

Bermuda Insurance Update



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Bermuda aids victims of disaster

More than half of the insurance claims paid out to victims of a series of natural disasters in the first quarter - including the Chile earthquake - will come out of the Bermuda (re)insurance market, according to preliminary estimates.

Projected net catastrophe losses of up to \$4.8 billion for the first three months of the year had been announced by reinsurers globally by the end of March. Of that, Bermuda companies are on the hook for just over \$2.5 billion.

The 8.8-magnitude earthquake - the fifth-strongest in a century - and the tsunami it generated struck central Chilean coastal areas on February 27, claiming 452 lives. According to a report by the Chilean government, the catastrophe could end

up costing the South American country around \$30 billion in destroyed property and infrastructure, as well as lost production.

On the same day as the quake, the violent storm Xynthia brought hurricane-force winds to parts of western Europe. The storm killed more than 50 people in France alone, mostly as a result of a storm surge producing 25-foot waves crashing inland.

Catastrophe modeling experts Equecat believe the Chile earthquake insured losses could reach \$8 billion. AIR Worldwide have estimated a figure of between \$2 billion and \$4 billion for Xynthia.

An unusually high incidence of extreme weather in the north-eastern United States

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Reinsurers seize market share

Bermuda reinsurers represented more than a third of global market share in 2009, according to a report by credit rating agency A.M. Best.

The global reinsurance report found that in terms of property/casualty net premiums earned last year, Bermuda-based companies made up 36 percent of the market.

XL Capital Ltd was the top Bermuda player with five percent, while PartnerRe, whose share will climb this year after the \$2 billion acquisition of Swiss reinsurer Paris Re, claimed four percent.

White Mountains Group and Everest Re each wrote four percent of global reinsurance as well, while two Class of 2001 companies, Axis Capital and Arch Capital, each claimed three percent.

Companies with a two percent share included Validus Holdings, a firm that was only founded in the wake of Hurricane Katrina in late 2005 and which has rapidly developed to become a significant player



on the global stage, particularly following the acquisition of fellow Bermuda reinsurer IPC Holdings last year.

Best listed seven other Bermuda companies with a share of approximately one percent

- RenaissanceRe, Allied World, Platinum Underwriters, Max Capital, Flagstone Re, Montpelier Re and Maiden Holdings.

While no Bermuda company can match the market might of Europe's big three of Munich Re (20 percent), Swiss Re (14 percent) and Hannover Re (seven percent), nor the US giant Berkshire Hathaway (13 percent), the importance of the Island's market to global reinsurance is clear from the agency's figures.

The report, entitled "Reinsurers Battled Headwinds of Softening Market in 2009", showed that the combined US and Bermuda reinsurance market achieved an impressive combined ratio of 85.8 percent in 2009 - an improvement of almost eight points over 2008.

Best added that the solid earnings achieved by reinsurers in 2009 helped to restore some of the capacity lost during a tumultuous 2008, when high catastrophe claims combined with plunging asset values during the financial crisis created what some called a "perfect storm" for the industry.

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Bermuda aids victims of disaster

and some violent hailstorms in Australia have only added to added to the anticipated insured losses.

Three European reinsurers face the biggest first-quarter catastrophe claims. Munich Re has estimated net catastrophe losses of \$679 million, Swiss Re, \$600 million, and Hannover Re, \$307 million.

But from there on down, the list of major claims payers is dominated by Bermuda companies. The next largest number has come from Bermuda-based PartnerRe Ltd., which estimated a loss of between \$220 million and \$320 million for the earthquake, as well as \$40 million to \$70 million for the storm - meaning it could pay out as much as \$390 million in total.

Validus Holdings Ltd. stands to see the next biggest catastrophe losses, ranging between \$190 million and \$300 million. Everest Re Ltd. estimated a \$250 million loss, while XL Capital Ltd. was potentially the fourth highest Bermuda claims payer, with an estimated range of between \$160 million and \$230 million.

Catlin Group Ltd. and Hiscox Ltd., two major operators in the Lloyd's of London market who are based in Bermuda, each expect to fork out around \$150 million.

When more complete figures are known, the Bermuda market is probably on the hook for much more than \$2.5 billion.

There are privately-held companies, such as Ariel Holdings Ltd., Ironshore Inc. and Torus Insurance Holdings Ltd. And prominent property-catastrophe reinsurer RenaissanceRe Ltd. said it expects its quake losses will be "meaningful".

The Association of Bermuda Insurers and Reinsurers (ABIR) said its 23 member companies accounted for around 40 percent of property catastrophe reinsurance premiums in the US insurance market in 2008 and 40 percent in Europe.

The remarkable amount that Bermuda will be paying to help the Chileans and the French get back on their feet in the wake of devastating disasters shows it has progressed a long way from being a US-focused market into a truly global (re)insurance centre.

	EARTHQUAKE	XYNTHIA	COMBINED
COMPANY	CLAIMS(\$m)	CLAIMS(\$m)	CLAIMS(\$m)
PartnerRe	220-320	40-70	260-390
EverestRe*	225	25	250
Validus	170-270	20-30	190-300
XLCapital	140-205	20-25	160-230
CatlinGroup	140	10	155
Hiscox	NA	NA	152
MontpelierRe	75-100	10#	85-100
Platinum*	NA	NA	85^
WhiteMountains	55-145	10	65-155
Lancashire	65-125	NA	65-125
AxisCapital	60-125	10-20	70-145
Aspen	70-110	<5	70-115
Endurance	NA	NA	65
Flagstone	50	3-6	53-56
ArchCapital	35-50	15#	50-65
Hardy	27-37	NA	27-37
ArgoGroup	NA	NA	25-35^
Omega	NA	NA	23
MaxCapital	NA	NA	10-20+

MAXIMUM COSTS: \$1.902 billion \$226 million \$2.503 billion

Notes: Some company names have been abbreviated for space.

Some totals were converted from euros or pounds on the day of the announcements.

*after taxes

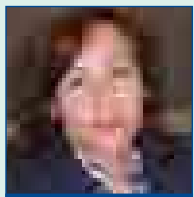
^Includes all 2010 catastrophes through the date the company reported its estimated disaster claims.

+ Max Capital Group Ltd. is estimate based on its planned merger with Harbor Point Ltd.

Numbers represent maximum losses and include costs from Australian hailstorms.

New leader at the helm of IDC

A statement from the new Chairman of Bermuda Insurance Development Council (IDC)



Allison Towison
New Chairman IDC

As the new Chairman of the IDC, I thought it only fitting that I mark the occasion by writing an article for the IDC newsletter, The Bermuda Insurance Update.

I would like to take this opportunity to thank my predecessor, Roger Gillett, for his many years of dedicated service to the industry and his commitment to the IDC. Roger will certainly be a tough act to follow, but I am fortunate that he has agreed to continue to work with the IDC Executive.

In the last few years, there have been many new companies established on the Island. It's important they are aware of how they too, can contribute to the success of

the market as a whole, and that they embrace this role.

There are several active organizations supporting international business in Bermuda, some focusing on the issues impacting our industry; others focusing on marketing the entire international sector including banking and hedge funds.

The IDC exists solely to market the insurance and reinsurance industry. We support the industry's marketing efforts, and ensure that Bermuda remains in the spotlight as a market of choice for existing and prospective clients.

The IDC provides clients with information and resources to stay informed through the Insurance Information Office, participation at key industry conferences, our comprehensive Bermuda Market Solutions book, the Bermuda Market website www.bermuda-insurance.org and this newsletter.

These tools provide brokers and clients with

a better understanding of what products and capabilities the Bermuda market has to offer.

We must continue to volunteer our time and energy, which includes speaking at conferences and manning Bermuda's RIMS booth. Vital to the success of the IDC is this partnership that exists across the public and private sectors.

I would like to thank the Bermuda Government for their unwavering support from year to year. It is also the continued support of the private companies in our industry that enables the IDC to provide a platform for clients to learn more about the value and strength of the Bermuda Marketplace.

As I take on this new role, I recognize there are many opportunities for us to do more together – more to ensure our clients understand that the Bermuda Market is here to provide them with solutions. It's essential that we consistently meet the evolving needs of our clients.

I look forward to engaging our business partners and our clients to ensure the

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Captive solution to hospital costs



**Cassatt Insurance Company Ltd.
President and CEO Eric Dethlefs and VP
and CFO Thomas Alesi.**

White House attempts to improve a long-running deficiency in America's healthcare system will not address all the challenges faced by hospitals over medical malpractice costs.

It was the evidence of such challenges in Southeastern Pennsylvania that led to the formation of a Bermuda captive insurance company two decades ago to offer protection to medical institutions.

In an effort to address these issues, a bold company sold an idea that called for co-operation among its members, which brought them substantial advantages.

Cassatt Insurance Company Ltd. was formed in 1991 and is licensed as a Class 2 insurer under Bermuda law. It was formed to provide its members a shared-risk approach to managing their professional liability risks, as an alternative

to what was available at the time in the commercial marketplace.

It is managed in Bermuda by Aon Insurance Managers. In addition, the captive has engaged Terry Power of H&H Management Services as its captive consultant.

VP and CFO of Cassatt Risk Retention Group, Inc., Thomas W. Alesi said, "Our captive manager and consultant are well-versed in the regulatory environment on the Island. The Bermuda vehicle has worked out well for us."

Since the owners of the captive are all hospitals and health systems, managing risk was a principal goal of the captive upon its formation. Each member's CEO and one other executive are on the captive's board.

