acadia Field by providing a strategic, tailored approach to managing complex and high-stakes risks. It allowed the venue to stabilise costs, retain underwriting profits, and directly invest in risk mitigation measures.

For example, Acadia Field could address general liability risks by funding crowd management training and installing surveillance systems. The flexibility of captive insurance also enabled the venue to craft policies for weather-related event cancellations, security for VIP guests, and food and liquor safety, addressing gaps traditional insurers could not adequately cover.

What did you learn about captive insurance while researching and writing your essay?

Researching and writing the essay revealed that captive insurance is not just a financial tool but a strategic risk management asset. Captive insurance allows organisations to control their risk exposure by tailoring policies to specific needs, investing in preventative measures, and building reserves for future challenges. Additionally, the essay highlighted the long-term operational benefits, such as enhancing stakeholder trust and resilience through proactive safety and security investments.

How does your expanded knowledge of captive insurance compare to your understanding before entering the competition?

Before entering the competition, my understanding of captive insurance was limited to it being a cost-saving mechanism for organisations. After researching, I now recognise its broader applications, including its ability to address coverage gaps, support proactive risk management, and provide financial flexibility.

Would you consider a career in captive insurance? What about captive insurance appeals to you as a career choice?

Yes, I would consider a career in captive insurance. What appeals to me is its focus on strategic problem-solving and its impact on organisational resilience. The ability to design innovative solutions for unique risk exposures, contribute to long-term financial stability, and work closely with diverse industries makes it an intellectually rewarding and dynamic field.

How does your college coursework align with a career in captive insurance?

My coursework in Business Finance and Risk Management directly aligns with a career in captive insurance. Classes such as managerial accounting, financial analysis, and risk management principles have equipped me with the skills to analyse financial risks and evaluate cost-efficiency strategies.

Isabella Martinez

Isabella Martinez

Isabella Martinez is a junior at St. Mary's University in San Antonio, Texas, double majoring in Finance and Risk Management, as well as Management. After graduation, she plans to pursue a career in the insurance industry, combining her interests in problem-solving and strategic thinking.

Outside of academics, Isabella enjoys live music, exploring new books, and writing.

She is passionate about continuous learning, building meaningful connections, and embracing new challenges to grow both personally and professionally.

What interested you about the CICA essay contest Captive Insurance Solutions for Today's Risk Management Challenges?

What drew me to the contest was the opportunity to tackle a real-world problem and apply creative solutions within the field of risk management. I was excited to work on a case that required using the knowledge I've gained in class while also conducting research to deepen my understanding of the subject.

Case studies like this are incredibly valuable because they don't just enhance learning, they also prepare you for the practical challenges you'll face in the industry. The contest felt like a unique chance to bridge the gap between academic concepts and real-world applications, an experience that aligns perfectly with my career ambitions and drives my enthusiasm for learning.

How was captive insurance helpful for your chosen organisation?

Captive insurance gave Acadia Field the ability to handle its risks in a more tailored way than traditional insurance. It allowed the venue to adjust coverage for bigger events while saving on costs for smaller ones. It also supported initiatives like better crowd management and safety improvements, which helped lower claims and keep attendees safe. On top of that, it made dealing with weather-related risks easier by providing faster payouts for canceled events and setting aside funds for future issues. Overall, the captive gave Acadia Field more control, financial stability, and the tools to plan for the future.

What did you learn about captive insurance while researching and writing your essay?

I gained a much deeper understanding of how captive insurance provides organisations with unmatched flexibility and control. It demonstrated how captives can address highly specific challenges by adapting solutions to meet the unique needs of each organisation. I learned that captives empower businesses to manage specialised risks, stabilise premiums, and even generate long-term financial benefits.

What stood out most was how captives encourage proactive risk management, allowing organisations to align their strategies with broader operational and financial goals. This made me realise just how powerful and adaptable captives can be.

How does your expanded knowledge of captive insurance compare to your understanding before entering the competition?

Before this competition, my understanding of captive insurance was quite limited. While I encountered the concept in class, I initially viewed it as a niche tool primarily suited for large corporations. Through the process of researching and writing for the competition, I gained a deeper appreciation for the practical applications of captive insurance.

I discovered how it can be tailored to meet the specific needs of different industries, effectively address unique risks, and support strategic decision-making while reducing dependence on volatile insurance markets.

