



# US CAPTIVE

## SERVICES AWARDS 2012

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Size and reputation doesn't always count for much in the eyes of captive owners

BY MATTHEW BROOMFIELD

**T**his year saw the inaugural US Captive Services Awards, held in Chicago on September 10th as part of Captive Live USA.

The ceremony brought together many of the US industry's best service providers, to discover who had excelled most according to a panel of US-based captive owners.

The list of winners threw up many surprises, and certainly did not conform to the usual lists of 'biggest' and 'best known'. Some people raised eyebrows at Beecher Carlson winning the 'Captive Manager of the Year' award, ahead of other shortlisted managers Aon and Marsh, as well as USA Risk Group. Beecher Carlson was credited by the judges as having given detailed examples of how they had added value to their clients' captive arrangements, and for stressing the need to provide return on their clients' investment.

USA Risk Group carried off two awards, for 'Innovation in Captive Management' and 'Independent Captive Manager'. Aon was the only other company to win more than one award, winning 'Actuarial Firm of the Year' and 'Best Customer Service in Captive Management'.

Surprisingly, Marsh won no awards, despite being shortlisted for three captive management awards. So size and reputation really didn't count for much. Instead, specificity won out, with the judges interested across the board in references to specific achievements, and demonstrations of how companies could really bring help to their clients.

One of the most hard-fought categories was for 'Onshore Law Company of the Year', contested by McDermott, Will & Emery, Morris, Manning and Martin, and Sutherland Asbill & Brennan LLP. Tom Jones, Skip Myers and Bruce Wright are three of the US industry's best known and acclaimed figures (all three ranked in the top 10 of CR's Power 50 list in CR101) so guests were intrigued to see who came out on top. McDermott was 'highly commended', but Morris Manning won out, in part because of the contribution Skip Morris was judged to have made to the RRG industry and its engagement with the National Association of Insurance Commissioners (NAIC).

'RRG of the Year' was another tightly contested award, featuring two of the most lauded and well-known RRGs. Hous-

ing Authority's application was adjudged to be strong, but ultimately lost out to Janice Abraham's United Educators.

In the 'Onshore Domiciles of the Year' award, Vermont won out against Utah and Delaware, perhaps as some might have expected. But the 'Offshore Domicile of the Year' award saw Bermuda (traditionally seen as the world's largest domicile) pipped to the award by its rival, the Cayman Islands.

As the night drew to a close, winners smugly sipped their wine and examined their trophies, while other guests pondered what might have been.

But there was one more award to give: 'Outstanding Contribution'. This would be awarded to someone who had made an enduringly significant contribution to the industry. Many names were considered for this award, but ultimately it came down to one person: Bruce Wright. A leading tax lawyer, Bruce was credited with playing a significant role in many of the industry's most significant and interesting developments. He was involved in structuring the branch provisions of the Vermont captive law to enable Columbia Energy to form a branch to facilitate its ERISA filing, and has developed and worked on approximately one-fifth of the ERISA submissions. Bruce was also involved in forming the WTC captive, the only not-for-profit insurer in New York State, and securing all regulatory requirements. ▶



## CAPTIVE MANAGER OF THE YEAR – BEECHER CARLSON



Collecting the award for Beecher Carlson was Peter Kranz, Senior vice-president at Beecher Carlson. Asked what was most integral to Beecher Carlson’s management services, Kranz cited the twin functions of “consultation and innovation”.

Kranz said captive management was not just a case of delivering a workers’ compensation or property and casualty solution to a client. “Captive managers need to deliver more – you need to identify other risk financing opportunities, operational value and uses for surplus.”

Kranz said there are some captive owners who are focused on mitigating all costs and for them there are captive management firms who provide an accounting-focused service. On the flip side, for the captive owner driven by quality and value, there are management firms who take a more holistic approach to the services they provide.

“These types of managers need to excel in financial reporting, but also need to connect the dots, and deliver innovative opportunities to leverage surplus in ways that provide a quantifiable return on investment,” said Kranz.

Asked whether captive management was becoming more consultative, Kranz said: “At Beecher Carlson we have always seen ourselves in the consultative capacity, but in the industry there might be a sharper line developing between those consultative captive managers and those who focus on delivering accounting services.”



Gary Osborne

**INNOVATION  
IN CAPTIVE  
MANAGEMENT**  
**USA RISK GROUP**

**HIGHLY COMMENDED:  
TALL PINES INSURANCE  
COMPANY**



Andrew Wang

**BEST CUSTOMER  
SERVICE IN  
INVESTMENT  
MANAGEMENT**  
**RUNNYMEDE CAPITAL  
MANAGEMENT**



Josh Magden

**INNOVATION IN  
INVESTMENT  
MANAGEMENT**  
**SAGE ADVISORY  
SERVICES**





**HIGHLY COMMENDED:  
MCDERMOTT, WILL &  
EMERY**



Skip Myers

**ONSHORE LAW FIRM  
OF THE YEAR**  
**MORRIS, MANNING  
AND MARTIN**

**HIGHLY COMMENDED:  
SPRING CONSULTING  
GROUP**



Jay Gotelaere

**ACTUARIAL FIRM OF  
THE YEAR**  
**AON GLOBAL RISK  
CONSULTING**



Jo Cole, on behalf of Stae of Vermont

**US ONSHORE CAPTIVE  
DOMICILE OF THE YEAR**  
**STATE OF VERMONT**

**OUTSTANDING CONTRIBUTION – BRUCE WRIGHT**



When asked about industry changes during his career, Bruce mentioned the evolution of domicile choices. “When I started in the captive industry most US companies domiciled their captives off-shore, and there were only a few onshore US domiciles. But we have seen over the years an increase in the number of captives and greater consideration of domestic domiciles as many more domiciles enacted captive laws.

