What Your Captive Manager Doesn’t Know (but you were afraid to tell them ... a severely fractured presentation)

HCIC up Forum 2013

Note from the David and Ward. We really tried hard to make this a serious presentation full of facts, figures and stuff you all could really use. What you see here is our attempt to reign in Jason’s wild imagination. Bear with us please.
Mr. Kahaulelio has served as President of Queen’s captive insurance company since August 2000 and as Vice President Risk Management of The Queen’s Health Systems since November 2000. Prior to 2000 David was a professional body builder specializing in Olympic Dead Lift competitions. That is why his left arm is slightly longer than his right.

He directs Queen’s Health Systems activities which affect risks of loss, manages insurance and reinsurance acquisition and pricing, administers risk finance and transfer programs including workers compensation and captive insurance programs including all claims management activities. He also surfs, plays the ukulele and has been nominated for an Emmy for his portrayal of Ralph Cramden in the Hapa Haole version of “The Honeymooners go native…”

Mr. Kahaulelio joined Queen’s in November 1997 as Manager of Employee Safety and Workers Compensation.

He has over 35 years experience in insurance claims and sales, having held management positions at regional and national insurance companies, mostly by the hand.

He attended the University of Hawaii. He is President and Director of the Hawaii Chapter of Risk and Insurance Management Society, Inc. (RIMS) and is a member of the American Society of Healthcare Risk Management (ASHRM). He wants to be Governor of the great State of Hawai’i, but has been told to wait his turn.

Mr. Kahaulelio has been active with Hawaii Captive Insurance Council (HCIC) and served previously as its past Chairman of the Board. He has made his mother proud.
Ward Ching is Vice President, Risk Management Operations at Safeway Inc. located in Pleasanton, California. His responsibilities include Enterprise Risk Management, Integrated Risk Finance, Hazard Loss Control, Environmental Compliance, Property Risk Control/Engineering and a variety of retail, distribution, and manufacturing risk management initiatives, including Safeway’s Culture of Safety.

Prior to joining Safeway, Mr. Ching was a Principal at Towers Perrin and a Managing Director at Marsh.

Mr. Ching completed his undergraduate and graduate degrees in International Relations and Economics at the University of Southern California and has taught and written extensively on the subjects of International Relations, Game Theoretic Applications in Foreign Policy and Enterprise Risk Management. This guy is really boring.

Mr. Ching has been a member of the Hawaii Captive Insurance Council since its inception and was also involved in the formation of Hawaii as an on-shore captive domicile. Mr. Ching has been an organizer or consultant to a large number of captives now domiciled on-shore, redomesticated as admitted carriers, or continue off-shore in Bermuda and Cayman. So, if anything goes wrong with your captive, it’s his fault.
Michael S. Owens – Senior Director, Insurance Finance / Risk Management | Marriott International

• Mr. Owens is the Senior Director, Insurance Finance in the Risk Management Department at Marriott International in Washington, DC. Marriott is a worldwide hospitality company with $13 billion dollars in sales across 3,800 operating units in the United States and 75 other countries and territories. Marriott’s Risk Management Department is responsible for coordinating insurance coverage for Marriott operations, providing claims administration services, overseeing Loss Prevention and Fire Protection activities and coordinating contingency planning activities. Michael was personally responsible for the two week Federal Government shut down. He says it was good for business.

• Mike Owens is responsible for overseeing all Risk Management finance and systems activity, including oversight of two captive insurance companies in Hawaii.

• He has worked at Marriott since 1984, when it was two rooms and a gas station run by three people.

• Mike is a Graduate of Loyola College in Baltimore, MD, with a Master’s degree in Finance and a bachelor’s degree in Business Administration.

• He holds certifications as a CPA, CIA, and CISA. EIEIO!

• He lives in Columbia, MD with his wife and four children, all of which look like him.
Jason Flaxbeard, CPCU, ACA - Senior Managing Director | Beecher Carlson

- Jason leads the Beecher Carlson captive/alternative risk transfer operations throughout the US, Bermuda and Cayman Islands. Beecher Carlson is one of the world’s largest captive managers, known for its innovative approach in today’s industry. Unlike former VP Gore, he did invent the internet.

- Jason has over 15 years of experience in the captive insurance industry and over 20 years in the accounting industry. Jason also managed Beecher Carlson’s Hawaii office. He is on heavy medication for the Accounting side of things, so no sudden movement in the audience is suggested.

- In 2006, Jason was moved to Denver to run all of Beecher Carlson’s captive operations, consisting of over 100 captives, including many Fortune 100 companies. He has extensive experience with all lines of business. Actually is likes lines and stays within them as much as possible. He is on medication for this as well.

