

Better together than apart

With its acquisition of Cedar Management and Consulting, Citadel Risk has become a fully capable captive manager. Mike Palmer and Dennis Silvia explain how a one-stop-shop makes their business a top pick

What were your reasons for acquiring Cedar Management and Consulting?

Mike Palmer: Our main reason was completeness. As a group, Citadel Risk has operations in the US, Bermuda and the UK, including a cell business, two insurance companies and a reinsurer. What we were missing was a captive manager. We have worked in the captive market, generally providing stop-loss or reinsurance opportunities and legacy management for captives, but we have always had to outsource captive management.

This is how we got to know Cedar Management and Consulting. Cedar has been our captive manager for many years, so we know all of the individuals in the consultancy and management businesses. As a result, the acquisition was relatively easy and we now have that last arrow in our quiver, enabling us to offer captive setup, management, consultancy, reinsurance, run-off, novations and more. Captives can now come to Citadel from beginning to end.

Why are Citadel and Cedar better together than apart?

Dennis Silvia: When you consider the services that are necessary to bring a captive to market, you're talking about a very mixed bag. A captive requires all sorts of capabilities—management, reinsurance, fronting, cells, the list goes on—so finding a specialised expert provider for each of those is going to be very inefficient. Combining the services of Citadel and Cedar, we are able to integrate the entire process.

We can consult on areas such as feasibility and, once the decision to launch a captive is made, provide every specialised service the client needs to bring it to fruition. It's exciting because now we're not dependent on outside providers to make a captive happen.

We can create them with the expertise we have within our organisation. It's a very complementary acquisition.

Palmer: Citadel has been expanding over the last two years in both insurance and reinsurance fronting. Having Cedar Management as part of the team makes that a faster and more efficient process.

On top of that, Cedar Consulting gives us an additional layer of expertise that we didn't have before. For example, we have a client that has some problems with its existing captive structure. Cedar Consulting is now able to offer some very real and new solutions to those difficulties. That is something that we couldn't do before.

What's next for Citadel and Cedar following the finalised acquisition?

Silvia: The acquisition allows Cedar the opportunity to grow its client base as a captive manager. I don't think any of us are expecting a dramatic boom in business but I think we will see genuine organic growth.

Palmer: Expansion is a possibility. For example, we have spent a lot of time in the last two or three years working in Latin America to develop relationships with brokers and agencies to create some Latin American captives. Citadel Re is licensed as an admitted reinsurance company in many of those countries, which means there is the opportunity for growth. That's quite exciting.

Do you see Citadel expanding its presence to other domiciles?

Palmer: We are very much Bermuda-centric, but we do see our next segregated cell capabilities being both onshore and offshore. Cedar has ability to help set that up. We are looking at a feasibility study at the moment.

Silvia: We have looked at several domiciles, but I think we are homing in on Tennessee. That location makes the most sense for us to establish a segregated cell captive because the state allows incorporated cells.

This means that we can offer the cell structure and those cells can each have their own corporate identity.

This expansion could open the door to providing services to micro, small- and medium-sized captives, but also has flexibility to offer any kind of captive structure. Tennessee seems to be very interested in working with us. **CIT**

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