



Insurance & Reinsurance

OVERVIEW

The global (re)insurance industry is dynamic and ever-shifting, responding to emerging and existing challenges over the years including major catastrophe losses, varying risk appetites, volatile investment markets and changes to regulatory practices.

(Re)insurance companies seeking greater strategic value in order to meet their growth objectives in this continually evolving climate have found suitable partners working with our team of specialists. Our Insurance & Reinsurance practice specialises in advising on the establishment, regulatory compliance and business operations of (re) insurance companies, as well as (re)insurance managers and brokers based in offshore jurisdictions.

Appleby's award-winning team of lawyers are based in key offshore jurisdictions that are significant players in the global (re)insurance market – including Bermuda, the British Virgin Islands (BVI), the Cayman Islands, Guernsey, Hong Kong, Isle of Man, Jersey, Mauritius and Seychelles - and are therefore well placed to advise clients that are seeking to carry out business in any of these jurisdictions or transact business with locally-based insurers. Leading researcher Chambers Global describes our firm as a 'Distinguished insurance and reinsurance practice praised for its in-depth understanding of the industry and long-standing experience in the market'.

Bermuda

Bermuda continues to be a global (re)insurance market leader. It is the world's largest captive domicile, one of the top three reinsurance centres, and the leading market for insurance-linked securities (ILS). The Bermuda Monetary Authority reported ILS listings topping US \$22.5 billion as of September 2017 with the outstanding amount of ILS issued in Bermuda representing approximately 76.1% of the world-wide stock of ILS. Hedge-fund backed (re)insurers have also chosen Bermuda as the basis of their operations, emerging in 2012 as competitors to more traditional insurance models. Furthermore, Bermuda's dominance in the captive market continues to evolve with an increased interest and growth in the Latin American markets.

Bermuda-based commercial carriers represent the second-largest insurance hub outside London and

are the leading providers of catastrophe reinsurance in the world. Bermuda's reinsurance market fulfills a critical role internationally in the wake of the most devastating and costly natural disasters. Since 2000, the market has contributed more than \$50 billion towards US catastrophe losses, including 10 per cent of the World Trade Centre attack claims and a third of liabilities incurred during 2005's Hurricane Katrina and hurricanes Rita and Wilma, over \$2.5 billion following Superstorm Sandy and billions in claims for earthquakes in New Zealand, Chile and Japan.

Bermuda's global insurers and reinsurers are funding an estimated quarter or more of approximately \$100 billion in aggregate insured losses from the recent record setting hurricanes Harvey, Irma and Maria.

Bermuda was selected in the first wave of three countries to be assessed in respect to the EU Solvency II Directive (along with Switzerland and Japan) and became fully equivalent in early 2016. This formal recognition means that Bermuda's commercial (re)insurers and insurance groups will not be disadvantaged when competing for, and writing, business in the EU. Solvency II equivalence also means that EU Member States recognise Bermuda as the group supervisor for its insurance groups that operate in the EU. Bermuda's reputation is further enhanced due to it being the first, and currently the only, offshore jurisdiction to be granted 'Qualified Jurisdiction status' by the National Association of Insurance Commissioners, the US standard-setting and regulatory support organisation.

The industry is further supported by the Island's sophisticated legal and regulatory environment, including 44 Tax Information Exchange Agreements (TIEAs) with other states, four OECD compliant Double Taxation Agreements (DTAs) and ongoing enhancements to current or new legislation.

BVI

BVI has some 800,000 companies domiciled with the number of registered insurers standing at 232 at the end of 2012, including 157 captives and 34 domestic insurers. It is currently the fifth largest jurisdiction for the formation of captives and caters in particular to medium size vehicles. Recent segregated portfolio company legislation and a new BVI Business

Companies Act have enhanced the range of structures available.

Cayman Islands

The Cayman Islands, one of the world's global financial centres, is the second largest jurisdiction for captive registration and is the leading jurisdiction for healthcare captives representing 34% of its market. In 2012, Cayman had the highest number of captive applications since 2004. Its international insurance industry is composed mainly of companies insuring risks in North America (90%), followed by the Caribbean and Latin American region. Growth continued for its insurance sector in 2013 with total premiums reported at US\$12.6 billion and total assets reported at US\$ 69.2 billion. The sophisticated Cayman Islands insurance industry continues to evolve and stay ahead of the needs of the insurance market as evidenced by the recent enactment of the Segregated Portfolio Companies legislation which is well supported by the 31 existing TIEAs that Cayman has signed.

Guernsey

Guernsey is an emerging player in the global (re)insurance market though it has a long-standing history of its first captive insurance company incorporated in 1922. Today, Guernsey has grown to become the leading captive domicile in Europe and the fourth largest captive domicile in the world. The Guernsey Financial Services Commission's latest figures indicate a total of 758 international insurers as of December 2013 with an insurance sector comprising both pure captives and commercial insurers using flexible vehicles, such as protected cell companies and incorporated cell companies to write an extensive range of business and protect against risk.

Hong Kong/Asia

Hong Kong, and Asia as a whole, has a string of growing (re)insurance business (life and non-life) and is increasingly using the offshore market for insurance and alternative risk vehicles. Hong Kong's insurance market consists of approximately 150 insurers, of which 82 were companies incorporated in Hong Kong, while the rest come from 21 different countries or regions, with Bermuda and the UK (12) taking the lead, followed by the US (10). Included in the list of other regions in which Hong Kong insurers are incorporated are the Isle of Man and Guernsey. In 2012, total gross premiums of the

Hong Kong insurance industry increased by 12.7% to \$263.3 billion. Similarly, the number of international insurers, including offshore incorporations, is growing in other areas with Singapore, Taiwan, the PRC and the Philippines seeing continued growth and capacity.