This deeper insight has transformed my perspective, highlighting captive insurance as a dynamic and essential solution in risk management.

Would you consider a career in captive insurance? What about captive insurance appeals to you as a career choice?

Absolutely. What excites me most about captive insurance is how strategic and dynamic it is. It's not just about numbers, it's about using critical thinking and creativity to craft innovative solutions for unique challenges.

I love the idea of working in a field where you can directly see the impact of your efforts on an organisation's success and long-term stability. It's a rewarding combination of problem-solving, strategy, and tangible results.

How does your college coursework align with a career in captive insurance?

My coursework in risk management has introduced me to key concepts like identifying and analysing risks and exploring ways to manage them effectively.

This foundation has helped me understand the broader principles of risk management, which are highly relevant to the flexibility and problem-solving focus of captive insurance, especially in terms of tailoring strategies to address unique organisational challenges.

Strategic Risk Management at Acadia Field: Leveraging Captive Insurance

Introduction

Acadia Field, a 100,000-seat venue hosting over 600 annual events, is a cornerstone of Maine's entertainment and sports landscape. Home to the Maine Lobsters football team, the venue welcomes over 1.6 million attendees annually and employs 1,700 staff. The venue faces significant risks across multiple dimensions, including general liability from large crowds, weather-related cancellations, VIP security concerns, food and liquor safety issues, etc. Traditional insurance has proven increasingly inadequate, with rising premiums and limited coverage exposing Acadia Field to financial and operational vulnerabilities.

Captive insurance offers an opportunity to address these challenges strategically. By creating a wholly-owned subsidiary to insure its specific risks, Acadia Field can craft customized policies, stabilize costs, and retain underwriting profits. Beyond these financial benefits, captive insurance empowers the venue to invest directly in proactive risk management strategies, fostering enhanced safety, operational efficiency, and stakeholder trust. This essay explores how a captive insurance model can effectively address Acadia Field's risk landscape, ensuring long-term resilience and leadership in the industry.

The Rise of Captive Insurance in High-Risk Sectors

Captive insurance has gained prominence among organizations facing volatile insurance markets and complex risk exposures. Companies across various industries, including automotive, telecommunications, technology, retail, consumer goods, manufacturing, healthcare, pharmaceutical, and energy, increasingly utilize captive insurance to manage rising premiums, address coverage gaps, and build tailored risk solutions (*PwC 2025*). This approach allows businesses to align policies with their unique operational demands, ensuring greater financial stability and risk control.

For venues like Acadia Field, with high-stakes and diverse risks, traditional insurers often impose restrictive terms, narrow coverage options, or prohibitively high premiums. Liability claims, revenue losses due to weather-related cancellations, and security threats to VIPs all demand flexibility that traditional insurance struggles to offer.

Captive insurance provides this flexibility while enabling direct investment in risk mitigation. Unlike traditional insurance, which requires companies to pay premiums to external carriers that frequently raise rates to match market conditions, captives allow businesses to reinvest in themselves. By utilizing captive insurance, companies can allocate premium dollars toward targeted risk management initiatives, such as advanced crowd management training, enhanced surveillance systems, and weather-monitoring technologies. These measures address risks at their source, reducing claim frequency and severity. Picard and Pinquet (*2013*) highlight this advantage in their article, "*Optimal Risk Financing in Large Corporations through Insurance Captives"*, emphasizing the financial and operational benefits captives provide. Captives also enable Acadia Field to proactively adapt to emerging challenges, such as evolving cybersecurity threats or regulatory shifts, ensuring long-term operational resilience and financial stability.

Addressing Key Risk Areas Through Captive Insurance

1. *General Liability*

With over 1.6 million attendees annually, Acadia Field faces significant general liability risks, including injuries, property damage, and crowd-related incidents. For example, a slip-and-fall accident in the concourse could result in costly medical claims, while overcrowding at a high-profile concert could contribute to hazardous conditions that increase the risk of injuries, potentially leading to lawsuits and reputational damage. The sheer volume of visitors heightens the likelihood of such incidents, posing considerable challenges in risk management. Additionally, liability premiums for event venues have been rising by approximately 10% annually due to an increase in claims and higher settlement amounts (*Insurance Information Institute, 2023*).