Cassatt President and CEO, Eric W. Dethlefs, pointed out: "Active participation by these executives is one of our core mandates. This encourages the sharing of ideas, including risk, claims and financial management to make sure all possible ideas have been considered during the decision making process. The theory was, and still remains to this day, that the members all work together in a shared-risk environment to minimize clinical and financial risk to the best degree possible."

Mr. Alesi added, "The advantages of the shared risk approach and active involvement of the senior executives of our members cannot be overstated. While in the boardroom, all board members understand the challenges experienced by other members, and can see how these challenges can occur at their own institutions.

"Solutions that have been proven to be effective at one hospital generally can be applied at others as well. This works extremely well within the clinical environment, and the Cassatt Holding Company provides training sessions to the members' medical staffs which encourages sharing of ideas with solutions that have worked before, not only within our own institutions, but from outside speakers as well."

There was no doubt that medical professionals needed to find alternatives to the commercial insurance market, after difficult times in the 1980s and early 90's.

Mr. Dethlefs said, "The medical malpractice environment, particularly in our geographic area of southeastern Pennsylvania, became a serious challenge to hospitals, health systems, and health care professionals.

"Stability in the commercial marketplace

was complicated by the entry, departure and financial failures of several such carriers, which made it difficult to form long-term relationships with carriers.

"The initial founders of Cassatt believed that the sharing of ideas would lead to a strong governance policy and should over a long period of time provide value to each individual member. Most of those founding members are still members today, so the goal of stability has been achieved."

Mr. Alesi noted, "We are providing an extremely competitively priced product to our members. While recent catastrophic events within the world such as earthquakes and hurricanes more directly impact the commercial carriers, our exposure is limited. The premiums that we charge are a direct result of many events within the control of the captive's members and management team."

Several members were added in the 2000 policy year, and some members have withdrawn, mostly due to acquisitions. But the captive has grown at a steady pace over the years.

Mr. Dethlefs said, "The captive's experience has improved appreciably over time. Early on, issues surfaced which required additional financial contributions from the members. The state in which our members are located experienced a turbulent period in medical malpractice which produced some adverse financial results, but the membership stepped up. Since that period, the overall experience has steadily improved, and the captive is stronger financially than at any point in its history.

"The captive provides basically the same lines of business today as it did at the outset. Structures and limits have varied over the years, but the products have not changed. The captive reinsures primary professional liability coverage for physicians and member health care institutions from the program's US domiciled risk retention group. In addition, it provides direct excess hospital professional liability (HPL) coverage for the member hospitals and health systems only. The captive has cultivated a reinsurance relationship with Allied World Assurance Company, Ltd. since 2002. Finally, the captive also provides non-professional general liability coverage to its insured members.

"The captive is committed to providing the best products and services possible to its insured members. Occasionally new product lines or possibly new members are considered and evaluated by the captive's board of directors." ■

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**Roger Gillett
Retired IDC Chairman**

continued success of the Bermuda Market.

Ms Towlson follows Mr. Gillett who was IDC Chairman for 14 years.

A 20-year industry veteran, Ms Towlson is Senior Vice President, Regional Executive at

ACE Bermuda Limited.

Founded in 1990, the IDC is one of several sub-committees of the Bermuda Insurance Advisory Council (IAC). With support from both the private and public sectors, its principal function is to provide generic marketing support to the industry, promoting Bermuda as a leading captive insurance, commercial insurance and reinsurance centre.

Mr. Gillett effectively swaps roles with Ms Towlson, taking her former post as

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Reinsurers eye 'quake activity

Is the series of earthquakes that have made news around the world this year a coincidence or are we seeing a spike in seismic activity?

That is a question that some of Bermuda's global property-catastrophe (re)insurers may be asking as they wonder whether the tremors shaking various parts of the globe could herald an imminent "big one" in a major city in California or Japan.

First, the world was shocked by January's 7.0-magnitude quake in Haiti, which left hundreds of thousands dead and an estimated one million homeless. In February, came one of the most powerful earthquakes ever recorded, of magnitude 8.8, which caused hundreds of deaths in central Chile and could lead to \$8 billion in insured losses, according to Equecat.

Days later, another 6.0 quake hit Turkey and left 51 dead. Taiwan was shaken by a 6.4-magnitude earthquake with its epicenter just 155 miles from Taipei, but suffered only minor damage, while yet another 6.0 quake shook the Philippines, west of Manila, without serious impact.

In April there were a series of earthquakes in Baja, California and Mexico. There have also been a series of small earthquakes near the summit of Mount Redoubt, about 100 miles southwest of Anchorage, Alaska. Risk Management Solutions (RMS) is one of the catastrophe modeling experts Bermuda's insurers consult for advice on the science of natural disasters.

Asked about this year's spate of tremors, Mary Lou Zoback, Vice President, Earthquake Risk Applications, for RMS, said: "As far as we know, there is no connection between them."

She added that sometimes the release of stress in a fault line that an earthquake brings can trigger an earthquake in an adjacent fault line - but none of this year's 'quakes were geographically close enough to each other to satisfy this explanation. The dynamic triggering that can see one tremor sparking another in volcanic regions did not fit the bill either.

"What I think we're seeing is nothing out of the ordinary," Dr. Zoback said. "The rate at which these earthquakes are occurring is consistent with the long-term rate. They have all taken place in populated areas, so we've heard a lot about them."

This year has certainly got insurers thinking about their earthquake exposures, however.

According to a paper produced in 2007 by Munich Re's Aselm Smolka, proposing a "risk index" for the world's megacities, the top five locations, in terms of earthquake insured losses potential are Tokyo, San Francisco, Osaka, Los Angeles and Manila. In sixth place is a city that some be surprised to see on the list at all - New York.

"The New York area has a lot of small tremors - up to magnitude 5 - so we know that bigger ones will happen there at some time," Dr. Zoback said. "Because they are so infrequent, we don't have the historical record we need to work out the cycle. We know that an earthquake is going to happen there, but we have no way of knowing when. It could be next year - it could be in 1,200 years."

Scientists at Columbia University have studied 383 small tremors that have taken place in New York since 1677 and estimate that a magnitude 6.0 earthquake should take place there about every 670 years and a 7.0 quake every 3,400 years. Should a big one strike Manhattan, the insured losses would

be on a cataclysmic scale and far greater than anything that could happen in California.

Economic losses resulting from a 6.5-magnitude earthquake in Manhattan would exceed \$1.5 trillion, according to the RMS 9.0 US Earthquake Model. Dr. Zoback and three RMS colleagues presented this estimate in a paper on US seismic hazard that they presented at a conference in San Francisco last year. The major problem is that a massive amount of the city's infrastructure was not built to withstand earthquakes.

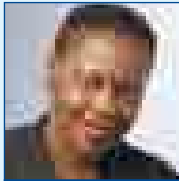
One place where the odds suggest a major earthquake is likely in the next few decades is the San Francisco Bay area adjacent to the Hayward Fault Zone. Dr. Zoback said economic losses in a 7.0-magnitude earthquake there could cause economic losses of some \$157 billion. Much infrastructure crosses the fault - such as gas lines and major transit routes - and it even runs right through the middle of the University of Berkley football stadium. Insured losses however, would only total around \$21 billion, less than 15 percent of economic losses.

Low insurance penetration means that less than 10 percent of residential losses would be covered, but a slightly higher rate for commercial property. Because of the 15 percent deductible and high premiums of the standard earthquake insurance policies in the area, many don't consider it worth buying.

Dr. Zoback said a better solution needed to be found to avoid the prospect of horrendous uninsured losses and she argued that the issue of seismic risk mitigation needed to climb up the political agenda. ■



Trilingual ALARYS returns



Deputy Premier
Minister of Finance
The Hon. Paula Cox
J.P., M.P.

Deputy Premier and Finance Minister Paula Cox said that Bermuda will do more business with Latin American countries in the future.

The Minister made this statement as the Bermuda Insurance Management

Association (BIMA) and the Bermuda Insurance Development Council (IDC) prepare to host the next gathering of Latin American risk managers.

Asociación Latinoamericana de Administradores de Riesgos y Seguros (ALARYS) has selected Bermuda as the host country for the 11th biennial ALARYS Congress www.alarysBermuda.com this October.

It is only the second time that the event – a trilingual conference - has been held in a non-Latin jurisdiction, after it was first held in Bermuda six years ago.

The Minister stated: “Global trade has created new exposures and new opportunities for business. The ALARYS group of risk management associations from various Latin American countries emphasizes the growing importance of managing risk in the region.

“We were very fortunate to have hosted the ALARYS Conference in 2004. It was a very successful event which saw a robust exchange of ideas. Since that time, all countries have endured some significant

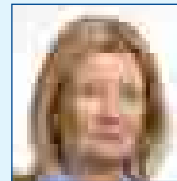
tests in the global economy due to the unprecedented financial challenges. And each region has experienced growth as well as losses.

“However, in Bermuda’s case we believe that recent successes in the negotiation of Tax Information Exchange Agreements (TIEA) with OECD and G20 member countries where Bermuda attained the distinction of becoming the first country to ascend to the OECD White list after that list was issued on April 2nd, 2009, and the signing some years ago of a Mutual Legal Assistance Treaty with the US have only added to Bermuda’s attraction as a premier jurisdiction for international business.

