

Bermuda provides essential insurance to support UK economy

Bermuda (and ABIR) insurers provide 35% of capacity at Lloyd's

Bermuda regulates its insurers with international standards

Bermuda's global insurers and reinsurers provide important insurance and reinsurance market support in all the world's major economies. Bermuda's market-leading insurers are members of the *Association of Bermuda Insurers and Reinsurers (ABIR)* and they include 15 of the top 40 global reinsurers as reported by Standard and Poor's. These companies wrote global gross written premium of USD\$72 billion on a capital base of USD\$96 billion at yearend 2015.

Bermuda's market expertise lies in highly volatile business lines: classes of business that are characterized by infrequent claims with high severity. In addition to reinsurance, examples of such business include: professional liability, directors and officers' liability, energy, natural disaster risk and terrorism risk. These are lines of business which many insurers find difficult to write and as a result, Bermuda's companies have been able to fill a market need. With four of the top-five reinsurers in the world being European, Bermuda's reinsurers provide an important source of diversification in reinsurance capacity—something that is highly desired in the insurance world.

United Kingdom investments and employees

Bermuda's insurers are major investors in the United Kingdom:

- ABIR members' UK subsidiaries wrote gross written premium of USD\$3.8 billion at yearend 2014, with assets of USD\$11.7 billion; another subsidiary gained regulatory approval in 2015
- ABIR members employed more than 6,000 people in the UK at yearend 2015
- Bermuda insurers held UK portfolio investments of USD\$21.9 billion at yearend 2014; only US and Canadian holdings were largerⁱ

United Kingdom market impact

United Kingdom consumers and businesses benefit from greater competition and lower policyholder costs as a result of the role of Bermuda insurers and reinsurers. Bermuda insurers and reinsurers also support the UK's global position as a centre for specialty insurance services through their partnerships with the Lloyd's market. Specifically, with regard to the United Kingdom, ABIR members and/or Bermuda-based insurance groups:

- Wrote 35% of 2015 premium at Lloyd's of London
- Provided 40% of property catastrophe reinsurance market for UK/Ireland insurersⁱⁱ; provided 51% of overall property reinsurance market for UK/Ireland insurersⁱⁱⁱ
- Paid an estimated 60%+ of insured liability claims for the UK's largest peacetime catastrophic explosion—the 2005 Buncefield oil terminal explosion and fires
- Provide 19.5% of terrorism reinsurance capacity to UK's Pool Re^{iv}
- Paid 20% of December 2015 UK flood insured losses
- Are largest reinsurance providers (40%) to UK insurers for the most severe events (1/200 PMLs) as measured by the Bank of England PRA in 2015 stress tests.

Bermuda meets or exceeds international insurance regulatory standards

The Bermuda Monetary Authority (BMA), the jurisdiction's insurance regulator, cooperates fully with the Bank of England's Prudential Regulatory Authority (PRA). Furthermore, Bermuda's:

- BMA is fully equivalent under the EU's Solvency II insurance supervision framework, allowing Bermuda reinsurers to freely reinsure UK insurers; and is recognized by the Bank of England's PRA as an international group supervisor of relevant UK legal entities
- insurance regulatory framework has been found by the International Monetary Fund (IMF) to be "highly observant" of international solvency regulation standards
- BMA is a full and active participant in setting solvency regulatory standards as developed by the International Association of Insurance Supervisors (IAIS)
- BMA willingly enters into memoranda of understandings (MOU) assuring regulatory cooperation with other countries' regulators or regulatory associations; examples include the UK PRA, the IAIS, EIOPA, and the US NAIC. A total of 27 MOUs have been entered into by the BMA.