Captive insurance provides a tailored and cost-effective solution for managing liability risks at Acadia Field. By establishing a captive, the venue can allocate higher coverage limits to high-risk events, such as sold-out concerts or championship games, where large crowds significantly increase exposure. At the same time, routine or lower-risk events can be insured at a reduced cost, optimizing premium expenditures. A key advantage of captives is their ability to leverage reinsurance capacity, further enhancing financial efficiency. For example, Acadia Field could implement a deductible reimbursement program, covering initial claims up to $150,000 before the captive reimburses amounts up to $500,000. For catastrophic losses exceeding this threshold, external reinsurance can provide additional protection. This strategic layering of coverage ensures that resources are allocated efficiently, balancing risk retention and transfer in a way that traditional, one-size-fits-all insurance policies cannot match.

Additionally, captives enable direct investments in proactive safety measures to reduce liability claims. For example, funds from the captive could be utilized to train staff in advanced crowd management techniques, install real-time surveillance systems to monitor risks, or implement physical barriers to enhance attendee safety during high-capacity events. Deloitte

(*2023*) reports that robust loss control programs can lower liability claims by up to 15% annually, underscoring the value of a proactive approach to risk management.

Adopting a captive insurance model not only reduces the financial impact of liability risks but also reinforces trust by demonstrating a commitment to safety and operational excellence. This strategy aligns with Acadia Field's goals of resilience and stakeholder confidence, enabling the venue to maintain its reputation as a safe and reliable choice for hosting large-scale events.

2. Weather and Event Cancellations

Maine's unpredictable weather poses significant challenges for Acadia Field's outdoor events, with severe storms, heavy snowfall, or high winds potentially causing event cancellations and substantial financial losses. For instance, a sudden thunderstorm could force the cancellation of a high-revenue concert, while unexpected snowfall might disrupt a championship football game, resulting in ticket refunds, vendor losses, and operational delays. Traditional weather-related cancellation insurance is often prohibitively expensive and restrictive, particularly in regions prone to extreme weather. Insurers frequently limit coverage to specific scenarios and exclude many weather-related risks, leaving critical gaps in protection.

A captive insurance company provides a more flexible and effective solution. By utilizing parametric insurance policies, Acadia Field can secure coverage that pays out when predefined triggers occur, such as rainfall exceeding a certain threshold or extreme cold temperatures. Unlike traditional insurance, which requires lengthy claims processes and detailed damage assessments, parametric policies offer faster payouts and eliminate disputes over claim eligibility. This approach is also more cost-efficient—research by Kapphan et al. (*2012*) in "*Climate Change, Weather Insurance Design, and Hedging Effectiveness*" highlights that parametric insurance can reduce costs by up to 25% compared to traditional policies, making it an ideal choice for managing weather-related risks.

One of the key advantages of captive insurance is the ability to establish dedicated reserve funds for weather-related risks. Unlike traditional insurance, where unspent premiums are forfeited to the carrier, captives allow organizations to retain and strategically reinvest those funds. Acadia Field can use these reserves to cover event cancellations or fund infrastructure upgrades, such as enhanced drainage systems to prevent flooding or snow-clearing equipment to maintain operations during winter storms. However, setting up a captive requires careful consideration of regulatory requirements. Most domiciles mandate a minimum premium-to-surplus ratio, typically ranging from 5:1 to 10:1, meaning that for every $100 in premiums, the captive must maintain at least $10 in surplus. This financial safeguard ensures the captive remains solvent while still offering the flexibility to proactively manage risks. By leveraging this structure, Acadia Field can strengthen its financial resilience, optimize risk retention, and ensure long-term operational stability.

Adopting a captive to manage weather-related risks would protect Acadia Field's revenue streams, eliminate the constraints of traditional insurance, and enhance its reputation as a venue capable of handling unpredictable weather. These measures ensure Acadia Field remains a reliable choice for event organizers and patrons, while maintaining financial stability regardless of environmental challenges.

3. VIP and High-Profile Security

Managing security risks at Acadia Field presents unique challenges, particularly when accommodating VIP guests and mitigating high-profile incidents such as targeted harassment, privacy breaches, and physical threats. A breach in a VIP area during a major event could result in costly lawsuits and damage the venue's reputation, potentially deterring future bookings by celebrities, corporate clients, or high-net-worth individuals who prioritize security and privacy. Consider a scenario where global superstar Taylor Swift attends a Kansas City Chiefs game. Given her high-profile status, any security failure, such as an unauthorized individual breaching the VIP section, could not only lead to legal and financial consequences but also cause significant public backlash, damaging Acadia Field's reputation. Traditional insurance policies often exclude or limit coverage for such high-risk scenarios, leaving venues with little financial protection in the event of security failures.