“Bermuda’s attraction to Latin America specifically was enhanced with the signing of the Bermuda/Mexico TIEA signed in 2009, our first TIEA signed with a Latin American country, as we continue our focus to strengthen relations with the Latin American region.

“Over the years, ALARYS has fostered significant relations with Bermuda. It is friendships and bonds in the business sector such as these that we are keen to nurture. October 2010 marks the return of ALARYS to Bermuda and we couldn’t be more pleased. Your visit confirms that you view Bermuda as a solid and trusted jurisdiction in which to conduct business and we intend to build upon this relationship to ensure that it is mutually beneficial to both entities.”

The Bermuda effort to host the event is being headed by IDC Executive Committee Member Jill Husbands, the Bermuda head of office for captive management operations

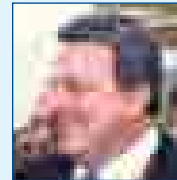


Jill Husbands
IDC Executive
Committee Member

for leading insurance broker and risk advisor, Marsh IAS.

Ms Husbands said, “We are not just hosting a conference for risk managers, but welcoming back good friends and business partners from Latin

America. We had a highly successful event in 2004 and expect that this year’s conference will be educational and thought-provoking for all delegates.”



Jorge Luzzi
ALARYS President

ALARYS President Jorge Luzzi is the director of Risk Management for the Pirelli Group in Italy.

Viva Bermuda!

El Retorno! ALARYS 10 is being held October 11-13 at the Fairmont Southampton Hotel.

The biennial congress is expected to attract delegates from Latin America and elsewhere, comprising those speaking Spanish, Brazilian Portuguese and English.

Speeches during the event are immediately translated and delegates get the benefit of this translation in their native language via special headphones.

Risk managers from Brazil, Costa Rica, Mexico, Panama, Venezuela, Chile, Argentina, Italy and Spain will attend to discuss issues affecting how they manage risk for their private sector corporations. ■

SAVE THE DATE
October 11th - 13th, 2010

Viva Bermuda! El Retorno!
ALARYS 10

THE Latin American Risk Management Conference of the Year

As global decision-making creates a new economic world order your favorite risk management conference returns to *calientita* Bermuda.

Hear top speakers from leading markets:
Latin America, Europe, Bermuda

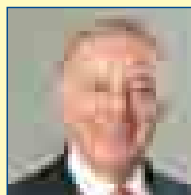
Risk Management • Reinsurance
Captive Insurance • Alternative Risk Transfer (ART)

Fairmont Southampton Hotel – Bermuda

Hosts: Bermuda Insurance Management Association (BIMA)
Bermuda Insurance Development Council (IDC)

Conference Coordinator: Rochelle Simons
rsimons.alarys@logic.bm

Kramer to exit top job at Ariel Re



Don Kramer
Non-Executive
Chairman

Ariel Holdings Ltd. Chairman and CEO Don Kramer has stepped down from the Bermuda-based reinsurer. George Rivaz, who has been president of Ariel Holdings

since 2008, has been named CEO.

Mr. Kramer, a Bermuda insurance veteran who founded Ariel in 2005 after raising approximately \$1 billion from private equity investors, will become Non-Executive Chairman

of the company.

Mr. Rivaz will continue in his role as nonexecutive chairman of Ariel Reinsurance Ltd. and Atrium Underwriting Group, the company’s two principal operating subsidiaries.

“George was a key player in establishing Ariel Re’s franchise, led our acquisition of Atrium in 2007 and has positioned the company well to take advantage of opportunities ahead,” Mr. Kramer said in a statement.

Privately-held Ariel had a market capitalization of \$1.7 billion at year-end, having reported record profits for the recently concluded fiscal year. ■

Industry leaders in high level talks

Liberty Mutual CEO Ted Kelly has warned that attempts by lawmakers to introduce a taxation measure to squeeze more tax revenue out of non-US insurers could cause “collateral damage” in the industry.

Mr. Kelly, speaking at the World Insurance Forum in Bermuda, suggested that such legislation could have “unintended consequences” if it’s not crafted carefully.

Liberty Mutual is a member of the Coalition for a Domestic Insurance Industry, a US lobby group that backs the Neal bill, which seeks to increase the US tax burden on non-US insurers.

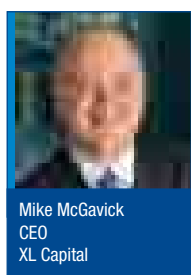
“Any bill that is passed, unless it is properly crafted, it could do a lot of collateral damage,” Mr. Kelly said in an interview after a panel discussion at WIF. “They just have to be very careful.”

The opponents of the bill say it would cost US insurance buyers \$10 billion to \$12 billion in higher premiums and would threaten the availability of insurance coverage in catastrophe-prone areas. The bill targets affiliated reinsurance between non-US insurers and their US subsidiaries.

During a panel discussion, Mr. Kelly also expressed his doubts about a tax change, saying it could have “unintended consequences” and adding: “We all need global capital for reinsurance.”

His comments came during two days of thought-provoking discussion at the ninth staging of WIF, which attracted around 200 delegates, mostly senior executives, and featured some of the global insurance industry’s most influential figures as speakers.

Climate change, enterprise risk management (ERM), mergers and acquisitions and the role of governments in the industry were among the hot topics discussed in the swish surroundings of the



Mike McGavick
CEO
XL Capital

Tucker’s Point Hotel in St. George’s.

Among the highlights was XL Capital CEO Mike McGavick’s assertion that the American International Group’s continuing support from the US Government would

have serious repercussions for insurance buyers.

Although Mr. McGavick conceded the US Government intervention in AIG “might have been the right reaction” as the insurer neared collapse in September 2008, he added: “Now I am frustrated to know that we have a government-owned competitor —

the problem is very, very real.

“I’m v ery jealous of them being able to call the Treasury to refuel their reserves — it sets in motion a whole bunch of consequences that the consumer will pay for when the market corrects.”

Mr. McGavick added: “The fact they can choose which assets to sell to repay Uncle Sam, and they don’t have to sell any, seems very bizarre to me. It should be of grave concern to the American taxpayer.”

Bermuda-based business insurer XL was the biggest climber on the S&P 500 Index last year and bounced back to profitability after a \$2.6 billion net loss in 2008 - a recovery achieved with no government support.

Swiss Re CEO Stefan Lippe told WIF delegates he expects to see “an M&A wave in the next two years in the insurance market” as companies seek to make good use of the capital accumulated last year.

Many expect more consolidation to happen in the Bermuda market, which has seen three major deals in the past year alone. PartnerRe acquired Paris Re, Validus Holdings merged with IPC Holdings and in March, Max Capital Group and Harbor Point Re announced their intention to carry out a “merger of equals”.



Brian Duperreault
CEO
Marsh and McLennan

Marsh and McLennan CEO Brian Duperreault added that reasons for merging ought to be multi-faceted and not purely financial. “The most important thing is that the cultures have to be aligned,” he said.

Leading ocean scientist Dr. Anthony Knap, of the Bermuda Institute of Ocean Sciences (BIOS), told the conference that the latest evidence showed that the ocean was warming and its level was expected to rise by between 1.2 metres and 1.4 metres by the end of the century. More intense storms were likely, Dr. Knap added.

While climate change presents potential hazards to insurers, there may also be opportunities. Barney Schauble, managing principal of Bermuda-based investment fund Nephila Capital, whose firm specializes in insurance-linked securities such as catastrophe bonds, sees it that way.

“Climate change could be a major driver for growth in the insurance and reinsurance industry, but only if prices change to reflect the changing risk,” Mr. Schauble told the conference. “Over the long term, it presents more of an opportunity than a threat.”

Speaking on ERM, John Charman, CEO of Bermuda-based re/insurer AXIS Capital Holdings, said the insurance industry has evolved from a point where it relied on luck to a point where a company “now makes informed decisions and takes the risk it is willing to assume”.

During the week of WIF, the Bermuda Parliament passed legislation giving financial regulator the Bermuda Monetary Authority the legal basis for group supervision of its international insurers.

Mr. Charman said this development was critical to the structure of global reinsurance businesses. “We cannot have our capital fragmented globally,” he said.

Bermuda’s Finance Minister Paula Cox launched WIF by telling delegates the Island’s insurance market had “weathered the storm better than most” during the economic downturn. She added: “The insurance and reinsurance industry is clearly the jewel in our crown.” ■

Swiss timing

The Bermuda Monetary Authority (BMA) has exchanged Letters of Cooperation with the Swiss Financial Market Supervisory Authority (FINMA). The Letters follow the principles of the International Association of Supervisors Multilateral Memorandum of Understanding (IAIS MMOU).

As part of the agreement for co-operation, the BMA and FINMA will assist each other in the exchange, handling, protection and return of information relevant to their respective markets for regulatory purposes. The letters set the criteria for information exchange relevant to each authority’s supervisory, regulatory and examination responsibilities of insurance entities, and establish the formal basis for consultation, cooperation and coordination between the BMA and FINMA.

The Bermuda Switzerland Letters of Cooperation are the latest in a number of similar agreements that the Bermuda Monetary Authority has signed to formalize existing working relationships and interactions with regulatory bodies overseas.

These Letters of Cooperation are demonstrative of the BMA’s ongoing efforts to implement group-wide supervision. This is a critical component of Bermuda’s regulatory regime and is important to achieving regulatory equivalence with other major international markets. ■





David Ezekiel

Michael McGavick

Kirsten Faria

BII honors insurance execs

Key insurance executives are being honored by insurance school Bermuda Insurance Institute (BII) at their 12th Annual Insurance Industry Awards, during a gala dinner at the Fairmont Hamilton Princess in May.

