

# Technologising captives

**The emergent compliance era highlights the need for the captive industry to embrace technology says Nicholas H. Teetelli, chief executive officer, Maple Technologies**

AS THE captive insurance and alternative risk transfer industry continues to rapidly develop and grow on a global scale, regulation, compliance and accountability also continue to emerge as mission-critical responsibilities that this industry needs to address and satisfy on an ongoing basis.

This elevated compliance-driven era presents challenges to many captives in being able to wrap around the maze of intricate and complex reporting requirements, satisfying not only regulatory bodies, but also the requirements of trading partners such as their reinsurers and/or investment syndicates.

This all speaks to the surfacing need for technological proficiency to effectively technologise what is currently for the most part an under-technologised industry.

## Meeting the industry need for technology

In speaking with many captive and alternative risk entities, Maple Technologies has found that the industry's business operations primarily run on semi-automated and manually-driven processes to meet day-to-day business requirements and satisfy reporting criteria.

In fact, many of these semi-automated processes consist of complex and sophisticated spreadsheet-driven exercises, which fall short of any level of a standardised technological infrastructure.

With the advent of greater accountability and increased attention to portfolio management, this industry clearly needs technology-driven tools that can instantaneously provide snapshots of critical information and metrics that can impact business operations and financial compliance.

Some of these snapshot metrics include surplus to written ratios, total claim liabilities reconciled to posted reserves,



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aged receivables or tax payment records to name a few.

"Often captives do not have a snapshot; current information of the areas that should be monitored – call it 'idiot lights' versus gauges," says William G. Whitehead, an AIG executive who heads up Lexington's Captive/ARTS Division. "Do you wait for a red light warning before you know something bad (or good) is developing?"

Unfortunately, we have found that the technology industry for the most part is unaware that the captive sector even exists, much less understanding or able to address the business requirements of this niche insurance industry segment.

Truth be told, although a couple of the large brokerage houses have developed in-house proprietary technology solutions to meet and address these responsibilities on behalf of their clients, the vast majority of the captive industry remains un-serviced, perhaps even unnoticed.

Maple Technologies has been servicing the captive industry over the past several years, and in doing so has recognised the

emerging importance of technology for this specialised niche sector.

Maple began development earlier this year on a new product, Aspire Captive Suite, in collaboration with three AIG captive divisions as well as some captive management firms, like The Taft Companies.

Although currently in beta development, Aspire Captive Suite will be the first commercially marketable information system product that is specifically tailored toward captive operations, effectively introducing the first commercial technologising initiative to alternative risk markets.

"All at Taft are delighted to be partnering with Aspire and AIG on this very important industry initiative," says Richard C. Goff, managing member of The Taft Companies.

## Tailor-made infrastructure

Unlike the rigidity of an off-the-shelf product, the captive industry will require a technology infrastructure that supports operational diversity requirements inherent to this industry. Maple's chief technology officer, Matthew R. Blackley, says that Maple's initiative: "Wraps around this type of diversity through custom configuration capability to meet variant captive business needs based on regulatory as well as business operations requirements." Aspire Captive Suite is expected to be commercially available in 2009.

The captive market is energised, dynamic and steadily growing. So are the regulatory requirements that this industry will be measured by, and by which accountability will be imposed. Technology will soon become a cornerstone to meet the rigours of information management for the captive industry, as it has similarly done for so many other industries, rendering the age of spreadsheet data management all but a vestigial remnant.