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# Bermuda's Insurers: Meeting Global Market Needs

Bradley Kading



## *Outline*

- **Bermuda market statistics**
- **Why Bermuda**
- **Bermuda regulatory update**
- **European and US market access issues**



## *Association of Bermuda Insurers and Reinsurers*

- **22 Class 4 Companies**
- **Highly capitalized, distinct regulation**
- **\$56 B GWP, \$64 B Surplus (YE 2006)**
- **Headquarters in Bermuda with operations in Bermuda, the US and Europe**
- **Worldwide business enterprises**
- **1,700 employees in Bermuda; 9,600 US; 17,000 worldwide**



## *World Wide Rankings*

- **AM Best top 35 reinsurers:\***
  - Bermuda 15 of top 35
  - Europe 11 of top 35; US 4 of top 35
- **Standard and Poor's reinsurer rankings:\***
  - Bermuda 13 of the top 40
  - More than either Europe or the US
  - Bermuda 3 of top 10 P/C reinsurers
- **Benfield top 20 P/C Reinsurers\***
  - Bermuda 7 of the top 20
  - Tied with Europe for 7 of the top 20

\*2006 reports



## *Bermuda Expertise*

**High severity, low frequency business:**

- **Property catastrophe**
- **Excess casualty**
- **Directors and officers**
- **Employment practices liability**
- **Energy**
- **Health care liability**

Conning, pp. 51-54



## *Class 4 Market Impact*

- **Largest property cat reinsurance market**
  - **Supplies 40% of the US and EU market**
- **Growing casualty market:**
  - **3 of the US top 10 professional liability**
- **Supply 25% of US medical malpractice**
- **Supply 25% of Lloyds 2007 capacity**
- **Supply 25% of US reinsurance market**
- **Supply 27% of EU reinsurance market (broker)**



## *Market Diversification Reinsurance\**

- **AM Best, top 10 groups 72% of market**
- **Europe's largest reinsurer is 4 times as big as Bermuda's**
- **Growth of Bermuda leads to market diversification**
- **Good for the cedents**
- **Bermuda carrier growth leads to market choice, less concentration**

\*AM Best Reinsurance Report, August 06; Standard and Poor's 2006 Report



## *Conning Research*

**Bermuda as "Silicon Valley" of insurance innovation development:**

**"In 2006, it appears possible that Bermuda may have developed many of the cluster effects of Silicon Valley in the 1990s."**

**"Bermuda is the place where many of the world's most astute investors and many of the world's most experienced underwriters of property-casualty risk come together. Put another way, Bermuda is where the capital markets and the market for insurance and reinsurance talent most closely intersect."**



## *Why Bermuda?*

**Create your company in Bermuda to be part of a thriving, entrepreneurial center of excellence in the insurance business!**



## *Why Bermuda?*

- *Efficient, focused, informed* regulation:
  - You won't avoid solvency regulation--
    - You will be regulated to meet IAIS international regulatory standards
    - Bermuda's committed to regulation appropriate to the wholesale market



## *Bermuda – Foundation for success . . .*

- **Entrepreneurial spirit**
  - Support of capital markets
- **Diverse, talented underwriting pool**
  - Center of excellence, sparking from diversity
- **Supportive government**
  - British foundation, responsiveness
- **Reputation for integrity**
  - Smallness helps



## *How does Bermuda regulation work to serve this market?*

- **Enabling legal and regulatory framework**
- **Regulation geared to wholesale market**
- **Efficient licensing process—**
  - Six weeks; Four months; Seven years +
- **Awareness of the critical nature of timeliness of these transactions**



### *How does Bermuda work to meet market needs:*

- **Convenient center for a global platform:**
  - Unique location
- **Efficient tax system**
- **International regulatory standards**



### *Environmental Change:*

- **EU reinsurance directive**
- **EU Solvency II**
- **US collateral alternatives**
- **US federal regulation debate**
- **US property cat and tax debate**
- **IASB and international accounting standards**
- **Bermuda's Class 4 regulatory recalibration**
- **Bermuda's commitment to international standards**



## ***Class 4 Regulatory Recalibration***

- **Distinctive, heightened regulatory standards**
- **Commitment to IAIS core principles**
- **Risk based capital**
- **Stress and scenario testing**
- **Public financial statements**
- **Human resources**
- **Risk based financial examinations**



## ***2008 Work to Come:***

- **Economic capital modeling**
- **Group supervision**
- **Class 3 review**
- **Regulatory equivalency US (collateral)**
- **Regulatory equivalency EU, reinsurance and Solvency II**



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