Captive management veteran **David Ezekiel** is being presented the **Lifetime Achievement Award**.

XL Capital CEO **Michael McGavick** has been named the **(Re)insurance Person of the Year**.

And Senior Vice President, Healthcare Lines at Allied World Assurance Company **Kirsten Faria** has won the **Young (Re) insurance Person of the Year Award**.

David Ezekiel M.Sc., F.C.A. is being recognized for efforts to promote a sound business environment for the international business community in Bermuda. For many years, David has influenced and driven change through partnerships with regulatory, government and professional organizations.

He is Chairman of the Association

of Bermuda International Companies. He was also the founding partner and CEO of International Advisory Services (IAS), which was acquired by Marsh at the end of 2009 but served as the largest independent in the captive management field for many years. Mr. Ezekiel was also recently appointed as MMC Chairman, Bermuda.

Mike McGavick is being recognized for his outstanding leadership as CEO of XL Capital during the most tumultuous time in the Company's history. In 2009, XL moved from the position of 499 on the S&P 500 to the top performer, with a stock price gain of 395 percent.

Under Mike's leadership XL was able to re-emerge as a leaner, more transparent entity focused on its core business, with an emphasis on enterprise risk management.

Mike serves as the Second Deputy Chairman of the Association of Bermuda Insurers and Reinsurers.

Kirsten Faria Kirsten joined Allied World in 2002 as an assistant underwriter and rapidly ascended through the underwriting ranks, building upon her industry knowledge and assuming increased responsibilities.

As product line manager and member of the senior management team of Allied

World's Bermuda & International platform, Kirsten is responsible for the P&L of a significant premium portfolio which routinely proves to be the company's highest ROE producing unit.

She maintains a high profile within her industry specialty, routinely representing Allied World and the Bermuda market with distribution partners

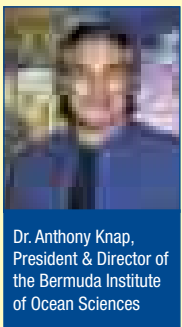
throughout the US and Europe as well as at industry conferences such as RIMS and ASHRM.

Kirsten has proven to be an excellent teacher, coach, manager and role model for individuals of all ages who believe in the virtues of work ethic, determination and professionalism.

BII President Mrs. Laurie Orchard congratulated the recipients and said, "It is important that we recognize the outstanding efforts these individuals have put forth in support of our market. Their achievements are representative of the strong commitment of our industry to create lasting value and a gold standard reputation for Bermuda."

The Bermuda Insurance Institute is a registered charity and educational institution, funded by its insurance industry members. The institute facilitates insurance studies, and insurance-related studies, organizes discussion of industry matters and other interaction among industry participants. Incorporated under The Bermuda Insurance Institute Act 1984, the organization has been preparing Bermudians for the insurance industry since 1970. ■

Primer on climate change



Dr. Anthony Knapp,
President & Director of
the Bermuda Institute
of Ocean Sciences

days will be held for financial analysts and investors in London and will

A world renowned oceanographer from Bermuda will deliver a major climate change address at Investor Days in London and New York in May, hosted by Flagstone Reinsurance Holdings Limited.

The Investor

feature presentations by Mark Byrne, the Company's Executive Chairman; David Brown, the Chief Executive Officer; Patrick Boisvert, Chief Financial Officer; and other members of the Senior Management Team.

The presentations will cover the state of the market, strategic objectives and prospects for 2010. There will be a question and answer session at the end of the presentations.

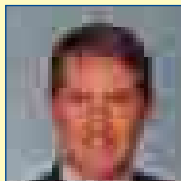
Additionally, there will be a guest speaker, Dr. Anthony Knapp, Director of Flagstone Reinsurance Holdings Limited, and President & Director of the Bermuda

Institute of Ocean Sciences. Dr. Knapp will be speaking on "Climate Change and (Re) insurance – Managing the Extremes".

A webcast of the presentations will also be available at www.flagstonere.com, the company web site.

Flagstone Reinsurance Holdings Limited, through its operating subsidiaries, is a global multi-line reinsurance and insurance company that employs a focused, technical approach to the Property, Property Catastrophe, and Specialty reinsurance and insurance businesses. Flagstone Réassurance Suisse SA has an "A-" financial strength rating from both A.M. Best and Fitch Ratings, and an "A3" rating from Moody's Investors Service. ■

Guess who's coming to breakfast?



Gavin Collery
President
Alternative Re

Two more Bermuda Captive Breakfast Seminars are planned this spring, with corporate risk managers interested in the formation of captive insurance solutions gathering at two eastern cities this May.

Experts will explore the reasons why companies form captives, how it is done, the latest ideas for captive use, together with tax and regulatory updates. Captive managers, regulators and related professionals will be on hand to answer questions.

The events are spear-headed by the Bermuda Captive Conference. Captive professionals from Bermuda work with regional chapters of the Risk and Insurance Management Society, Inc. (RIMS) to inform

risk managers and other corporate officers of the uses and experience of captive insurance.

The next seminar is being held at the Sheraton Station Square in Pittsburgh, Pennsylvania during the morning of Wednesday May 12.

Six days later, another morning meeting is planned for Tuesday May 18 at the Philadelphia Marriott Downtown.

The liaison for the Bermuda Captive Breakfast Seminars is Gavin Collery, and executive board member of both the Bermuda Insurance Development Council (IDC) and the Bermuda Insurance Management Association (BIMA). Mr. Collery is President and Chief Operating Officer of Alternative Re, a subsidiary of Arch Capital Group Ltd.

He commented, "The Bermuda Captive Breakfast Seminar concept was last successfully held in Atlanta, Georgia and was extremely well received by all who attended. This is now a fabulous opportunity for companies in the metropolitan areas of Pittsburgh and Philadelphia to meet captive insurance experts first hand and gain a greater understanding of why Bermuda remains the premier domicile of choice.

"With speakers from each of the major disciplines (management providers, tax, legal and regulatory), it demonstrates the depth of expertise available in Bermuda and will enable attendees to explore and discuss the latest topics of interest in the captive insurance field. We are looking forward to dynamic and engaging discussions between the attendees and panelists.

"As the sessions are open to all at no charge, we are targeting a broad spectrum of individuals interested in captives ranging from brokers and distribution intermediaries to parties interested in captive insurance uses for their companies and existing captive owners looking to explore additional uses of their facilities.

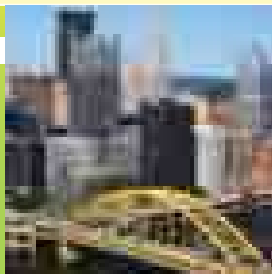
"In addition, attendance of representatives in the tax and regulatory fields will allow attendees direct access to the facts on the latest tax and regulatory news. We say "thank you" to the RIMS chapters in each location for their assistance in coordinating the events. "

Mr. Collery is moderating the Pittsburgh seminar which, similar to the Philadelphia event, will include captive management, regulatory, tax and legal panelists.

Attendance is being confirmed by email at Rochelle.simons@logic.bm ■

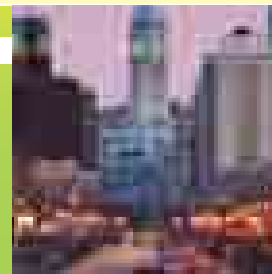
PITTSBURGH

Date: Wednesday, May 12th, 2010
Venue: Sheraton Station Square
300 W. Station Square Drive
Pittsburgh, Pennsylvania 15219

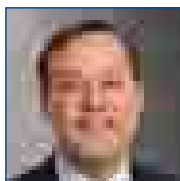


PHILADELPHIA

Date: Tuesday, May 18th, 2010
Venue: Philadelphia Marriott Downtown
1201 Market Street
Philadelphia, PA 19107



Alterra is a merger of equals

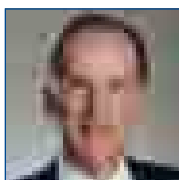


W. Marston (Marty) Becker
President and CEO
Alterra

The "merger of equals" of Max Capital Group Ltd. and privately held Harbor Point Limited has created Alterra Capital Holdings Limited and will trade on the NASDAQ Global Select market under the symbol ALTE.

W. Marston (Marty) Becker, Chairman and

Chief Executive Officer of Max is the President and Chief Executive Officer of Alterra and serve as a Director, while John R. Berger, Director, Chief Executive Officer and President of Harbor Point will be Chief Executive Officer of Reinsurance of Alterra and Vice Chairman of the board of directors.



John Berger
CEO of Reinsurance
& Vice Chairman
Alterra

Mr. Berger will also chair the Board's Underwriting Committee.

The board of directors of Alterra will consist of fourteen directors, including Messrs. Becker and Berger, in addition to six directors appointed by each of Max and Harbor Point.

Michael O'Reilly, Chairman of Harbor Point's board of directors and former Vice Chairman and Chief Financial Officer of The Chubb Corporation, will be the non-executive Chairman of Alterra's board of directors.

The group said it was a winning combination because it was a merger of two strong corporations, combining a "best in class" reinsurer with a global specialty program in all major insurance markets. The larger capital base with some \$3 billion in equity is matched with a strong and deep management and underwriting teams.