Captive insurance provides a tailored and comprehensive solution to address these gaps. Unlike traditional policies, which may cap payouts or exclude specific risks, a captive enables Acadia Field to design policies that directly target VIP-related exposures. These policies could cover expenses for real-time threat monitoring systems, increased staffing for VIP security, and liability for data breaches involving high-profile guests. Captive funds can also support investments in state-of-the-art infrastructure, such as access-controlled VIP zones, advanced surveillance systems with facial recognition, and secure transportation arrangements for VIP clients. These measures not only prevent incidents but also reassure VIPs and event organizers that their safety and privacy are a top priority at Acadia Field.

The importance of proactive security planning is underscored by events like the 2017 Manchester Arena bombing. As detailed in "*The Manchester Attack: Assessing Threats to Major Events and Soft Targets" (TSG, 2017*), venues that fail to invest in robust security measures face significant financial losses, reputational harm, and erosion of stakeholder trust. Captive insurance provides the financial flexibility needed to fund critical security initiatives without being constrained by the restrictive terms of traditional insurers. For example, a captive could establish reserves to cover costs associated with enhanced pre-event risk assessments, crisis simulation exercises, and partnerships with local law enforcement to enable swift and coordinated responses to emerging threats.

Additionally, captives offer long-term advantages by allowing unspent reserves to be reinvested in upgrading security protocols or developing new technologies to address evolving risks. For instance, funds could be used to implement next-generation surveillance technology or to provide ongoing training for security teams on emerging best practices. This adaptability ensures Acadia Field remains at the forefront of venue security, maintaining its appeal to high-profile clients while reducing financial vulnerabilities associated with security failures.

4. Liquor and Food Safety

Food and beverage services are a vital revenue stream for Acadia Field, but they also carry significant risks, including foodborne illnesses and alcohol-related incidents. Traditional insurance often imposes high premiums for these exposures, as food and alcohol service in large venues involves considerable potential liability. The high volume of patrons, inconsistent vendor practices, and challenges in incident tracking all exacerbate these risks. Alcohol-related claims, such as those involving overserved patrons causing harm or property damage, can further lead to costly legal settlements, driving premiums even higher.

A captive insurance model provides Acadia Field with the flexibility to manage these risks more effectively. By leveraging a captive, the venue can offer coverage discounts to vendors that adhere to stringent safety protocols, such as maintaining proper food storage temperatures, conducting regular equipment cleaning, and training staff in safe food handling practices. These incentives encourage vendors to prioritize safety, reducing the likelihood of costly incidents. Alcohol-serving vendors can also be incentivized to implement responsible practices, such as requiring bartenders to complete alcohol safety training and utilizing ID verification systems to prevent underage sales.

Captive funds can be directly allocated to support safety initiatives for food and beverage operations. For example, these funds could be used to provide staff training in food safety and responsible alcohol service, ensuring compliance with health codes and regulations. Captives can also cover the cost of regular vendor audits and inspections, which are often neglected due to budget constraints. Such efforts promote accountability and elevate safety standards across all operations. According to Cook (*2007*) in "*Regulating Supply: Paying the Tab—The Costs and Benefits of Alcohol Control,*" venues that implement rigorous food and alcohol safety measures experience a 20% reduction in related claims. This demonstrates the cost-effectiveness of proactive risk management supported by a captive insurance model.

By adopting a captive insurance approach, Acadia Field can reduce the financial and reputational risks associated with food and beverage services. The model enables the venue to establish higher safety standards, incentivize vendor compliance, and foster a safer environment for patrons—all while lowering claims and stabilizing insurance costs.

Long-Term Benefits of Captive Insurance

A captive insurance model offers Acadia Field lasting advantages that go well beyond immediate risk management. By taking control of its own policies, the venue can stabilize insurance costs and mitigate the impact of unpredictable premium hikes. This financial stability provides greater predictability, enabling more effective resource allocation and long-term strategic planning.

Underwriting profits generated through the captive can be **strategically allocated** into meaningful initiatives, such as advanced risk management technologies, specialized staff training, or critical infrastructure upgrades. These investments not only enhance the venue's operational efficiency but also boost its competitiveness in the industry. Additionally, captives build stakeholder confidence by signaling a strong commitment to proactive risk management. Employees, vendors, and patrons gain assurance that their safety and security are prioritized.