“Furthermore, between 1984-86 there were tax changes introduced that somewhat levelled the playing field on tax issues, and, thus the tax differential between domiciling captives onshore and offshore became less of an issue in most instances.”

Bruce said there have also been some laws and regulations implemented that have induced some need for companies to have a US presence for their captive, such as if they want to write employee benefits or TRIA.

“Now we have over 30 US states with captive laws, but some companies will still form captives off-shore, because in many off-shore domiciles captives are, strictly speaking, not ‘captive’ insurance companies, so there can be a bit more flexibility in what can be written.”

Though there’s been a concentration of US captives in a limited number of domiciles, Bruce thinks this might change. “Depending on what happens with the Dodd Frank Act’s NRRRA, there may be some degree of shift between US domiciles.”

When asked whether US captives might be affected by the outcome of the forthcoming Presidential election between Barack Obama and Mitt Romney, Bruce simply chuckled.



Steve Bauman

**BEST FRONTER OF THE YEAR**  
**ZURICH**



Alasdair Roe

**REINSURANCE BROKER OF THE YEAR**  
**BMS INTERMEDIARIES GROUP**



Mike Ramsey

**COLLATERAL SERVICE PROVIDER OF THE YEAR**  
**WELLS FARGO COLLATERAL TRUST**



Tom Jones

**TAX ADVISORY FIRM OF THE YEAR**  
**MCDERMOTT, WILL & EMERY**



Mike Stalley

**TECHNOLOGY FIRM OF THE YEAR**  
**FISCAL REPS**



Tom Cifelli

**NEWCOMER (INDIVIDUAL) OF THE YEAR**  
**TOM CIFELLI**



Sian Brooks on behalf of Soloman Harris

**OFFSHORE LAW FIRM OF THE YEAR**  
**SOLOMAN HARRIS**



Nicholas Leighton

**OFFSHORE CAPTIVE DOMICILE OF THE YEAR**  
**THE CAYMAN ISLANDS**



Cheryl Packwood

**REGULATORY INITIATIVE OF THE YEAR**  
**BERMUDA MONETARY AUTHORITY**



Janice Abraham

**RRG OF THE YEAR AWARD**  
**UNITED EDUCATORS**



## THE JUDGES



Michael Bemí



Mike Lusk

The awards were judged by a total of 12 captive owners, who judged three or four awards each. Some of the judges asked not to be named, but they included:

John Alberici, Alberici Corporation; Michael Bemí, The National Catholic RRG; Mary Harrington, Subaru; Peter Meyer, Firestone Building Products; Jim Knutson, Aircraft Gear Corporation; Mike Lusk, Archer Daniels Midland; Bill Montanez, Ace Hardware; Rick Barrett, Rotary International and David Arick, International Paper Company.

Michael Bemí said he was looking for products and services that stood out as truly innovative, 'ground-breaking' and distinctive, and also showed solidly established track

records of consistently outstanding performance.

"The most common characteristic among winners was a very good explanation of why they thought they should be judged above their peers," added Mike Lusk.

"Some applicants did not put emphasis on why they excelled more than others. But the winners delivered well thought-out arguments, and discussed what they did well, and how they had done something differently."

Bemí said there were three common differentiators shared by the winners (though not necessarily all three in each case):

- 1) some truly innovative initiative that represented a new and distinct product or service and not just a 'retread' or minor alteration of prior work;
- 2) a consistent track record of such achievement; and
- 3) an innovative product or service that would not typically be expected from the type of entity that produced it.

However, Lusk said it seemed like one or two applicants were relying on their reputations. Bemí added: "Entrants that submitted contest documentation that read and 'felt' like marketing pieces did a disservice to themselves. Similarly, entrants that simply recounted facts and figures without demonstrating something new and unique, also did not serve their purpose well."

When asked what advice they would give to entries for next year to optimise their chances of winning, Bemí said: "Entrants should emphasise what they have done, or regularly do, that is distinctive, unique and innovative. Or they can demonstrate why their particular product and service - while perhaps not completely unique - nevertheless stands above the crowd."

Lusk said with a lot of the problems he faces as a captive owner, he is looking for the value an organisation can bring to solving the problem. "Some applicants were better at explaining how they have tackled problems, and the resources they brought to the table.

"Winners were better at articulating: 'This is the value we can bring.' "



Michael Heramb

**GROUP OR  
ASSOCIATION  
CAPTIVE OF THE YEAR**  
**NATIONAL INTERSTATE  
INSURANCE COMPANY**



Nancy Gray

**BEST CUSTOMER  
SERVICE IN CAPTIVE  
MANAGEMENT**  
**AON CAPTIVE  
& INSURANCE  
MANAGEMENT**



Gary Osborne

**INDEPENDENT  
CAPTIVE MANAGER  
OF THE YEAR**  
**USA RISK GROUP**