

ABIR's Support of the European Insurance Markets

European Parliament
Bradley Kading, January 2008



Bermuda: A Vital Third Country for the European Insurance Market

Open access under the Reinsurance Directive and Solvency II for Bermuda companies is vital for European insurers and policyholders

Bermuda is committed to working with you to establish regulatory equivalence for Bermuda

EU Market Access -- Reinsurance

- **Reinsurance Directive**
 - **Individual Member State decision**
 - **CEIOPS guidance on equivalence being developed**
 - **Commission can propose mutual recognition agreements**
 - **Council will need to look at the terms**

EU Market Access – Solvency II

- **Third countries need a positive regulatory equivalence decision**
- **Mutual recognition can follow**
- **Absent this, EU subsidiaries likely subject to additional capital requirements and credit for reinsurance may be reduced**

Association of Bermuda Insurers and Reinsurers

- **23 Companies**
- **Highly capitalized, distinct regulation**
- **38€(\$56) Billion Gross Written Premiums,**
- **44€(\$64) Billion Surplus (2006)**
- **Worldwide business enterprises**
- **Headquarters in Bermuda with operations in Bermuda, Europe and the United States**

ABIR Members

- **ACE**
- **Allied World**
- **Ariel Re**
- **Arch**
- **Aspen**
- **Axis**
- **Catlin**
- **Endurance**
- **Flagstone Re**
- **Harbor Point**
- **Hiscox**
- **IPC Re**
- **Lancashire**
- **Max Capital Group**
- **Montpelier Re**
- **New Castle Re**
- **Olympus Re**
- **Partner Re**
- **Platinum Re**
- **Argo Group**
- **Renaissance Re**
- **Validus Re**
- **XL Capital**

Presence in Europe

16 of 23 ABIR members have European subs (or holding companies) in these jurisdictions:

- **Belgium, France, Germany, Hungary, Ireland, Luxembourg, United Kingdom**

4,000 employees in the EEA, including:

- **2,265 UK**
- **700 France**
- **262 Germany**
- **180 Italy**
- **160 Ireland**
- **112 Spain**

Bermuda Expertise

High severity, low frequency business:

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

Market Diversification

Reinsurance

- **Growth of Bermuda leads to market and risk diversification**
- **Good for the European insurers and policyholders**
- **Bermuda carrier growth leads to market choice, less concentration**

Bermuda Capacity Needed

- **“We have a market that is international and that has capacity needs such as European wind exposure, so you need to have people who have an open exposure mind and this is what the Bermudians have . . . If they hadn’t come in the community would not have been able to fulfil its function of covers 100%.”**
 - Jorgen Graber, COO Hannover Re, Reactions, October 2007

European Market (Broker) Share Data

- **27% of broker-placed reinsurance in Europe* ceded to Bermuda reinsurers and their EU subs**
- **25% of Lloyd's 2007 capacity**

Aon 2006, Broker market data; ABIR Lloyd's estimate UK subs and Bermuda parents combined

*Data includes Switzerland

European Market Share Data

Broker placed business with EU subs of Bermuda carriers varies from 5 – 23 % by country.

- **Belgium 8%**
- **France 5%**
- **Germany 20%**
- **Greece 9%**
- **Italy 11%**
- **Netherlands 9%**
- **Spain 11%**
- **Portugal 23%**
- **United Kingdom 22%**

European Market Share Data

9% of broker-placed European reinsurance is ceded directly to Bermuda reinsurers

This business would be the most affected by lack of equivalence

- **Belgium 4%**
- **France 14%**
- **Germany 15%**
- **Greece 3%**
- **Italy 2%**
- **Spain 3%**
- **Netherlands 10%**
- **UK 12%**

European Market Share Data

- **Catastrophe cover sold by brokers:**
 - **Range 25% to 50% in European countries**
 - **Germany 25%**
 - **CEE and Benelux 30%**
 - **France and Nordic 35%**
 - **UK 50%**
- **Non-catastrophe:**
 - **Range 10% to 20% in Europe**

Benfield 2006, Willis, Broker market estimates

How does Bermuda regulation work to serve this market?

- **Robust legal and regulatory framework**
- **Regulation geared to wholesale market**
- **Efficient licensing process**
- **Awareness of the critical nature of timeliness of these transactions**
- **Committed to international standards**

Class 4 Regulatory Recalibration

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

Bermuda – Foundation for success . . .

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

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