



PERSONAL LINES

Industry leaders have their say.

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BERMUDA SHORTS ARE VANISHING

Brad Kading describes how the business culture is changing in the 'new' Bermuda.

Bermudians uniquely appreciate professionals who wear short pants to work. It is still entirely possible to attend a meeting in which not one of the men is wearing long pants—and no one notices or comments—but reports suggest that Bermuda shorts may be losing their attraction for new generations of Bermuda businessmen.

Twenty years ago, when ACE and XL were born, Bermuda shorts were ubiquitous. The Island was thought of as a smart captive domicile with insurance professionals excelling at niche markets, serving specialised policyholder communities. That thriving captive market still exists, and some of its practitioners still sport shorts for work. But it has been overshadowed—headquarters and all—by the ever-expanding group of major international insurers and reinsurers domiciled in Hamilton.

Today, the growth of the Bermuda Class 4 market is sending a different message around the world: that Bermuda is becoming the world's centre of underwriting excellence and is the home of market-leading commercial carriers. In August, A.M. Best reported that 40 percent of the world's 35 largest reinsurers were Bermuda companies.

The Association of Bermuda Insurers and Reinsurers (ABIR) represents the Island's Class 4 carriers. Year-end 2005 financial statements document that this group wrote \$56 billion in worldwide premium and had a capital base of \$50 billion. ABIR members employ 19,000 people in their global operations. Bermuda Monetary Authority data for 2004 shows that Class 3s, Class 4s and the long-term insurers collectively had \$86 billion of the roughly \$107 billion in reported capital for all Bermuda-registered insurers. This statistic further documents the tremendous capital base of the major carriers domiciled in Bermuda. Here are four reasons why Bermuda has been so successful: unharnessed entrepreneurial spirit; diverse, talented professional underwriters; open-minded government leaders; and a reputation for integrity.

The spirit that built Bermuda's captive foundation is alive and well, whatever the length of men's pants. Entrepreneurial spirit is fuelling Bermuda's growth in the global commercial insurance markets. The entrepreneurs are risk-takers and they successfully raise capital because investors have confidence in the companies run from Bermuda.

These carriers have global operations and mostly trade on stock exchanges in New York and London. Insurance is all about risk; fundamentally it's about the management of that risk. Investors have come to expect Bermuda to be the domicile of choice for new insurers, and they equally expect that these carriers will be expert risk managers. Global investors support this burgeoning business in spite of some hiccups along the way, and our favourable reputation continues to grow.

Bermuda shorts represent a brand for the Island's reinsurance industry, in much the way that the bowler hat signifies a British businessman. At the annual RIMS conference, many of the men attending on Bermuda's behalf wear shorts, and as a result, are easily identified among the thousands of attendees. No other jurisdiction, company or authority is as easily recognisable, perhaps with the exception of the Lloyd's coffee master in his red robes of office and silk top hat.

The capital providers support the underwriting talent that has established a centre of excellence in Bermuda. And our carriers attract home-grown underwriting talent in addition to underwriters from around the world. It's a testament to the success of Bermuda that in insurance crowds these days, you'll find Bermudians and citizens from France, Germany, Japan, the United Kingdom, Canada and the United States. This diverse multicultural underwriting talent pool is the key to the underwriting intelligence located here.

Diversity brings with it a multitude of experience that contributes to better judgement. We are stronger because of this diversity. Today, Front Street affords a unique environment, an insurance environment centred on underwriting science and professional skill. An environment where Fortune 1000 business leaders, brokers and insurance companies can meet dozens of underwriters, design and learn about the best product offerings and negotiate the best deals on business sent here from around the world.

The third pillar of this Bermudian success is the integrity and open-mindedness of Bermuda's government leaders, a few of whom still wear shorts, at least when they are in Bermuda. They ensure that the

infrastructure support is there to sustain this franchise. Local politics aside, governments of each main political party support this commercial business development; without their support, the business would not grow.

The Government is committed to providing the regulatory and legal infrastructure needed for this growing global commercial insurance market. Although business growth has generated housing, immigration, employment and land use debates, the government's sustainability initiative is a healthy exercise in better understanding local needs. The upshot of that work should be seeing to it that business growth nurtures the country and its citizens.

Entrepreneurs, underwriters and the Government, then, have all worked together to build this insurance franchise. But success can only be sustained as long as Bermuda's reputation for honesty and fair dealing remains intact. If business integrity were lost, that foundation would crumble and our reputation would become tarnished. Without that good reputation, access to international markets would falter and insurers would need to establish themselves in credible domiciles operating with their reputation intact.

The smallness of Bermuda helps to protect its integrity. There are few secrets here; the professional accountants, lawyers, actuaries, executives and regulators have a common knowledge of business that serves a self-policing role in meeting the business ethics tests. That is a unique feature of Bermuda that is lost on observers from Europe and the United States. To maintain our reputation, business ethics need to be held in high regard; professional skills need to be emphasised; and government regulation needs to meet international standards.

We know why Bermuda is successful, but the question that remains is what becomes of Bermuda? What's next for its global commercial insurance business? Have we lived through the Golden Age? Is the decline in the wearing of Bermuda shorts indicative of a greater decline?

I think the best is yet to come, based on the views and intent of the Government and business leaders that I know. The goal here is to preserve the progress that has been made, contribute to the community and continue to build entrepreneurial success. Bermuda's experiment continues to evolve as business and Government leaders attempt to find the right balance of necessary solvency regulation and market freedom.

We're growing up and long pants come with that; but more likely, traditional Bermuda shorts, American casual attire and regular business suits will continue to be seen in relatively equal proportions on Front Street, as continued evidence that diversity is part of our formula for success.

The world is learning that Bermuda's insurance professionals won't come up short ■

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