Isle of Man

The Isle of Man's insurance sector recorded £7.33 billion in gross premium income by the end of 2016. Over the last 30 years, the Isle of Man has evolved into a large, respected offshore insurance centre focusing on life insurance, captives and offering alternative risk management strategies following the introduction of protected cell company and incorporated cell companies legislation. The life insurance sector has seen steady growth since 2008 with £73.16 billion in total funds under management for the sector as of December 2016.

Jersey

Jersey was the first international finance centre to introduce the concept of an incorporated cell company alongside an enhanced version of the traditional protected cell company in 2006. The island prides itself as an increasingly attractive jurisdiction for captives, protected cell companies, incorporated cell companies, reinsurance and ILS. As of 2012, Jersey had 178 registered general insurance companies.

Mauritius

Mauritius has one of the most developed insurance markets in the Indian Ocean region, particularly in terms of life insurance, which is well established as a conduit for organised savings in the country and is increasingly using the offshore market for insurance and alternative risk vehicles. The market is home to a range of domestic and regional insurance providers and is open to foreign insurers, making it an attractive investment environment. Both the life and the smaller non-life sector are expected to see steady growth in premiums written over our forecast period through to 2019, supported by wider economic growth in the country as well as by diversification of the available product range.

REPRESENTATIVE CLIENTS

- ACE
- Aeolus
- Aspen
- Canopus
- CNA Financial Corporation
- Endurance
- Gard P&I
- Goldman, Sachs & Co.
- Hannover Re
- Hiscox
- Manulife
- Montpelier Re
- Munich Re
- PartnerRe
- Royal London 360°
- United Kingdom Mutual Steam Ship Assurance
- Validus
- XL Group

OUR SERVICES

Appleby's lawyers operate as multi-jurisdictional teams, regularly providing advice regarding:

- Establishing, regulatory compliance and business operations of commercial (re)insurance companies (life and non-life), insurance managers and brokers
- Special Purpose Insurers (**SPIs**), formed as issue vehicles for Insurance-Linked Securities (**ILS**), including collateralized reinsurance and industry loss warranties (**ILWs**)
- Mergers and acquisitions of insurance companies
- Capital raising (private equity and IPOs) of (re)insurers or their holding companies
- Re-domiciliation of (re)insurance companies into or out of our jurisdictions
- Longevity and other risk swaps
- Fixed and variable annuity products
- Hedge fund-owned insurance companies
- Captive and rent-a-captive programmes
- Segregated accounts and portfolio companies
- Value-added insurance wraps
- Policies and other contracts
- Governance procedures and other regulatory matters
- Protection and Indemnity (P&I) Clubs
- Mutual insurance companies
- Assignment of policies as security for financing
- Schemes of Arrangement/Transfer of insurance portfolios

WHO WE ADVISE & WHY

Our clients are (re)insurance companies, managers and brokers, as well as companies seeking to transact business with (re)insurers. They include private and listed companies, including major New York, London and Hong Kong finance houses, and Fortune 500 companies.

Our lawyers also work closely with our Dispute Resolution Practice Group on litigious (re)insurance matters. Together, we have a wide range of expertise, enabling us to provide clear, sound and timely legal advice on the full spectrum of issues related to (re)insurance companies.

Clients work with us because:

- We have an unparalleled presence offshore. This means clients do not have to manage a large group of advisers for complex, multi-jurisdictional (re)insurance deals.

No other offshore firms can compete with the quality of our advice, network of offices and the depth of our resources or service in the offshore (re)insurance sector.

- We are an award-winning (re)insurance team with a track record of advising clients on the most innovative and market leading deals and structures. Clients get timely and experienced advice, which makes us both efficient and knowledgeable.

We advise on some of the top (re)insurance deals out of Bermuda and globally, and our work has been recognised by Intelligent Insurer magazine and research rankings publications like Chambers, IFLR and Legal 500.

- Our relationships with leading onshore firms are unrivalled. We pay careful attention to this, which means clients get a truly cohesive approach to their transactions that have an onshore and an offshore element.

We have a dedicated relationship programme with our clients and counterparts in the leading onshore firms.

- We deliver local, regional and international relationships and expertise through a one firm approach. Our clients get relevant advice in their time-zone and benefit from our ability access the skills and expertise of our global network of people to deliver clients advice and services in the most efficient way.

We are one of the only offshore firms that have the ability to assemble a team for each (re)insurance matter with expertise from across eight offshore jurisdictions, regardless of the location of the transaction.

- Our (re)insurance teams are also fluent in English, Spanish, Portuguese, French, Mandarin, Cantonese and other Chinese dialects as well as Japanese.

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ABOUT APPLEBY

Appleby is one of the world's leading offshore law firms. The Group has offices in the key offshore jurisdictions of Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Isle of Man, Jersey, Mauritius, and Seychelles, as well as a presence in several key international financial centres including Hong Kong and Shanghai.

With over 470 people, including lawyers and professional specialists, across the Group, Appleby delivers sophisticated, specialised services, primarily in the areas of Corporate, Dispute Resolution, Private Client and Trusts, Regulatory and Property. The Group advises public and private companies, financial institutions, and high net worth individuals, working with these clients and their advisers to achieve practical solutions, whether in a single location or across multiple jurisdictions.

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