Bermuda is a transparent and cooperative jurisdiction

Bermuda is committed to meeting OECD standards with regard to transparency and cooperation on international tax law enforcement. Bermuda has:

- Shared beneficial ownership information with the National Crime Agency automatically with a 24-hour turnaround per 2016 MOU; has agreed to work with the UK on a multi-lateral automatic exchange standard for beneficial ownership information
- OECD Common Reporting Standards (CRS) in place for 2016, reporting to begin 2017; was in place with the UK previously under a FATCA exchange agreement
- OECD Country by Country (CbC) reporting for multinationals in place for 2016, reporting to begin 2017
- Joined OECD multilateral agreement on Mutual Administration Assistance in Tax Matters
- A Tax Information Exchange Agreement (TIEA) in place with the United Kingdom
- Signed more than 40 TIEAs and has concluded negotiations on more, including all the G8 nations; as well as exchange agreements in place with more than 90 jurisdictions via multilateral treaty
- For more than 70 years has collected and verified beneficial ownership information on corporations
- For more than 50 years had in place anti-money-laundering (AML) laws establishing the "know-your-customer" principle
- Complied with UK and US anti-money-laundering and anti-terrorism-financing (ATF) standards; rates lower than the UK on the Financial Secrecy Index published by the Tax Justice Network
- Been active in (was a founder of) the Egmont Group of global financial intelligence units organized to coordinate actions in anti-money laundering and anti-terrorist financing
- Been active in the Financial Action Task Force (FATF) via the Caribbean Financial Action Task Force
- Served in various leadership positions in the OECD Global Forum for Transparency and Exchange of Information for Tax Purposes; been cited by the OECD and US Treasury as a cooperative jurisdiction with regard to tax law enforcement
- Never been known as a bank-secrecy jurisdiction, nor is an offshore banking domicile; there are only four banks in Bermuda, one of which is owned by HSBC. A total of 76% of Bermuda financial-service assets are insurance assets, meaning it is a thoroughly insurance-oriented financial centre.^v

Taxation

Bermuda historically has had a tax system based on consumption of goods and services. Notably:

- Bermuda's system of taxation was not designed to attract financial services; it has had the same system of taxation since the 19th century
- The absence of a corporate income tax does not provide a necessary and sufficient condition for labeling a jurisdiction a 'tax haven'; the OECD notes its focus is on transparency and cooperation in tax law enforcement, but it does not object to "low or no-income-tax" jurisdictions, nor does it oppose tax competition
- The ratio of total government receipts in relation to GDP was approximately 20% of GDP in 2015.
- The island does not differentiate between local companies and exempted (less than 60% Bermudian-owned) companies in the way they are taxed; they are all treated equally.

Doing business in Bermuda: Business purpose, vetting and corporate registrations

ABIR members are companies of substance (not name plates), employing 44,500 worldwide, 19,000 in the US, 6,000 in the UK, 9,800 in Europe (including UK and Switzerland), 9,800 in Asia and Oceania and 1,500 in Bermuda. Many ABIR members have their headquarters in Bermuda and all conduct underwriting operations in Bermuda. The BMA vets all applications to incorporate, conducting due diligence and know-your-customer checks on ultimate beneficial owners for all new companies, not just financial-service firms. This is significantly more rigorous than other onshore and offshore centres and clearly exceeds international best practice.

Bermuda is an attractive insurance domicile because of its:

- Ability to respond to market conditions and global events, i.e. speed to market
- Legal environment—including the UK Privy Council as court of last resort
- Favourable tax regime—an advantage, but one that can be duplicated elsewhere
- Highly-rated and efficient regulation and commitment to international standards
- Intellectual capital, centre of insurance expertise
- Proximity to US
- Ability to conduct business in the US and Europe in the same business day.

With only 2% of all registered legal entities in leading UK territories, Bermuda is not the domicile of choice for establishing shell corporations. As *The Economist* magazine noted in March 2009, it is easier to register a corporation with lax proof of identity in the UK and US than it is in Bermuda.

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ⁱ Bermuda Monetary Authority, *Coordinated Portfolio Investment Survey 2015*

ⁱⁱ Aon Benfield 2013

ⁱⁱⁱ Aon Benfield 2013

^{iv} UK Pool Re

^v Bermuda Monetary Authority, *Annual Report 2014*