Beyond reinvestment, captives also provide financial flexibility by allowing surplus funds to be returned to the parent company through dividends or loan-back arrangements. These mechanisms enable the organization to capture the financial benefits of effective risk management while treating these returns as net profit. This dual advantage—strategic investment and potential profit realization—makes captives a powerful tool for both risk mitigation and financial growth.

Perhaps most importantly, captives provide the flexibility to adapt to emerging challenges, such as cybersecurity threats or shifts in regulatory requirements. Customizable policies ensure that Acadia Field remains agile and prepared, safeguarding its financial health and maintaining its position as an industry leader. This adaptability secures the venue's long-term resilience and reinforces its reputation as a trusted and forward-thinking organization.

Conclusion

Acadia Field's wide range of risks calls for a flexible and innovative solution, and captive insurance provides exactly that. By adopting this model, the venue can address general liability through better crowd management, reduce weather-related disruptions with parametric insurance and reserve funds, enhance VIP security with tailored policies and advanced technologies, and improve food and liquor safety through vendor compliance and staff training. These strategies not only minimize liability but also ensure smooth operations and protect the venue's reputation as a reliable destination for large-scale events.

Captive insurance also brings long-term benefits that go beyond immediate risk management. Stabilizing premiums, keeping underwriting profits in-house, and reinvesting in safety and infrastructure give Acadia Field a financial edge while building trust with employees, vendors, and patrons. This proactive approach strengthens the venue's role as a leader in risk management and shows a commitment to creating a safe and efficient environment.

As risks continue to evolve—from unpredictable weather to increasing security challenges—a captive insurance model gives Acadia Field the flexibility to adapt quickly. By taking control of its risks and future-proofing its operations, Acadia Field not only navigates current challenges but also stays prepared for what's ahead, maintaining its reputation and delivering exceptional experiences for everyone involved.

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Eric Eckenstahler
Director for captive accounts
Artex Risk Solutions

From professional athlete to captive director

Eric Eckenstahler, a former professional athlete and insurance agency owner, shares insights into his journey to becoming captive director at Artex Risk Solutions, where he manages four group captives encompassing 250 member insureds

Could you share your journey at Artex and how your previous experiences have shaped your current role?

I began my tenure at Artex in January 2021 as an assistant captive director. Through dedicated effort and internal leadership transitions, I had the opportunity to step into a captive director role within my first year. Prior to joining Artex, I owned a property and casualty insurance office for over a decade, where I was committed to ensuring unparalleled client care. This dedication resulted in multiple retention and customer service awards, as clients recognised that I consistently prioritised their needs. My background in professional sports has also instilled in me an understanding of the dedication and effort required to reach the highest levels of success. At Artex, I have adopted a similar approach by fostering a strong team environment that emphasises accountability and celebrating achievements.

What are the primary responsibilities and challenges you face as a captive director?

In my role, I oversee four group captives totaling 250 member insureds, contributing to some of Artex's most established and impactful programmes. Collaborating with our business development team, we have identified companies nationwide that require alternative risk solutions to enhance control and stability over their insurance programmes.

Currently, the most pressing challenges we observe are within the commercial auto lines sector and issues impacting the state of California. Our team has cultivated strong partnerships with a diverse array of brokers across the US to effectively bridge the gap between control and instability for their member insureds.

How have your personal background and business experience influenced your approach to maintaining long-term client relationships while pursuing business growth?

As a small business owner for over a decade, I did not have many external influences. My primary influences have been my parents. My father served as a police officer for 32 years, and my mother, before her passing, was a school teacher.

They instilled in me the values of hard work and helping others. Those values have me committed to assisting my customers in finding solutions while delivering exceptional service.

In my current role, I apply these values by focusing on retaining long-standing accounts — some with us for over 25 years — while also driving top-line growth. This involves uniting our team's efforts to deliver best-in-class service to existing clients and actively pursuing new business opportunities.

How do you stay informed about industry trends and developments to better serve your clients?

Staying informed about industry trends and developments is crucial in providing effective solutions to our clients. I regularly engage with industry publications, attend relevant conferences, and participate in professional networks. This continuous learning enables me to anticipate market shifts and adapt our strategies to meet the evolving needs of our clients.

