
The

Risk Retention Reporter

CICA: Serving the Captive and Risk Retention Industry for More Than 40 Years

By Dennis Harwick, President, Captive Insurance Companies Association

When the doors open on the 2013 CICA International Conference in Palm Springs next month, the familiarity with which captive owners, domicile representatives, and service providers come together will seem natural and familiar, but it wasn't all that long ago that the entire notion of a captive insurance industry conference, including Risk Retention Groups, did not exist. In the early 1970s (1972 to be precise), a group of captive owners formalized what had been an annual golf outing for corporate risk managers who owned captives.

These pioneers of the captive insurance industry formed a little association and named it (without much imagination) the "Captive Insurance Companies Association" – better known nowadays by its pronounceable acronym "Seeka" (CICA). Originally, membership in CICA was limited to captive owners and its meetings focused on doing business with fronting companies and reinsurance companies. Later in the 1970s, tax challenges to the nascent captive industry added another unifying challenge that brought the captive industry together.

Originally CICA consisted primarily of large U.S. based multinational companies that owned captive insurance companies. Attendance at the CICA conference was "by invitation only"! Although some fondly recall "the good old days," the expansion of the captive industry to include group captives, risk retention groups, and cell captives led to an opening up of the CICA membership, including the inclusion of service providers. Ironically, most domicile captive associations were spearheaded by service providers to the captive industry, whereas CICA developed out of a tradition focused on captive owners.

Over the past 40 years CICA has continued to evolve. The days when the golf tournament was the major draw have faded, though—in all fairness—we still have a well-attended golf outing, along with a small tennis event!

Hugh Rosenbaum, the acknowledged dean of the captive insurance industry, reminds us of the days during the 1970s and 1980s when "smoke-filled rooms and plots and plans were very much an attraction at CICA events." Nowadays, you are more likely to find a busy exhibit hall with domicile regulators talking with captive owners, or to see service providers chatting with

potential customers in the registration area. At any given time, you can choose to network, sit in on one of three concurrent sessions, or stop by the exhibit booth of your captive manager.

The distinguishing characteristic of CICA is its domicile neutrality. CICA is the one captive gathering each year where 15-20 captive regulators can meet on neutral ground, or where a service provider can talk with captive owners from Europe to South Dakota to South Africa.

CICA is also the forum for leaders of the various captive domicile trade associations to meet and discuss issues of common interest, or meet with our partners from the International Center for Captive Insurance Education and the National Risk Retention Association (NRRRA).

As the captive industry has matured, there has been a growing synergy between CICA and the captive domicile associations. I am a regular presence at most captive gatherings and have worked hard, as CICA's representative, to establish a positive partnership relationship with all of the captive domiciles.

Although most CICA members are still based in North America or the Caribbean, CICA has established a strong relationship with the European Captive Insurance and Reinsurance Owners Association (ECIROA). Last fall, CICA and ECIROA co-sponsored the 2012 European Captive Forum in Luxembourg, which attracted almost 1,000 registrants from the European captive community.

CICA is also uniquely situated to coordinate industry wide efforts like the Captive Industry Market Study (formerly known as the Fronting Survey). CICA coordinates this industry study each year with the assistance of the individual captive domicile associations who receive a detailed set of results for the captive owners and managers from their domicile. This year captive domiciles from Missouri to Hawaii, Cayman to D.C., Delaware to Nevada, and South Carolina to Vermont have participated. The Market Study results will be announced at the CICA Conference in Palm Springs.

CICA and NRRRA have a strong relationship developed over many years. It is no secret that the two organizations have talked about some kind of merger several times, but the institutional cultures have

remained distinct enough that no formal consolidation has ever moved forward. The advocacy role of NRRA has always been its primary *raison d'être*, whereas CICA has only been expanding the advocacy role in the past five or six years. CICA values this partnership with NRRA and hopes to leverage the influence of the two organizations whenever possible in the coming years.

In recent years, we have been actively increasing our advocacy role. Since CICA is fiercely domicile neutral, this is not as simple as it might first appear. Despite recent expansion of the role of the U.S. government in the regulation of insurance (think Federal Insurance Office and the Nonadmitted and Reinsurance Reform Act of 2010), insurance continues to be regulated at the state or domicile level. CICA has neither the resources nor the mandate to lobby at the local or domicile level—and what is bad for one domicile might be good for another!

However, CICA remains on alert to the opportunities to give the captive industry a unified voice when appropriate. The most obvious example in recent years was the successful effort in 2008 and 2009 to get the Internal Revenue Service to withdraw its proposed regulation on consolidated corporate returns—a regulation that could have had devastating effects on single parent captives. In addition, CICA has provided industry comments to the IRS on other issues such as cell captive arrangements, loan backs, homogeneity in determining risk distribution, and finite risk. CICA has been a consistent supporter of the effort to modernize and expand the *Liability Risk Retention Act*. More recently, CICA submitted comments on behalf of the captive industry on the attachment points for stop-loss insurance, the FIO's request for comments on the U.S. and international reinsurance markets, and the NAIC

proposed White Paper on Captive Insurance and Special Purpose Vehicles.

In another development, CICA has engaged captive industry veteran Mike Mead to serve as its “eyes and ears” on regulatory developments. As part of his duties, Mike is going to attend NAIC meetings on behalf of CICA and alert CICA to developments from that generally hostile organization.

All in all, CICA has evolved with the captive/risk retention industry and continues to provide networking, education, and advocacy on behalf of its members. Come join us next month in Palm Springs (March 10-12, 2013 at the Westin Mission Hills in Palm Springs). Our focus will be on “New Horizons” in this era of change. We will hear from experts on changing demographics, the economy, and regulatory issues, along with specialized sessions for targets segments of the captive industry, including Risk Retention Groups. More information is available at www.CICAworld.com.

As I'm fond of saying, “Welcome to the world of captives!”

Dennis Harwick has been the president of CICA since 2005. Prior to joining CICA, Dennis had the distinction of serving as the CEO of three different state bar associations: Idaho, Washington State, and Kansas, where he headed not only the professional associations, but their related foundations. He also served as President of the National Association of Bar Executives, an affiliate of the American Bar Association. A lawyer by training, Dennis began his career as Vice President - Legal for Idaho Bank & Trust Co. in his home state of Idaho. He received both his undergraduate and law degrees from the University of Idaho, where he was named the Outstanding Senior of his graduating class.

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