



GOVERNMENT OF BERMUDA

Ministry of Finance

Ministry of Finance Headquarters

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Ministerial Statement

To the House of Assembly

By

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Premier and Minister of Finance

Mr. Speaker, Honourable Members will have read the article in the Royal Gazette titled “Cayman targets Bermuda reinsurance business”. This was announced at a Captive Forum that was held in Cayman last week. The story has since been reported widely.

Mr. Speaker, I must state up front that the Government views all competition seriously and the Cayman’s announcement is no exception. However, based on our current understanding of the Cayman’s proposal, and, provided that we remain focused on our strategies of collaboration with our business partners to enhance our enviable reputation by: strengthening our relationships with the European Union, UK and US jurisdictions; strengthening our regulations to satisfy the

global regulatory agencies; and enacting business-friendly legislation, then it is unlikely that this initiative will represent a serious threat to Bermuda's existing reinsurance market in the short term.

Mr. Speaker, you may ask why we are so certain of our relationship with our reinsurance partners. The plans that have been announced by the Cayman Premier to develop a commercial reinsurance register make for interesting reading but they must be put into perspective.

First of all, this is not something that is going to happen overnight. There's a great deal of infrastructure that will need to be put in place in order to attract these companies.

Secondly, in addition to attracting the financial capital, the requisite human capital will need to be assembled to enable a viable reinsurance centre to be formed. Again, this is going to take time and while they have identified changes that they intend to make to their immigration legislation, it is unlikely that these alone will be sufficient to sustain a commercial reinsurance marketplace.

Third, the type of top-rated reinsurance entities that the Cayman Islands seems to want will be attracted less by a domicile's favourable immigration arrangements than by its stability and reputation.

Honourable Members will be aware the Bermuda marketplace is known globally as a centre of excellence in the area of reinsurance underwriting. Advances in the technical pricing of risk; the creation of alternative forms of capital such as sidecars, regulatory innovation; and a series of other developments including strong sovereign ratings; have combined to make Bermuda one of the top three reinsurance centres of the world. We are known as the risk capital of the world. Additionally, the credibility of our jurisdiction is reflected in the strength of its international relationships with those organisations that are shaping the future course of the reinsurance industry. I refer specifically to: the International Association of Insurance Supervisors [IAIS], the European Insurance and Occupational Pensions Authority [EIOPA], and the National Association of Insurance Commissioners [NAIC]. Thanks to connections with these entities that have been established by the Bermuda Monetary Authority over many years, Bermuda plays a leadership role in assisting with the development of the world's risk industry.

Mr. Speaker, recently Ramon Fernandez, Chair of the Financial Stability Board [FSB] and Secretary of the Treasury, Ministry of Economy, Industry and Employment, France sent a letter informing me of their evaluation exercise relating to “Global adherence to international cooperation and information exchange standards”. In the letter he states and I quote: *“I am writing to inform you that Bermuda is one of the jurisdictions that was included in the initial pool for evaluation, since it ranks highly in financial importance. I am pleased to note that, according to publicly available information, Bermuda already demonstrates sufficiently strong adherence to international cooperation and information exchange standards and therefore, no further evaluation is necessary under the FSB’s current initiative.”* High praise indeed for a small jurisdiction that manages to stand toe to toe with giants!

Fourth, the issue of geography and accessibility is important to the larger reinsurers. Many of these companies operate in broker markets in which intermediaries want quick, easy access to their reinsurers. On this subject, we should not forget what many of us take for granted, i.e. our strong relationship with the United States has resulted in Bermuda being one of the few small islands that enjoys the benefit of US preclearance for travellers and private jets.

Fifth, the issue over which no one has control concerns the timing of external events. Anyone who knows the history of the

Bermuda reinsurance market will tell you that the critical drivers of growth have involved external events such as the terrorist attacks of 9/11, the hurricanes of 2005, which includes Katrina, or the tragedy of the earthquake and tsunami which struck Japan earlier this year. Speed to market in these situations is critical to the success of a startup reinsurer. The absence of such a catastrophe, combined with the recessionary climate and an already well-capitalised reinsurance market in which rates are generally seen as soft, will make the creation of a new reinsurance industry a major challenge, regardless of where it is located.

Lastly, stability and reputation is important, and credibility is a fundamental requirement. I was recently at the Overseas Territory Conference in the UK where Cayman signed a Framework for Fiscal Responsibility that was imposed by the UK Government and that was considered to be non-negotiable. Also note that the new deal that the UK repeatedly promotes is one based on strategic and operational issues and requires that Overseas Territories adhere to standards that Bermuda has already on an independent basis taken.

Mr. Speaker,

Bermuda has never adopted an isolationist position- we favour collaboration and assistance, whether to help territories in need with technical support and in terms of disaster assistance. We do not adopt a selfish approach that: "now we

are okay- let's pull up the ladder" That is why, as Vice Chair of the OECD Global Forum Steering Committee, we have acted as an advocate for others, specifically smaller island domiciles. We have been principles-based. However make no mistake that we will fight aggressively and continue to support our market and we will continue to be nimble and innovative in protecting Bermuda's turf and our national interests.

Mr. Speaker, I would like to read a comment written by Brad Kading, President of the Association of Bermuda Insurers and Reinsurers [ABIR] on a blog in reaction to the Cayman story. His response summarises our own reaction quite nicely:

"Don't count Bermuda out. New 10 year work permits and incentives for locating "job creators" in Bermuda have the government's support; implementation coming. Bermuda's internationally active insurance groups need to be regulated by reputable, strong, robust solvency regulation and the BMA has met the test with its Solvency II equivalence program. Can't operate a successful internationally active insurance group without meeting the existing and future international regulatory standards. Kudos to the BMA for its pursuit of that goal." Thank you, Mr. Kading for taking the time to respond to this critically important issue.

Mr. Speaker, Imitation is the highest form of flattery, however in the words of Pericles: *"Our government does not copy our neighbours but is an example to them."* The Cayman Island

has, once again, attempted to copy Bermuda's model. We will continue to be the standard bearer and will not stray from our goal of continuing to make Bermuda the domicile of choice for credible, quality, substantive business.

Thank you **Mr. Speaker**

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