As someone who has rapidly advanced in the captive insurance industry, what guidance would you offer to individuals considering a career in this field?

When I began my journey in this industry three years ago, I was unfamiliar with the captive insurance space. I consider myself fortunate to have joined this field under the guidance of leaders who were approachable and receptive to inquiries, and I took that opportunity to learn from those doing it well.

The captive insurance market is expanding rapidly, with numerous companies nationwide seeking greater control and stability over their insurance programmes.

To distinguish yourself from the competition, prioritise open and transparent communication and surround yourself with a strong team. Although this sector is complex, it is poised for continued growth in the coming years, and I look forward to continued success at Artex.

How do you see yourself progressing in the captive insurance industry?

I look forward to expanding my leadership capabilities and continuing to grow professionally. I am passionate about my work and have the privilege of collaborating with an exceptional team. I eagerly anticipate the next stages of my career at Artex, with a continued commitment to setting increasingly higher goals and team-dominant priorities each year. ■

Meagan E. Iafrate
Senior account manager
Global Captive Practice, WTW

From operations to innovation in captive insurance

WTW's Meagan E. Iafrate shares how her operational expertise and passion for continuous learning have shaped her journey in the captive insurance industry

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

In my role within the captive insurance industry, I have developed a strong focus on operations management. One of my key responsibilities at Elevate was designing and implementing project management systems to ensure every aspect of captive formation and administration was thoroughly tracked and managed. This structured approach guarantees that all regulatory requirements are fulfilled, financial reports are delivered accurately and on time, and any potential issues are swiftly identified and resolved.

My operations management expertise has been instrumental in streamlining processes, improving efficiency, and enhancing the overall quality of our captive insurance solutions. This methodical approach not only supports ongoing compliance but also instils confidence in clients regarding the strength and reliability of their captive programmes.

What types of companies have you assisted in captive formation, and what specific risks were they aiming to protect against?

I have worked with companies across a wide range of industries to address various risks, including liability, workers' compensation, cyber threats, and business interruption.

Each project is tailored to the specific needs and objectives of the company, ensuring they have robust risk management solutions in place.

These companies span sectors such as construction, hospitality, logistics, healthcare, and care homes. In addition, I have contributed to a renter deposit alternative programme, which utilises a contractual liability insurance policy (CLIP) for property management firms that own and manage extensive portfolios of apartment buildings.

This programme provides a financial safety net for property owners in the event of tenant defaults or damages, serving as an alternative to traditional rental deposits.

I have also worked on a tenant legal liability (TLL) programme, which helps protect property owners from damage caused by tenants. This type of cover is typically used to mitigate risks such as fire, smoke, or other incidents caused by tenants.

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

My previous experience has been instrumental in preparing me for my current role. Entering the industry with a degree in risk management and an internship at an insurance company gave me a strong foundation. However, it was my time at Elevate that truly equipped me for success at WTW.

At Elevate, I had the opportunity to earn my Associate in Captive Insurance (ACI) designation, which greatly deepened my knowledge of captives. The team there guided me through the intricacies of captive formation and management, offering hands-on experience and valuable insights. Their comprehensive training and support were key in developing my expertise and confidence in the field.

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

Working in the captive insurance industry offers a number of advantages. One of the most valuable is the sector's strong emphasis on continuous learning, which ensures professionals remain current with the latest trends and best practices. It is a dynamic and expanding field, presenting a wide range of career opportunities in areas such as risk management, underwriting, and regulatory compliance.

Collaboration is another key benefit, as the role often involves working with a diverse group of professionals, encouraging innovation and the sharing of valuable insights. The industry also provides opportunities to engage with clients and colleagues around the world, offering a broader perspective and insight into various regulatory environments and market dynamics.

The flexibility to work remotely is another notable advantage, supporting a healthier work-life balance and enabling professionals to work from virtually anywhere.

Can you name your main influences in the industry?

My main influences in the industry originate from my time at Elevate. Jerry Messick and Serena Lintker were instrumental in my development, offering me a deep well of knowledge in captive management. Their support has been invaluable, particularly when they took a chance on me as an inexperienced recent graduate.

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

My ultimate aspirations in the captive insurance industry revolve around leadership and education. I aim to step into leadership roles where I can guide and mentor others, sharing the knowledge and experience I have gained — and will continue to gain — over the years.

By educating and training the next generation of captive insurance professionals, I hope to support the growth and advancement of the industry.