In a presentation, the company stated that this combination creates value for shareholders, enhances the position with clients and brokers and provides diversified and stable earnings over time. It will deliver the flexibility to optimize portfolio composition and enhance financial flexibility, as the new entity remains committed to growth in book value.

The company starts off immediately with offices in 17 locations in all major insurance and reinsurance markets. But it is also blessed with sophisticated and knowledgeable investors. Stone Point Capital and The Chubb Corporation are largest investors.

It also has strong numbers arising out of its nearly \$2 billion in gross premiums written with a large book of reinsurance (62 percent) and a lot of North American (78 percent) business.

The combined company has a low total debt/capitalization percentage and together, the combined ratio was 85 percent. ■



Captives gain momentum in Canada



Bruce Thorne
Corporate Protection
Group

Delegates to a Canadian insurance meeting this June will learn about the dangers, opportunities and strengths in forming a captive insurer – with two case studies explored. Bermuda captive

experts say that the captive insurance industry has become far more interesting to Canadian corporations as they seek a better handling of their risks. Registered attendees should include Risk Managers, CEO's and CFOs of many major Canadian companies.

They will be guided to some insights by Bermuda captive manager, Nicholas Frost, Senior Vice President of leading independent captive managers R&Q Quest Management Services Limited, Insurance

Consultant Bruce Thorne of Corporate Protection Group and Shelby Weldon Director, Insurance Licensing & Authorization for the Bermuda Monetary Authority (BMA).



Nicholas Frost
SVP, R&Q Quest
Management Services

They will be speaking at the 6th Annual Canadian Captives & Corporate Insurance Strategies Summit at the Metropolitan Hotel in Toronto in June.

In that session module, captive owners and those considering forming a captive will learn how to recognize the strengths and competencies needed from their captive partners to capture sustained value for their captive vehicle.

Mr. Frost stated, "This will be a great opportunity for risk managers and others, who are interested in the formation of a captive insurer to lower insurance costs and better control the risk management function.

"You will learn a lot whether or not you are new to the concept."

"Bruce will explain the initial discussions he has with potential captive owners, and what is useful in a feasibility study. Bruce is involved in the running of captives for Canadian firms that are household names.

"I will be talking about the setting up and ongoing running of the captives. And Shelby Weldon from the Bermuda regulator's office will be discussing the strengths of the BMA in terms of regulations.

"There will also be some discussion about the Bermuda Market. We find a lot of interest in Bermuda, because risk managers are aware of the sizeable commercial insurance and reinsurance market that parallels the leading captive insurance market.

"In some cases, risk managers see other insurance opportunities on the Island to complement their Bermuda captives.

"There is gaining momentum in Canada for Captives in general. The Bermuda/Canada tax treaty will help significantly in terms of making Bermuda the domicile of choice for Canadian companies. It is now in the final stages of agreement."

The session will explore strategic approaches for creating a captive with sustainable value that can be integrated into a company's capital management strategy, leading to substantial benefits.

Best practices will be explored with regard to establishing the captive, including ensuring that successful partnerships are formed to support the captive insurer. ■

India in tax treaty talks

Bermuda has concluded a bilateral agreement with India that will provide for a full exchange of information on criminal and civil tax matters.

Bermuda negotiators were in New Delhi attending meetings of the Organization for Economic Cooperation and Development (OECD) Global Forum Steering Group, in its capacity as Vice-Chair.

The Bermuda negotiators included Mr. Wayne Brown, Assistant Financial Secretary, Ms. Laura Semos, Treaty Advisor, and Mr. Huw Sheppard, Crown Counsel.

Finance Minister, Paula Cox, said, "We took the opportunity to meet with the host of the Steering Group meeting for the purpose of negotiating a TIEA and to commence discussions of associated agreements for the advancement of Bermuda's economic interests in the region in the days leading up to the Steering Group meeting."

The tax information exchange agreement includes all standard means to ensure due process is followed in tax information requests to Bermuda, including, for example, provisions to protect the confidentiality of information provided, as

well as adhering to public policy, provisions related to protecting legal privilege, and anti-fishing provisions to ensure that requests for information from India are relevant to ongoing tax investigations being conducted by Indian authorities.

The Minister noted that both the negotiations process, conducted bilaterally and in-person, and the agreement itself, together reflect a deepening and strengthening of Bermuda's strong relationship with India.

She said, "Presently, Bermuda ranks one of the highest providers in the world of foreign direct inflows (FDI) to India, with Bermuda yielding .58 percent to India's total FDI.

"In fact, there are 120 entities in Bermuda with Indian interests," said Minister Cox. "When this agreement is signed, it will further enhance investment opportunities between the two countries and is a reflection of Bermuda's growing success in negotiating TIEAs with members of the G20 countries."

David Ezekiel, Chairman of the Association of Bermuda International Companies (ABIC), said Bermuda's achievement came just after the TIEA signing with Japan and conclusion of negotiations of a TIEA with Korea.

He said, "The conclusion of these negotiations with India is further good news for the Bermuda international business sector. All three of these countries have a growing involvement in our market.

"With the increasing liberalization of the Indian insurance sector, Indian insurers and reinsurers could, in the years ahead, become major buyers of protection from the Bermuda market."

India is one of the fastest growing and most powerful economies in the world, said Sheryl Packwood, CEO of the Bermuda International Business Association. This agreement with India will enable Bermuda to develop greater economic and business ties with an important nation.

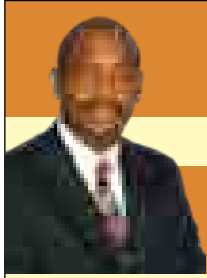
Bermuda currently has 19 signed tax treaties including Japan, France, Germany, the UK and the US, Australia, Ireland, New Zealand, the Netherlands, the Nordic Group (including Denmark, Finland, Iceland, Norway and Sweden and their associated territories the Faroe Islands and Greenland), Netherlands Antilles and Aruba, and Mexico.

In addition to India, negotiations have been concluded with, among others: Canada, Spain, Belgium, Portugal, and Korea.

The proposed tax information exchange agreement (TIEA) between Bermuda and India will be signed upon completion of the two countries' internal processes.

The negotiating team that visited the Indian capital and other of the country's cities, was led by Premier Ewart Brown, who noted that the purpose of the trip was to promote cross-border business and tourism, together with educational and cultural exchanges. ■





Jeremy Cox
Chief Executive Officer
Bermuda Monetary Authority

From the desk of the Regulator

The Authority has entered into the next phase of its regulatory change programme designed to achieve regulatory equivalence of its insurance framework with major international initiatives, in particular EU's Solvency II Directive. This phase involves additional policy and legislative framework developments along with implementation of enhanced supervisory programmes for Bermuda's commercial insurance sector.

As outlined in its 2010 Business Plan, the Authority has established a number of work streams geared toward regulatory framework changes that are in line with the requirements under Solvency II.

In the first quarter of the year, the Authority made steady progress with developing its group-wide supervision framework. In February, it published a Consultation Paper on its proposals for implementing a group-wide supervision regime that will initially apply to Class 4 and Class 3B firms. The legislative framework for group supervision has also been established with the recent passing by Parliament of the Insurance Amendment Act (No. 2) 2010.

The Authority has begun building a framework for commercial insurers

to conduct an assessment and submit a Commercial Insurer Solvency Assessment Return (CISA). The Authority's CISA, which is comparable to Solvency II's ORSA or Own Risk Solvency Assessment requirement, has been adapted to the specific needs of the Bermuda insurance market. The CISA will allow the Authority to obtain a (re)insurer's view of the capital resources required to achieve its business objectives and the governance, risk management and controls surrounding this process.

The Authority is proposing to supplement the CISA with a Catastrophe Return (Cat Return) for Class 4 and Class 3B firms. The Cat Return will allow the Authority to better assess the composition of the Probable Maximum Loss submissions and the quality of modeling generally in the Bermuda market. It will also introduce new stress scenarios for terrorism risks. The Authority intends to publish a consultation paper on its CISA proposals in quarter two of 2010. This consultation paper will also build on the Authority's proposals for enhanced disclosures as outlined in its previously published Disclosures and Transparency consultation paper that was issued in 2009.

Other framework changes include an enhanced solvency regime for Class 3A firms, and the introduction of an economic

balance sheet. Following the successful implementation in 2009 of the Bermuda Solvency Capital Requirement (BSCR), the standard capital adequacy model that currently applies to Class 4 and Class 3B firms, the Authority is proposing to introduce a modified version of the model to Class 3A firms, in accordance with the proportionality principle. The Authority is currently consulting with Class 3A firms on its proposals, which along with the modified BSCR includes a CISA without the Cat Return.

The Authority has assembled a task force to consider issues surrounding the introduction of an economic balance sheet and replacement of statutory financial statements with general-purpose financial statements. The findings of the taskforce will assist the Authority in forming its proposals with regard to the economic balance sheet, which it will outline in a discussion paper for industry comment in quarter two 2010.

The Authority is committed to and is making significant progress towards establishing a leading framework for its insurance regulation that is deemed broadly equivalent to key international regulatory initiatives, such as Solvency II. While international standards, in particular Solvency II, place additional demands on regulators and the industry alike, the Authority intends to ensure that it maintains its high quality of regulation that is in line with these standards, while also being practical and effective for the Bermuda market. ■

◀ Continued from page 1

Reinsurers seize market share

Best said reinsurance capital grew by "an astounding 24 percent" during 2009. The Association of Bermuda Insurers and Reinsurers has said that its 23 member companies did even better than that, increasing their capital by around 30 percent last year.

