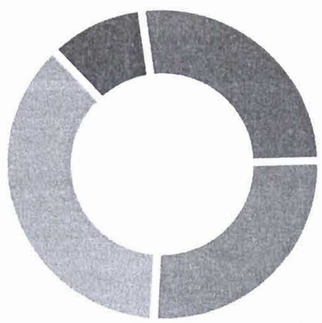
NEWS
OCTOBER 2012

READER POLL

WHY ARE US DOMICILES BETTER AT PROMOTING THEMSELVES THAN EUROPEAN ONES?

10%
They're not - there are just more of them

27%
Greater entrepreneurial spirit/culture



36%
Better perception of captives in US

27%
More grassroots support within domiciles

NEW

LICENCE UPDATE

PARENT
MN Life Insurance Company

TYPE
Special Purpose

LICENCE DATE
24/08/2012

CAPTIVE MANAGER
Kane (USA)

TURN TO P15 FOR FULL LICENCE UPDATE TABLE

SOLVENCY II

ECIROA 'convinced' of proportionality

- 'Captive owners will have opportunity to use the principle of proportionality'
- EIOPA right to produce the consultation on modelling

There is a growing optimism that EU-based captives will be awarded proportionality under Solvency II.

The chairman of the European Captive Insurance and Reinsurance Owners' Association (ECIROA) said they were "pretty sure", even "convinced" proportionality would be granted. "From an intellectual point of view you can't argue against what we have written," said Guenter Droese.

"All of our colleagues, captive owners, as well as captive managers, will have the opportunity to use the principle of proportionality, which is the key issue for captive owners to understand."

Droese said there was a need for flexibility because insurance firms are different, based on their worldwide activities and risk profile. He said it was reasonable that EIOPA produced the consultation on modelling as it cannot finally determine how the model of a complex multinational insurer should be developed. "You need to know the infrastructure and then you can set the model on top of that."

Karel Van Hulle, head of Insurance and Pensions Unit at the European Commission, recently met with Gibraltar's insurance industry and reassured it that certainty on Solvency II would be given by the end of 2013.

Derren Vincent, executive director for Willis Management, Gibraltar, said: "From Van Hulle's point of view, the directive is not about being a big unwieldy instrument. He is very keen on proportionality."

Van Hulle reassured Gibraltar's captive industry that Solvency II is and will happen, not despite of the economic crisis but because of it.

"Everyone agrees Solvency I isn't sophisticated enough for insurers," said Vincent. "We need a model that recognises the economic environment today as having changed. For example, bonds are much more volatile."

Van Hulle intends to have similar meetings with the majority of the European Economic Area's (EEA) 27 member states.

REGULATION

Uncertain future for NAIC

The National Association of Insurance Commissioners' function has been undermined by requests for it to explain its role and the resignation of its CEO.

Many industry figures have spoken out on the role of the NAIC since the director of the Federal Insurance Office was asked to review whether it is a viable regulatory body.

John Harkavy, executive vice-president and general counsel of Risk Services, LLC, described the NAIC's accreditation regime as "egregious". He argued the programme profoundly affects state legislative processes, insurance department staffing and regulatory conduct, costs and conduct of domestic insurers and ultimately the availability of insurance products.

Meanwhile, the NAIC's CEO Dr Therese (Terri) Vaughan announced she will step down in the first quarter of 2013.

NAIC officers will conduct a national search later this year to find a replacement. However, the replacement will have a "very hard time" following in Terri's footsteps, particularly when Solvency II and international regulatory pressures are challenging the NAIC, said Robert Myers, insurance group partner at Morris, Manning & Martin LLP. "Terri Vaughan was uniquely qualified to head the NAIC both by her achievements but also her temperament and devotion to good regulation."

In response to questions about its role, an NAIC spokesperson said: "The NAIC does not have regulatory authority, and I am not aware that it has ever presented itself as having such authority."