I am also enthusiastic about the global opportunities within captive insurance. I plan to broaden my expertise by deepening my understanding of regulatory frameworks, market dynamics, and best practices across various domiciles, both in the US and internationally. This global perspective will not only sharpen my professional capabilities but also expand my network and create new opportunities for collaboration and innovation.

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

If you are considering a role in captive insurance, my advice would be to immerse yourself in learning as much as you can. Captive insurance is a specialised field that presents both unique opportunities and challenges, so establishing a strong foundation is essential.

Begin by taking courses offered by the International Center for Captive Insurance Education (ICCIE). They provide excellent resources to help you build your knowledge and connect with professionals across all areas of the industry.

These courses will deepen your understanding of the complexities of captive insurance, from regulatory requirements to risk management strategies.

It is also beneficial to seek out mentors and experienced industry professionals who can share guidance and insights from their own careers.

Networking is vital — attend industry conferences, join professional associations, and take part in webinars to keep up with the latest trends and developments. ■

"We're happy to have Meagan on the WTW team. She brings years of industry knowledge and experience, and her willingness to dive in and take on any task has made her transition seamless. She is a true asset to the team."

Jennifer Pettengill, account executive, WTW

Personal bio

With over four years of dedicated experience in the captive insurance industry, Meagan Iafrate has swiftly progressed from an administrative assistant at Elevate Risk Solutions to her current position as senior account manager at WTW.

Her career began at Elevate, where she developed her expertise in operational management, governance, and the complexities of various domiciles.

Recognised for her ability to streamline processes and improve efficiencies, she was promoted to operations manager — a role she held until January 2025.

Now at WTW, Meagan draws on her experience to manage complex accounts, nurturing strong relationships with captive owners, service providers, and regulators.

As a rising talent in the field, she is dedicated to driving innovation and supporting the growth of the captive insurance sector through robust governance and strategic collaboration.

Meagan works remotely from Granbury, Texas, where she lives with her husband, two dogs, and a flock of backyard chickens.

Her remote working arrangement enables her to maintain a balance between professional achievement and personal fulfilment, making her a dynamic presence in the captive insurance industry. She holds the ACI designation and a degree in risk management from the University of Oklahoma.


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Industry Appointments

SCDOI names Noga as Director of Captives

The South Carolina Department of Insurance (SCDOI) has appointed Andy Noga as director of Captives.

Bringing over thirty years insurance industry experience, Noga was senior vice president and general counsel of GuideOne Insurance Group.

He holds a Masters in Law from the University of Connecticut and a Juris Doctorate from the Quinnipiac School of Law.

The department says since captive enabling legislation was passed in 2000, South Carolina has focused on developing the infrastructure, resources, and staffing to provide its captive owners with a robust and thriving captive marketplace.

The captive industry continues to grow in South Carolina, with 233 active companies to date.

Michael Wise, director of the SCDOI, remarks: “We are thrilled to announce Andy Noga as our new director of Captives. We focused on identifying a new director with exceptional experience and ability who will continue to grow our captives market with excellence. Our search has paid off.”

Noga adds: “I am excited to join the SCDOI and to contribute to its stellar reputation as a home for quality captive insurers. I look forward to meeting and working with everyone associated with the captive programmes.” ■

Chris Jones appointed Chief Executive of International Underwriting Association

The International Underwriting Association (IUA) has named Chris Jones as its new chief executive, effective from 1 May 2025. This decision follows the planned retirement of current chief executive Dave Matcham, who is stepping down after a 45-year career in the London Market, including 20 years in the IUA.

Chris Jones, currently the IUA’s director of legal, underwriting and claims, brings extensive experience to his new role, having overseen more than 40 London Market committees and worked closely with member companies on regulatory and legislative matters.

Commenting on the appointment, Jones states: "I am immensely proud to be taking on the leadership of the IUA at a pivotal time in our history. Membership is at record levels and, with an experienced and respected secretariat team we are in a very strong position."

The IUA represents 79 companies trading in the London insurance market, with its members' overall premium income totalling £48.432 billion in 2023.

Claire McDonald, chair of the IUA and CEO of Scor Business Solutions, says: "On behalf of the board and the members represented by the IUA we would like to extend our thanks to Dave for his many years of exceptional service to the London Market and his commitment through this transitional phase."