The US and Bermuda reinsurance market yielded a 16 percent return on equity during 2009 - however, excluding favourable loss-reserve development, that figure would have been approximately 12 percent.

Best expects the US and Bermuda reinsurance market to continue producing positive returns in low double digits, reflecting disciplined underwriting, more modest reserve releases and prudent

capital management.

But the rating agency sees signs of prices softening due to a reduction of exposures because of the economic downturn and cedants continuing to increase retentions. Despite this, Best sees "adherence to underwriting discipline" as reinsurers walk away from inadequately priced business, particularly longer tail casualty risk.

Best adds that a "real" concern for all reinsurers domiciled outside the US, and particularly those in Bermuda, is uncertainty over US tax legislation and other potential policy initiatives, such as subsidized federal reinsurance.

"While this drumbeat has been mostly in the background, it has been a topic of discussion in Congress for some time and it could quickly take centre stage," the report states. It adds: "Bermudian (re)insurance companies are lobbying to propose different market solutions for Congress to

contemplate."

A report by economic analysts the Brattle Group found that enactment of the Neal bill, legislation that would seek more tax revenue from non-US reinsurers, could cost US insurance buyers an extra \$10 billion to \$12 billion in the form of higher premiums, and some of those living in catastrophe-prone areas might struggle to find any insurance for their properties. That is a message the Bermuda market is trying to get through to US lawmakers.

Best is maintaining a stable outlook for the global reinsurance market, holding the view that most rating actions on reinsurers would be affirmations, with only a modest number of changes anticipated.

"Considering the turmoil that has occurred within the financial services industry, the global reinsurance market has weathered the financial storm in good standing," the report added. ■





Captive Voice Tapping into the expertise of the world's leading captive managers

*Bermuda Insurance Management Association (BIMA)
Insurance Manager Thomas McMahon is the new President of the Executive
Committee Member of BIMA and President of Cedar Management Limited*



The evolution of the Bermuda insurance market in the late 1970's and the need for regulation led to the passing of The Insurance Act 1978 and Related Regulations.

At the same time, there was a growing need for the captive industry to have a voice. The Association of Insurance Managers of Bermuda was born, and later became the Bermuda Insurance Management Association ("BIMA"). Today, BIMA has over 40 member firms with talented executives who provide management and Principal Representative services to over 90 percent of Bermuda's domiciled captives. The objectives of BIMA, set out in its constitution include; i) to protect the interests of members and clients, ii) to liaise with Government and/or any association or body on matters affecting the insurance industry, iii) to provide a unified approach to problems and opportunities that may be of concern to the Associations Members and iv) to encourage professionalism of the members in the carrying out of their business. BIMA has stayed true to these objectives since its formation and as the recently elected President, I commit that the Association continues to do so in the years ahead. And these objectives will guide us as we face up to the challenges that will impact our captive industry in this new decade, the most immediate being Solvency II. Solvency II is a new insurance regulatory regime being implemented in the European Union. The European Commission's have stated that their objectives for Solvency II are; i) to improve the protection of policyholders and beneficiaries, ii) to provide regulators with an early warning

system so that intervention can take place when statutory capital falls below minimum levels and, iii) to promote confidence in the financial stability of the insurance sector. The proposed framework has three pillars:

Pillar 1 – Quantitative requirements (example- minimum capital requirements)

Pillar 2 – Qualitative requirements (example – internal control and risk assessment)

Pillar 3 – Reporting requirements (example – regular reporting to regulators)

Insurance companies that write business in Europe and are not in compliance with the Solvency II requirements will be significantly disadvantaged when compared to those who are compliant, and this applies to a number of both commercial and captives insurers domiciled here in Bermuda and in other non-European domiciles.

High on the agenda for the Bermuda Monetary Authority in 2010, as noted by Jeremy Cox in the previous edition of Bermuda Insurance Update (2010Vol.1), is for Bermuda to achieve regulatory equivalence with Solvency II. In other words, insurers subject to our regulatory environment should be considered, by the European Community, as being compliant with Solvency II.

Our challenge, as captive insurance practitioners, is to ensure that any amendments to the Bermuda regulatory environment to achieve equivalency with Solvency II do not impact the captive insurance sector, specifically our Class 1 and 2 companies. We are confident that this can be avoided and that any

amendments will be focused on the Class 3 and 4 companies.

So why do we even have a challenge, you may ask, given that Bermuda's regulatory environment has evolved over a number of years to meet the objectives that the European Commission are now addressing?

The question can be answered in one word "proportionality". While this concept, (which in practical terms in Bermuda results in enhanced regulation and capital/solvency requirements for our Class 3 and 4 companies rather than for our Class 1 and 2 companies), was clearly a guiding principle in the evolution of our regulatory regime in Bermuda, sadly it is clearly lacking in the proposed Solvency II framework.

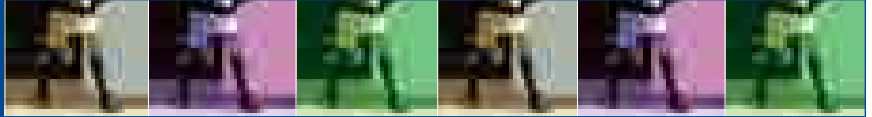
This is so despite the fact that proportionality is a fundamental principle of European Law, which states in Article 5 of the Treaty that established the European Community that "any action by the Community shall not go beyond what is necessary to achieve the objectives of this Treaty".

As currently proposed, there is no specific recognition of the roles of captives and the need for the capital requirements and corporate governance principles to be simplified.

Consistent with the BMA's approach in the past, they have initiated consultation with industry groups and BIMA will once again play its role to protect the interests of the captive sector. BIMA is also reaching out to our fellow captive practitioners in Europe so we can assist them in any way to achieve a level of exemption from or modification to the requirements of Solvency II for the captive sector. ■

Bermuda Captive Conference
June 27th - June 30th, 2010
registration@bermudacaptive.bm

Bermuda Shorts



Lancashire Holdings Ltd. has opened its new headquarters office on the fifth and sixth floors of Power House on Par-la-Ville Road in Hamilton. The company, previously headquartered across the road at Mintflower Place, has about 40 Bermuda-based employees.

Maiden Insurance Company Ltd., a wholly owned subsidiary of **Maiden Holdings, Ltd.**, and American Capital Acquisition Corporation (ACAC) have entered into a three-year 25 percent quota share reinsurance agreement in connection with ACAC's acquisition of GMAC's \$1 billion personal lines insurance business. Maiden expects the agreement to generate more than \$200 million in annual net written premium at performance levels consistent with its objective of achieving a 96 percent or better combined ratio across its underwriting portfolio.

ACE Bermuda has promoted Judy Gonsalves to Executive Vice President, still heading up ACE Bermuda's Excess Liability department with responsibility for management and development of ACE Bermuda's and ACE Bermuda International's book of business.

And Allison Towlson has been appointed Regional Executive and Chief Operations Officer reporting to Rees Fletcher. In this expanded role Ms Towlson will be responsible for underwriting operations and enhancing the efficiency of the day-to-day operations of the company. She will maintain her previous role as Regional Executive with responsibility for client relationships, business development, and management of the underwriting services function.

CEO Rees Fletcher said, "Judy has been instrumental in driving the success of our excess liability business and in implementing best practice standards for ACE in the industry. Allison's underwriting and management experience combined with her in-depth understanding of ACE's capabilities and knowledge of the Bermuda insurance industry, make her perfectly suited to take on this expanded role. I am confident that both Judy and Allison will play a significant role in positioning ACE Bermuda for future growth." Ms Gonsalves has 20 years of experience in the insurance industry. She joined ACE Bermuda's Excess Liability department in 1992 and was

appointed Vice President of the Underwriting Services department in 1997. In 2001, she returned to the Excess Liability department as senior casualty underwriter and was appointed Senior Vice President in 2004. Ms Gonsalves holds a Bachelor of Arts degree in economics from Emory University, Atlanta, Georgia and is an Associate of the Chartered Insurance Institute (ACII).

Ms Towlson has over 20 years experience in the insurance industry. She joined ACE Bermuda's Excess Liability department in 1998 and was appointed ACE Bermuda Regional Executive in 2004 with responsibility for business development and underwriting support services. Prior to joining ACE she spent seven years with Sedgwick Global Broking (Bermuda) where she handled casualty and D&O accounts for Fortune 1000 clients. Ms Towlson is an Associate of the Chartered Insurance Institute (ACII) and a Chartered Insurer. In March 2010 she was appointed chair of the Insurance Development Council (IDC) with responsibility for enhancing Bermuda's market presence.

MS Frontier Re (MSFRre) has acquired its Dublin-based sister company, Mitsui Sumitomo Reinsurance (MSRe). The transaction is part of a reorganisation of the global reinsurance strategy of Mitsui Sumitomo Insurance Group (MSIG), of Japan, which is the parent company of both the Bermuda and Ireland entities. MSFRre currently has a subsidiary based in Singapore which performs modeling analysis and a branch office in Zurich, developing business in Europe and exploring new business opportunities in the Middle East and Africa.

Overture Acquisition Corp. has established **Overture Re** as a new life reinsurance company in Bermuda. The new company has received its long-term insurance certification of registration from the Bermuda Monetary Authority (BMA), which allows Overture Re to provide reinsurance for Texas firm Jefferson National Life Insurance Company. Overture expects that the registration will be extended by the BMA to other third party business in due course.

