

CAPTIVE | REVIEW

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Silver lining

Regulatory strength and product innovation
provide the bedrock for a bright captive future

Technology to assist captive managers

Nick Teetelli of Maple Technologies tells *Captive Review* how Maple's Aspire Information System can offer a flexible end-to-end system that will meet the business needs of captive managers in these increasingly regulatory times

THE CAPTIVE industry has matured significantly over the past decade, as evidenced by the growing number of domestic domiciles now available in the US, with Louisiana being the latest domicile to come on board. With that maturity, regulatory compliance and reporting continues its growing presence, placing greater emphasis on captives to responsibly manage their portfolios as well as provide financial data to their respective regulatory bodies.

In the wake of the financial crises faced by AIG and other financial sectors, there is, unsurprisingly, a palatable sense within many US jurisdictions that an increase in regulation is soon to follow, augmenting regulatory reporting requirements, especially with regard to insurance-linked securities.

Such expectations are shared by Nick Teetelli, chief executive officer of Maple Technologies, who suggests the increased demands that these developments will place on the captive industry's resources highlights the emerging and critical role technology will play in managing and meeting these responsibilities.

"The days of managing financial data and operations through overburdened and sophisticated spreadsheets and semi-manual processes are reaching their sunset," he says. "Captives will need to fall in line with the traditional insurance sector, where systems drive these components and responsibilities. It's just inevitable."

The increasing demands of compliance

The challenge for both individual companies and the industry at large is to ensure their respective technological capabilities can be positioned to step up to meet the demands of burgeoning compliance and the inevitable deluge of regulatory requirements.

As newcomers to technology, Teetelli believes captives have significant advantages over their traditional insurance industry counterparts in this respect. After all, they are not bound and limited by deep-rooted legacy systems that will need to be retrofitted to accommodate changes and/or expanded business requirements.

"Current technologies offer more robust platforms, with flexible architectures that



Nick Teetelli is the chief executive of Maple Technologies, and is one of the principal designers and architects of Maple's proprietary insurance information system product, Aspire. He has extensive experience in the insurance industry that spans nearly three decades.

can more easily adapt to their changing business landscape," he states. "In positioning technology to meet current and emerging business requirements, captives will need to place the greatest emphasis on configurability, data accessibility and portability in determining the right solution for their operation."

As a niche market, the captive industry requires a more particular approach to technological development. "Dynamic innovation serves as the very cornerstone that drives this niche industry," says Teetelli. "With that said, it should be fairly

apparent that ‘off-the-shelf’ or ‘out-of-the-box’ technology offerings will fall well short of meeting the rigors and demands needed to adequately support the diverse risk portfolios found in the captive sector.”

Key considerations

One of the most critical considerations Teetelli mentions for selecting the right captive solution will be to determine the configurability of the system. In other words, how flexible is the architecture of the system so that it can be modified and changed, without an extended process, to adapt and support specialized business requirements.

“This type of flexibility in systemic architecture needs to parallel the flexible transactional landscape that is native to the captive industry, and will be critical to the success in making the right choice in a technology solution,” he adds.

Making the right choice is the key challenge such heightened technological emphasis poses captive clients. How can they ensure that they are choosing the right technology for their company’s needs?

As a highly specialized risk vehicle, it is critical that a vendor has a firm understanding of the captive industry, and better yet, has some industry experience. Teetelli advocates this as possibly the most vital consideration when determining your company’s technology requirements.

“I too often hear the former woes of our clients in recanting prior failed or inadequate vendor experiences,” he recalls. “They reflect that ‘they just could not connect the dots’ or ‘they just could not grasp a foundational understanding of our business.’ Captive vehicles are highly specialized, and a lack of understanding on behalf of the vendor can result in deleterious results; failing to match the right technology to support their business requirements.”

Keeping up

Of course, a trademark of technology culture is its fast-moving nature. One understandable concern, therefore, has always been that any upgrades in technology will, as the industry continues to progress, soon be obsolete themselves.

In Teetelli’s view, the key to keeping up with the ever-changing face of the industry and mitigating, what he refers to as “hitting the brick wall”, is to find a vendor whose products have the architectural flexibility to be equally responsive to changes in business requirements.

“One of the cornerstones that drive the captive industry is innovation, and the ability to creatively respond to market conditions and opportunities,” he says. “Fluidity and flexibility are critical foundational elements to allow and support this type of dexterity. Similarly, the technologies that drive and support their operations should



also exhibit similar characteristics.”

He continues: “Off-the-shelf or out-of-the box solutions are obviously not the choice, if they were, these types of technologies would have dominant positions within this industry today. It is those vendors who have product offerings that are easily configurable, and which can be responsive to the dynamics of the industry that they service.”

These types of vendors, Teetelli says, keep pace by updating their product offerings to incorporate new advances in technology; effectively keeping the technology current. Making an investment in that type of technology will, therefore, keep the captive owner ahead of the curve, assuring them that their business processing requirements will not outpace their technology provider.

Aspire

It was with these concerns in mind that led Maple to develop its Aspire Information System nearly a decade ago – a product to which flexibility was integral. “We were keen to design a system with a very flexible architecture,” says Teetelli, one of the product’s principal designers. “In doing so we segregated the development into two distinct components, a comprehensive backbone, which is the engine that drives Aspire, and client-side modules that are custom configured to each client incorporating their specific business requirements.”

By approaching development in this manner, Maple effectively created a setting where it could offer high levels of custom configuration to each client, meeting their business requirement needs without affecting the core, and more difficult to modify components found in the backbone.

“What this means to the captive client is an ability to offer high levels of custom configuration that are maintained easily, and more importantly can accommodate changes as the captive changes its trading environment,” he adds. “Effectively by virtue of its native architecture, Aspire easily caters and supports the captive business model, while also affording adaptability to changing markets and product portfolios.”

Practical implications

Naturally, captive managers will be keen to unearth Aspire’s practical implications. What role can it play in assisting them with their work-load and, ultimately, in growing their portfolios?

Both Maple’s existing captive and traditional clients have sharply increased their capacities for processing and administration without the need to add more resources and head counts, and Teetelli sees a growing and important resource role for the Aspire product in the captive arena.

“Aspire is an end-to-end solution that handles policy and claims administration requirements,” he says. “But, more importantly, it also addresses the financial components on the back-end such as reinsurance transactioning and statistical reporting. The financial analytics and data handling that Aspire supports will play a more critical and comprehensive role in balancing work-loads, resources and sustaining capacities for portfolio growth.”

As regulation continues to become more dominant in the captive sector, so too will the role technology has to play. And, as far as Teetelli is concerned, as long as the industry understands its need to adapt – and as its history of innovation certainly suggests it does – there is no reason why the challenge presented by technology won’t be met head on.

