

WASHINGTON September 26 (BestWire) — Captive management firm and alternative risk insurer Roundstone Management Ltd. believes its unbundled services approach is the way of the future.

At a time when some captive owners are finding fronting company terms to be too restrictive, Roundstone says it has developed a strategy to allow its captive clients to take better control of their insurance needs.

One of the major concerns that captives have with respect to services they utilize has been how some fronting companies are increasingly requiring they do business with a so-called list of preferred reinsurers—a practice that, particularly in a softening rate environment, the captive owners find restrictive and not in their best interest (BestWire, Sept. 4, 2007).

Speaking with BestWire on the eve of the National Risk Retention Association's annual conference in Washington, D.C., Donald McCully, a vice president with Roundstone, said the firm's approach is to unbundle up front and to make sure that "we have control over each component of the project."

He said that approach allows the firm and its clients "to pick service providers based on their skill set, not based on who they work for. We might have a better claims provider than what the insurance carrier had offered," McCully said.

McCully said Roundstone, which is based in Westlake, Ohio, delineates what the costs are for each layer of services to allow clients to see what the actual costs are. So, for instance, "as reinsurance [costs] goes up and down based on market fluctuations, having the ability to move within the market is great," said McCully.

Roundstone offers brokers and buyers unbundled services through its own class III Bermuda reinsurer known as Roundstone Insurance Ltd.; an Arkansas-domiciled property/casualty company called Roundstone Insurance Co.; and a protected cell-sponsored captive insurer, Companion Captive Insurance Co., based in South Carolina.

Currently, segregated cell and sponsored cell activity have increased substantially, according to McCully. "Over the last 24 months, [Roundstone has] opened up over 30 cells."

The reason for that is the speed at which captives can now be formed using various facilities, and the ability to unbundle the captive services and costs, McCully said.

Also currently, there are more participants focused on getting into captives. "As the market softens up, and an agent sees that they've been running their business at a 40% loss ratio and their premium just went down by 20% or 30%, low and behold, they realize there may be more profit in there than they realize, so looking into or exploring a captive makes more sense to increase their profitability."

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