Torus has raised an additional equity investment of \$185 million to support the continued expansion of its specialty (re) insurance business, increasing the company's equity capital to more than \$1 billion. Corsair Capital provided \$150 million, with the balance coming from private equity funds managed by

First Reserve Corporation, Torus's founding investor and majority shareholder. Following the investment, Corsair will be represented on Torus's Board of Directors.

AXIS Capital Holdings Limited announced the formation of a renewable energy team within its AXIS Insurance business. The team is based in London, and will "insure and assess risks for renewable energy producers and distributors, including: wind turbines, biofuel plants, solar energy systems, hydroelectric power generators and other renewable energy operations," said the bulletin.

AXIS Insurance also "expects to further develop core commercial insurance products and services geared toward customers that operate within this sector."

AXIS Capital Holdings Limited has announced that its indirect, wholly-owned subsidiary, AXIS Specialty Finance LLC, has priced an offering of \$500 million aggregate principal amount of its 5.875% Senior Notes due 2020, fully and unconditionally guaranteed by AXIS Capital Holdings Limited, pursuant to an effective shelf registration statement.

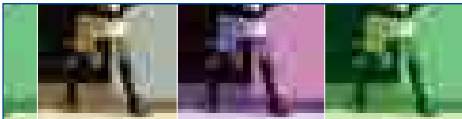
Net proceeds from this offering will be used for general corporate purposes.

A.M. Best Co. has revised the outlook to positive from stable and affirmed the financial strength rating of A- (Excellent) and issuer credit ratings of a-" of **Wilton Reinsurance Bermuda Limited** (Hamilton, Bermuda) and its affiliates, Wilton Reassurance Company (Plymouth, MN), Wilton Reassurance Life Company of New York (Rye Brook, NY) and Texas Life Insurance Company (Texas Life) (Waco, TX) (together known as Wilton Re).

The revised outlook for Wilton Re reflects the continued successful execution of its business plan with continued acquisition activity such as the purchase of Texas Life in 2009. In addition, Wilton Re has weathered the economic crisis well, generating favorable GAAP earnings and raising new equity capital in a very difficult market. Moreover, Wilton Re has no financial leverage.

The affirmation of Wilton Re's ratings are based upon its consistent history of profitable growth,



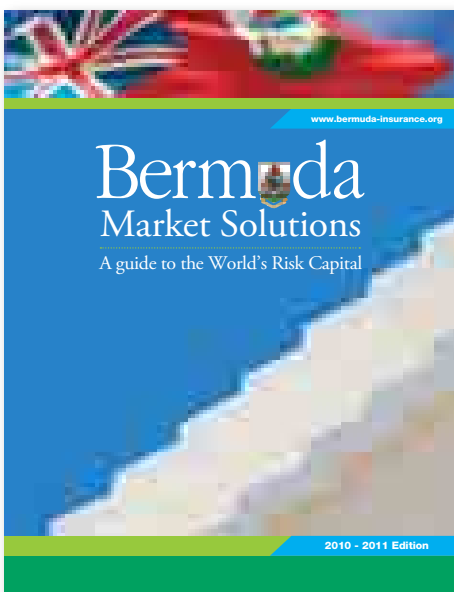


RAM Holdings Ltd. repurchased \$10.0 million of its \$35.0 million 6.875% senior notes due 2024 (the "Senior Notes") for \$5.5 million, realizing a gain of \$4.5 million. The Senior Notes that were repurchased were cancelled immediately after such repurchase. Following the settlement of the repurchase, approximately \$25.0 million of the Senior Notes remain outstanding.

A.M. Best Co. has affirmed the financial strength rating of A (Excellent) and the issuer credit rating of "a+" of **Hannover Life Reassurance Bermuda Limited** (HLR Bermuda). The outlook for both ratings remains stable, in line with that of its parent company, Hannover Rueckversicherung AG (Hannover Re) (Germany).

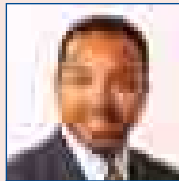
The ratings reflect the company's strong level of risk-adjusted capitalisation, good underwriting profitability and high level of integration within the Hannover Life Reinsurance (HLR) group.

A.M. Best considers that HLR Bermuda's currently strong level of risk-adjusted capitalisation is likely to be maintained throughout the next two to three years as the company expands its operations. The company's good level of risk-adjusted capitalisation is supported by the full retention of profits, a conservative investment portfolio and outwards reinsurance protection of a good credit quality. ■



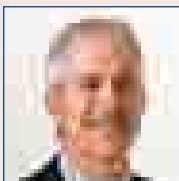
The new **Bermuda Market Solutions** guide is available in print or downloadable at www.bermuda-insurance.org

Market Moves



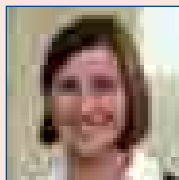
Jeffrey Jabon
SVP
ACE Bermuda

ACE Bermuda has appointed **Jeffrey Jabon** as Senior Vice President of its Professional Lines department. He will take on management of the department and be responsible for the development of ACE Bermuda's professional liability book of business. Mr. Jabon reports to Rees Fletcher, President and Chief Executive Officer of ACE Bermuda.

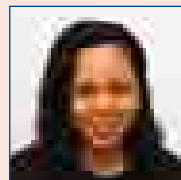


Philippe Bacon, SVP
& Senior Underwriter
ACE Bermuda

Philippe Bacon has been appointed Senior Vice President, Senior Underwriter of the Professional Lines department, reporting to Mr. Jabon. Mr. Bacon, a long-serving member of ACE Bermuda's professional liability team, will serve as a senior technical resource and will assist with the management of the professional lines business.

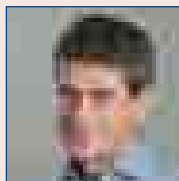


Tracey Gibbons
SVP
Allied World Assurance



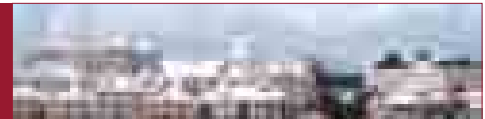
Marchelle Lewis
SVP
Allied World Assurance

Allied World Assurance Company Holdings, Ltd has promoted **Tracey Gibbons** from Vice President, Casualty Treaty Reinsurance to Senior Vice President, Specialty Reinsurance. **Marchelle Lewis** has been promoted from Vice President, Treasurer to Senior Vice President, Treasurer.



George Rivaz
CEO
Ariel Holdings Ltd.

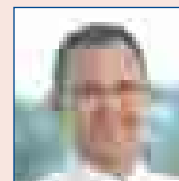
George Rivaz has been appointed Chief Executive Officer of Ariel Holdings Ltd. He succeeds **Don Kramer**, who was instrumental in founding Ariel and who will continue to serve as non-executive Chairman of the Company. Mr. Rivaz has been with Ariel since its formation in



December 2005, serving initially as Co-President and, since early 2008, as President. He also serves as non-executive Chairman of Ariel Reinsurance Limited and Atrium Underwriting Group, the company's two principal operating subsidiaries.

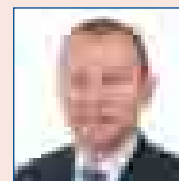
ESH has appointed **Joan deLemps** as Chief Underwriting Officer, reporting to Mr. Jewett. Ms. deLemps has been with Endurance for seven years and has worked in the industry for more than 30 years. She joined Endurance in May 2003 and was appointed Chief Casualty Officer for its Worldwide Reinsurance operation in February 2007.

Robert R. Lusardi has joined Primus Guaranty, Ltd. as senior advisor to accelerate the development and launch of a new credit protection business. Mr. Lusardi will remain on the Board of Primus Guaranty, which he joined in March 2002. He was a senior executive with White Mountains Insurance Group, Ltd. from 2005 to 2010 and with XL Capital Ltd. from 1998 to 2005.



Peter C. Durhager
EVP
Renaissance Re

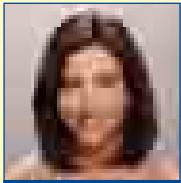
RenaissanceRe Holdings Ltd. has promoted **Peter C. Durhager** from Senior Vice President and Chief Administrative Officer to Executive Vice President. He continues to report to Chief Executive Officer Neill A. Currie and to serve as Chief Administrative Officer and as a member of the RenaissanceRe Executive Committee. Mr. Durhager joined RenaissanceRe in 2003 as Chief Administrative Officer, and has served as President of its Global Shared Services division.



Carl Groth
Group Chief Risk Officer
Torus Insurance

Torus Insurance Holdings Ltd. has named **Carl Groth** to the newly created position of Group Chief Risk Officer. He will report to Chief Executive Officer Clive Tobin. Mr. Groth joined Torus from Deloitte LLP, where he led the US insurance Enterprise Risk Management practice. Previously, he had served as managing director for Willis Group Ltd., where he was responsible for enterprise risk management in North America. ■

“Daredevil” to speak at BCC



Allison Levine
Keynote Speaker
Bermuda Captive
Conference

Forget three strikes! Polar adventurer Allison Levine has had so many things going against her in life no one would blame her for being an under-achiever.

Instead, she is the spectacular over-achiever who will be a

keynote speaker at the Bermuda Captive Conference (BCC) in June at the plush Fairmont Southampton Hotel in Bermuda.