She further comments on Jones's appointment, noting: "Chris is well known to all on the IUA board, and we are delighted to be able to fill this role from within the organisation. Chris’s current activities have created real value for members, and we look forward to supporting him in his new role."

Allianz names Martiner as Global Head of Alternative Risk Transfer

Allianz Commercial has appointed Lara Martiner as new global head of Alternative Risk Transfer at Allianz Global Corporate & Specialty (AGCS), with effect from 1 April.

Martiner succeeds Grant Maxwell, who will depart Allianz at the end of June. She will continue in her current role as CEO of AGCS subsidiary Allianz Risk Transfer. Martiner has been with Allianz Group for more than 14 years, initially joining in 2011 as legal counsel, head of compliance, and location head in Zurich.

She has held various senior roles within AGCS and the Alternative Risk Transfer organisation, joining the executive board of Allianz Risk Transfer in October 2021 and assuming the role of chief executive and general counsel in 2024.

Vanessa Maxwell, chief underwriting officer at Allianz Commercial, comments: “Congratulations to Lara on her appointment to this key role in our business and I look forward to working with her. Alternative risk transfer is an area of key growth for us, and I have every confidence that she will continue to build on our capabilities and expertise, for the benefit of our wider business in future.” ■

NCCIA CEO Adams to retire

The North Carolina Captive Insurance Association (NCCIA) has announced that Thomas Adams will retire as president & CEO of the association in October. As one of the four founders of the NCCIA, Adams has served in the position since 2013.

He has more than 45 years of experience in the sector, where he has served as chief executive at a number of international associations, such as the Medical Group Management Association, the Association of Clinical Research Professionals, the Board of Certified Safety Professionals, and the Wisconsin Medical Society.

Commenting on his decision, Adams says: “There comes a time when you realise you are ready to pass the reins to new leadership. As I leave, NCCIA is well-positioned to achieve its next level.”

“I am grateful for the many close friendships formed in the captive insurance industry, who have served me and North Carolina well,” adds Adams. “I do not doubt that my successor, with the counsel of the board’s leadership, will be able to nurture and continue the growth of NCCIA.”

The Executive Search Committee of the NCCIA has interviewed a group of qualified candidates, and the new CEO will be announced at the 2025 Conference in Charlotte.

Lea Riddle, incoming chair of NCCIA, comments: “Tom’s departure as our CEO is truly an inflexion point for our domicile. His leadership in the beginning at the General Assembly, vision for the domicile's growth, and extensive association management expertise contributed significantly to our success, and were invaluable to the growth of our organisation and the North Carolina domicile.”

CICA picks McClure as Chair

The Captive Insurance Companies Association (CICA) has elected Heather McClure to chair its board of directors.

Having been an active member of CICA for over 15 years, as well as serving on the board of directors for over four years, McClure will take up the position of chair alongside her current role as captive manager and risk consultant at Helio Risk.

She previously acted as chief risk advisor for US healthcare practice at Aon, and has held a number of senior leadership roles within risk operations at a range of captive insurance companies.

Commenting on her appointment, McClure says: “CICA is the leader in providing timely, unbiased, and valuable education for captive owners and service providers, and I look forward to continuing to work with my colleagues in producing that content for our industry and raising awareness of solutions to any challenges.” ■

Aon’s President Andersen moves into advisory role

Aon has announced that Eric Andersen has stepped down as president to take on a senior advisory role to CEO Greg Case until June 2026, with Case now assuming the role of president.

Andersen joined Aon in 1997 through its acquisition of Minet, and, the firm notes, has been instrumental in advancing the firm’s Aon United strategy over the past 28 years.

As president, he played a key role in integrating Aon's Risk Capital and Human Capital capabilities, as well as implementing the firm's 3x3 Plan to enhance client service.

Case says: "Eric has exemplified what it means to be Aon United — putting our clients first, championing innovation and addressing some of the greatest risks facing business and society.

"Across our global firm, you can see Eric's impact in the strength of our integrated offerings and expertise, the next-generation actionable analytics we're introducing to clients and the innovative solutions we're creating to address risk and people issues around the world."

Reflecting on his tenure, Andersen notes: "I am deeply grateful to have spent nearly three decades with Aon, working alongside an incredibly talented group of colleagues, partners and clients.

“With the firm's 3x3 Plan and a strong executive team in place, alongside the successful integration of NFP, now is the right time to move into an advisory role and I look forward to seeing the firm continue to grow and succeed in the years to come.” ■

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