- Jason is a graduate of Bath University, England, where he earned a Bachelor of Science degree in Economics, and public bathing.

- He is also an English Chartered Accountant and a Chartered Property and Casualty Underwriter. On meds for this too.

- Jason is a board member and frequent speaker at CICA and has spoken at VCIA, HCIC, RIMS and other trade conferences. From what we can tell, Jason’s multilingual in both human and geek languages. Ask him to translate into Klingon for a good laugh.
Overall objectives of the session:

What should a captive manager do for a program to be successful?

What do clients expect from captive managers?

What do managers expect from clients?

How do captive managers add value?
All captive presentations should be moderated by someone with a British accent?

A. True
B. False
Can you pronounce aloud the last name of our esteemed panelist Dave Kahaulelio?

A. True
B. False
Questions for the panel:
What is the most important thing your captive manager does for you or your program?
What are the most important things you look for when selecting a captive manager. Are they simply commodities, so the best price wins?

A. True - but it depends on the exchange rate

B. False - but may include lunch
Captive managers spend 100% of their time on captive management (risk, operational, insurance). Clients do the same - correct?

A. True – don’t we all?
B. False – who wants to know?
When FASB issues accounting guidance, this is of intense interest to the panel (managers should be on the front end of changes in accounting principles and the impact on clients).

A. It depends on what “intense” means
B. Clients prefer to be on the backend of anything technical
When investment managers call a captive manager with products designed to improve captive returns, this is the most important item on a risk manager's desk.

A. True
B. False
Captive owners always want to hear about Solvency II and the NAIC and how these regulatory bodies affect their captive, correct?

A. True – but we want dinner and a show included
B. False
A captive manager's principal goal in life is to ensure the tax efficacy of the captive?

A. True – Yeah right
B. False – Yeah right
A captive manager is the best person to read, understand and translate:

i. actuarial reports
ii. investment manager statements
iii. state tax law

A. True
B. False
It isn't a captive manager's job to bring a captive owner creative ideas on a captive - it is merely their job to prepare financials and assist with regulatory matters? Creative ideas come from brokers.

A. True – but don’t tell the broker. They are a touchy bunch of nags
B. False – the broker is the brain trust and should always be consulted
What is the expectation for the manager to interact with other service providers?

A. Recommend – in most cases
B. Interact – in some cases
C. Oversee - rarely
All risk managers are interested in:

a. Other domicile regulations
b. Domicile examination procedures
c. Where the word "captive" came from

A. True
B. False
C. We just want to know if we are domiciled at the kid’s table or the adult table?
D. When doing a domicile examination, wear gloves
All managers will say that they are not tax advisors and do not offer investment or legal advice; however, all managers should know about Internal rate of return for the parent?

A. True – most of the time...but they lie
B. False – some of the time...lying through their teeth
All managers should know about tax structure of the parent?

A. True – but only in simple terms and with many colorful pictures
B. False – only if it will put them in jail
All managers should know about NRRA?

A. True
B. False
All managers should know about renewal of TRIA?

A. True
B. False
All managers should know about policy/coverage wording?

A. True – that is what we are paying for...right?

B. False – your broker has a one AE deductible if something goes wrong...right?
Can you name the added value that your captive manager brings to the RM department?

A. Timely information
B. Peer group performance
C. The ability to leap small buildings in a single bound
A captive manager can define a return on investment.

A. True – using all the fingers on the left hand
B. False – OK, this is getting too technical for me...can this panel stop now?
A RM's first call in the morning is to the captive manager. Risk financing is more important than risk mitigation and comes before all else.

A. True – provided donuts are provided
B. False – whatever...
A captive's structure is to be continually challenged and a captive manager's role is to pick it apart and offer something that isn't naturally visible to someone not immersed in the business.

A. True – unnaturally visible is usually more interesting
B. False – kill joy!
Captive managers have no say on what sorts of changes regulators make and merely act within the rules of a domicile - (most associations / regulators work directly with managers to understand where the improvements should be and what is "cutting edge").

A. True – the passive approach not requiring makeup
B. False – the activist approach, the kind that gets you on the evening news
A captive manager located in one domicile only knows about that domicile.

A. True – they don’t get out much
B. False – someone has played with my LinkedIn account
Captive management firms don't have any controls over the financial and regulatory reporting services they provide - that's external audit's job.

A. True – because they don’t show us their work to begin with

B. False – I'm on the hook for problems anyway
Captive managers are only expected to understand the insurance program at the level of the captive. It isn't important that they are aware of the risks and business issues facing the parent company, the structure of the complete insurance program in place to mitigate those risks, and how the captive fits in.

A. True
B. False
C. It depends...if losses have already happened
This presentation has gone on long enough and everyone wants to go to the bar?

A. True
B. False