Having quickly become a staple on the captive insurance conference circuit, the BCC www.bermudacaptive.bm brings another star-studded line up of alternative market speakers in insightful sessions.

Several sessions will address the changing landscape in insurance regulation, and why captive owners, and those considering establishing captives, need to stay abreast of these and other issues.

Delegates will hear first hand from leading experts and senior members of the Bermuda Monetary Authority on tax issues, Solvency II and investment protection.

A session on risk and corporate governance outlines how captive boards can really improve their ability to manage risks on an enterprise-wide basis - and why it is even more important today.

This can't-miss session will provide an overview of the up-to-date risk environment, updates on S&P's rating of ERM programs and the SEC's mandated risk disclosures. There will also be highlights of how to utilize ERM to improve corporate governance and drive value.

But delegates will be in another mode when they hear from Allison Levine, “Team No Boundaries” Captain of the First American Women's Everest Expedition.

And “no boundaries” is an understatement!

While most of us are content to survive the daily highway battle to home and family, Ms Levine has survived sub-zero temperatures, hurricane force winds, sudden avalanches and, a career on Wall Street, without the use of supplemental oxygen.

Born with a life-threatening heart condition that precluded most demanding physical activities, her health was so unstable as a teenager, she was not even allowed to do such basic things as drive a

car or walk up stairs.

But 13 years after her initial diagnosis she had surgery that changed her life – and climbing stairs soon gave way to climbing mountains, a passion she continued to pursue despite her initial health setbacks.

Levine climbed the corporate ladder, but also pushed her limits on the world's highest peaks and soon became one of the most experienced female mountaineers in the US.

She has climbed peaks on every continent, served as the team captain of the first American Women's Everest Expedition, and skied across the Arctic Circle to the geographic North Pole.

In January 2008, she made history as the first American to complete a 600-mile traverse from west Antarctica to the South Pole following the route of legendary explorer Reinhold Messner. Levine completed this arduous journey on skis while hauling 150 pounds of her gear and supplies in a sled harnessed to her waist. Her success in extreme environments is noteworthy given she suffers from a neurological disease that causes the arteries that feed her fingers and toes to collapse in cold weather, leaving her at extreme risk for frostbite.

The subject of the PBS documentary *Living Courageously* (2007) she has made numerous television appearances and been widely written about for both mountain climbing and Wall Street heroics.

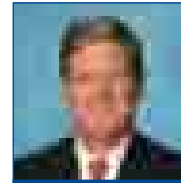
After an MBA from Duke University she worked for Goldman Sachs until 2003, when she became deputy finance director for Arnold Schwarzenegger in his successful bid to become Governor of California.

Levine currently serves as an adjunct professor at the United States Military Academy at West Point in the Department of Behavioral Sciences & Leadership. She also has her own consulting firm, Daredevil Strategies, which specializes in organizational effectiveness, leadership development and team dynamics.

By drawing parallels between staying alive in the mountains and thriving in a fast-paced business world, Levine focuses on the topics of leadership, teamwork, overcoming odds, taking responsible risks and dealing with changing environments.

In 2005, she founded the Climb High Foundation, a nonprofit organization dedicated to improving the lives of jobless women in Africa by training them to be trekking guides and porters in their local mountains so they will have the skills to earn a sustainable living wage through climbing-related tourism. ■

Energised OIL flows in new direction



George Hutchings,
SVP & COO
Oil Insurance Limited

Energy mutual, Oil Insurance Limited (OIL) declared more than a billion dollar profit for the 2009/2010 year, voted in a new executive board and signaled an intention to expand its business with a new strategic plan.

Following the company AGM, Trygve Imsland was elected Chairman of the Board while Mark Wilson was elected Vice Chairman. At the meeting, the shareholders passed a number of changes to OIL's bye-laws, all of which were changes designed to modernize the company's shareholder agreement.

The bye-laws resolutions passed by the shareholders became effective immediately.

OIL updated its shareholders on its Strategic Plan. Over the next several years, the company will be primarily examining its total product offering for all non-windstorm coverages with the aim of increasing the value of OIL to its existing shareholders and prospects.

It will also continue to evaluate adjusting its windstorm coverage, if necessary. Robert Stauffer, President & Chief Executive Officer, commented that “2009 was an extraordinary year for both financial results and operational accomplishments. Passage of the Lock-In Plan and the new Windstorm Plan during the year demonstrates that OIL is committed to making changes to the mutual when appropriate. Our forward looking focus while using a retrospectively rated system nicely positions the Company to be a value added insurance provider to the worldwide energy industry.”

George Hutchings, Senior Vice President & Chief Operating Officer, added that “While we have achieved a great deal during 2009, there is still much to do to position OIL as the pre-eminent energy insurer to the world's energy companies. We have now resolved a number of issues within the Company that were commonly cited by both shareholders and prospects. Accordingly, the energy insurance industry should expect to hear more about OIL in the marketplace in the next few years as we revitalize our marketing efforts.”

Meanwhile, sister company, Oil Casualty Insurance, Ltd. (OCIL) reported net income of \$125 million at its own AGM, electing Gregory LaSalle and Jim Lyness as Chairman and Deputy Chairman, respectively.

OCIL's underwriting and investment

Continued on page 15 ►



◀ Continued from page 14

Energised OIL flows in new direction

operations delivered strong results in what continued to be an extremely tough global economy, and in addition, the company experienced one of its best years in growth.

The company grew its book of business by welcoming five new Policyholders and three new Shareholders. In its newly established reinsurance business, OCIL wrote three assumed treaty reinsurance programs.

Shareholders approved an amendment to the Shareholders' Agreement authorizing the Company to write other lines of insurance subject to 3/4 approval by the Board of Directors for any new product line.

Additionally, Shareholders approved a resolution, designed to modernize the language, amending the company's bye-laws. ■

◀ Continued from page 3

New leader at the helm of IDC

Chairman of the Bermuda RIMS (Risk and Insurance Management Society) Committee, a sub-committee of the IDC which organizes Bermuda-related activities at the annual RIMS conference. Other IDC sub-committees produce the Bermuda Insurance Update and publishes Bermuda Market Solutions, which outlines the availability of insurance and reinsurance products in Bermuda.

IDC representatives also give the Island a physical presence at several industry conferences overseas in the form of a Bermuda booth.

Ms Towlson, a Bermudian, is an Associate of the Chartered Insurance Institute (ACII) and a Chartered Insurer and is currently a mentor for the Bermuda Foundation for Insurance Studies.

Before joining ACE as an underwriter in 1998, Ms Towlson spent seven years with Sedgwick Global Broking (Bermuda). As Assistant Vice President she handled casualty and D&O accounts, for Fortune 1000 clients.

Her career started with captive underwriting and claims administration with both Sedgwick Management Services (Bermuda) Ltd. and Alexander Insurance Managers (Bermuda) Ltd.

Mr. Gillett, who said he had enjoyed the voluntary role "immensely", felt it was time to step aside and pass on the reins of leadership.

Since he took over as IDC chairman, the island's thriving insurance market has expanded dramatically.

"It's been a tremendous ride," he said. "You will never see us claiming credit for the growth in the industry, but we are supporting everybody who is creating the growth."

He urged more volunteers to contribute their active support to the IDC, saying it was a rewarding experience and a great way to give back to Bermuda. ■

THE BERMUDA INSURANCE MARKET CONFERENCE SCHEDULE

Bermuda Events

Insurance Day Summit The Fairmont Hamilton Princess Pembroke, Bermuda http://www.insurancedaysummit.com/jpi/idsummit10/bermuda/index.jsp	June 16-17
Bermuda Captive Conference Fairmont Southampton Hotel, Bermuda http://www.bermudacaptive.bm	June 27-30
Asociación Latinoamericana de Administradores de Riesgos y Seguros (ALARYS) Fairmont Southampton Hotel, Bermuda, Southampton, Bermuda www.bermuda-insurance.org	October 11-13
Sedgwick's Eighth Annual Hot Topics Seminar Bermuda Underwater Exploration Institute (BUEI) Pembroke, Bermuda	October 6
Goldman Sachs Asset Management's 7th Annual Conference for Bermuda Reinsurers Hamilton, Bermuda charles.fuller@gs.com	November 16

Overseas Events

Risk and Insurance Management Soc., Inc. (RIMS) Ann. Conf. & Exhib. Boston Convention & Exhibition Center Boston, Massachusetts www.rims.org	April 25-29
American Association of Managing General Agents (AAMGA) Annual Meeting JW Marriott Desert Springs Palm Springs, CA www.aamga.org	May 23-26
Vermont Captive Insurance Association (VCIA) Sheraton Hotel & Conference Center Burlington, Vermont http://www.vcia.com	August 10-12
Les Rendez-Vous De Septembre Sporting d'Hiver, Place du Casino Monte Carlo http://www.rvs-monte-carlo.com/	September 11-16
American Society for Healthcare Risk Management (ASHRM) Tampa Convention Center Tampa, FL www.ashrm.org	October 13-16
Property Casualty Insurers Association of America (PCI) The Broadmoor Colorado Springs, CO www.pciaa.net	October 24-27
20th World Captive Forum (WCF) Hyatt Regency Scottsdale at Gainey Ranch Scottsdale, Arizona www.worldcaptiveforum.com	November 8-10



Update

www.bermuda-insurance.org

Bermuda Insurance Update



The Official Journal Of The Bermuda Insurance Industry

The World's Risk Capital

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