

# BERMUDA REMAINS NUMBER ONE

Tim Faries of Appleby, offers an insight into the world's leading captive domicile and how the Bermuda market continues to be an industry pioneer

## **Captive Review (CR): How does Bermuda stay ahead of its rivals in the captive insurance market?**

**Tim Faries (TF):** The first element that I would mention is the breadth and depth of the support infrastructure on the island. Bermuda was a first-mover in the captive industry, around 50 years ago, and since this time it has been able to establish a unique environment here. The island possesses a host of experienced captive managers, lawyers, accountants and other essential service providers that captive owners require to keep up with the day to day running of their captive. In Bermuda, we have all of the amenities of captive upkeep with extensive experience of operating in all areas of captive maintenance and working with a multitude of different risks through captives.

The second element that separates Bermuda from other domiciles is the existence

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of the island's reinsurance markets, which have developed alongside our captive market for a significant amount of time. It is albeit not as old, but the Bermuda reinsurance market has existed for 25 to 30 years and consists of a number of carriers who will write reinsurance for captive

programmes. A captive owner can come to Bermuda for the annual meeting of the captive, and take care of its renewal as well. This is a benefit that no other captive domicile can provide to the same degree. The existence of a market to retrocede your captive risks to Bermuda, is attractive for efficiency purposes.

Finally, the regulatory environment plays an instrumental part in separating Bermuda from the competition. Our insurance laws and regulations were designed for captives back in 1978. Our regulators understand the importance of the captive industry to Bermuda's economy and have made it a priority to be accessible to captive owners to discuss issues relating to their supervision. This enhances the efficient operation of captives in Bermuda. The island's regulators and legislators have worked in unison with the industry to



ensure that the regulatory oversight and infrastructure for captives is cutting edge in terms of global standards. That process has produced a regulatory environment that has been copied by some of our competitors, and I believe that it is always the case that the copy is never quite as good as the original.

**CR:** Bermuda is set to host the 2017 America's Cup. Will this have an impact on the captive insurance landscape in Bermuda and how will it build on the island's reputation?

**TF:** This is a high-profile world sporting event which will attract the attention of not only sailing enthusiasts, but also the wider sport-viewing public. The sport has become far more visually exciting over the past couple of Cup cycles, due to the increased use of technology such as webcams and apps to view the racing from various angles, including on vessel. Generally speaking, the reputation and image of the island can only be further enhanced as a jurisdiction of quality. Having the spotlight on the jurisdiction will have that secondary impact on all of the lines of business and the offerings that the island has to put out into the market.

In terms of captives, it will help refresh Bermuda as an idea and a concept. The America's Cup will remind people around the world that the location is splendid, that it is very easy to get to from New York or London and that Bermuda is a well-managed, prosperous island that is an ideal place to domicile a captive. As the official

law firm of the 35th America's Cup, we are very pleased to be a participating sponsor for this exciting event.

**CR:** How has the Bermudian market reacted to gaining Solvency II equivalence?

**TF:** Broadly speaking, there are two perspectives in the Bermuda market around Solvency II equivalence.

On one hand, there are the commercial insurers who absolutely saw Solvency II

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equivalency as critical for them in order to maintain their competitiveness in the European market.

On the other hand, and from the perspective of the captive owner and the industry participants that support captives,

the primary objective in working through Solvency II equivalence was to ensure that captives did not have an uncompetitive and unnecessary level of additional regulation placed upon them. There is an acceptance in Bermuda and elsewhere that self-insurance programmes like captives do not represent the same level of regulatory risk, and therefore do not need the same level of regulatory oversight, as do commercial insurers. In Bermuda, we have been able to achieve the 'best of both worlds' with 'bifurcated equivalence'. Our commercial insurers operate under a Solvency II equivalent regime while our 'limited purpose insurers' which includes all captive classes, operate under a regime which is more appropriate to the level of regulatory risk they represent, and remains competitive with the level of regulation for captives in other jurisdictions.

**CR:** What effect do you expect the growing interest from Latin American companies to have on Bermuda?

**TF:** We were early movers in the Latin America captive market and saw some early opportunities in Latin America around eight years ago. We had some interest shown from a number of large companies that specialised in infrastructure, mining and petroleum. A couple of years ago, Latin America was the largest single, geographical source for new formations of captives in Bermuda. We hope, expect and are working to see Latin American companies continuing to grow in terms of proportion of market share. 