

BIQ

July 2009

BERMUDA INSURANCE QUARTERLY

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ALL THE RESULTS & ANALYSIS

Q1

12

BERMUDA 'TAX HAVEN' LATEST



10

HAIR TODAY ... BUT THEN IT'S GONE!



20



LURE OF THE ALPS...

Flagstone Re and ACE have already moved their headquarters from Bermuda to Switzerland. With others likely to follow, why is Switzerland an attractive proposition for a growing number of Bermudian companies? See page 4



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THE QUOTES OF THE QUARTER

"As the year goes on I expect revenue growth to remain under pressure due to global recessionary conditions and foreign exchange. While many of our customers' exposures are down due to reduced business activity, and many companies are in search of more affordable insurance alternatives, the quality of our portfolio of risks continues to improve."

— **Evan Greenberg, Chairman and CEO of ACE Limited**



"While we have seen the green shoots of recovery, we do not believe the risk-reward characteristics have sufficiently swung in our favour to mobilise ourselves for a full offensive. We believe that, by year-end, our market-leading diversification by product and geography, together with our strong underwriting skills and risk management framework, will be fully mobilised across both our insurance and reinsurance segments to deliver high quality out performance."

— **John Charman, AXIS Capital President and CEO**



"We are seeing an increasing flow of new business opportunities, particularly within our specialty reinsurance unit and individual risk segment. Our strong financial resources, excellent ratings, reputation for superior underwriting and client service along with our ongoing efforts to build out our business capabilities, position us well to capture these opportunities."

— **Neil Currie, CEO of RenaissanceRe**



"This is another quarter of solid achievement for XL as we continue to demonstrate we have the wherewithal to navigate these troubled times and to deliver on our commitments to shareholders and to clients."

— **Mike McGavick, CEO of XL Capital**



Bermuda ratings under pressure

S&P EXPECTS GENERAL GOVERNMENT DEFICITS TO RISE TO FIVE PER CENT IN 2009 AND 2010

The credit crunch and external threats to the reinsurance market are putting increased pressure on the Island's ratings.

In May, Standard & Poor's dropped its ratings outlook on Bermuda to negative from stable, citing concern about risks to Bermuda's external and fiscal position from its banking system. The move followed an earlier announcement by Moody's Investors Service lowering its government bond ratings on Bermuda one notch from Aaa to Aa2.

S&P said Butterfield Bank, with a 51 percent market share of deposits, had \$152 million in losses on its held-to-maturity investments in 2008, which prompted the Bank to raise \$200 million of preferred shares. The Bank of Bermuda was issued with a negative outlook in December on concerns about rising pressures to its earnings in 2009.

Despite concerns about the

banking sector, S&P affirmed Bermuda's AA long-term sovereign credit rating, saying Bermuda's low government indebtedness was about the lowest of nations rated by S&P. But the agency warned it expects general government deficits to rise to five percent in 2009 and 2010 from three percent in 2008.

S&P Credit Analyst Nikola Swann said: "Should the Island's banking sector weaken or should the dynamism of its reinsurance market wane, the ratings could come under pressure. On the other hand, we could revise the outlook to stable if the country's external

pressures ease."

Government would face higher interest on money borrowed if its credit ratings were downgraded.

Finance Minister Paula Cox said she still considered the AA credit rating a "strong affirmation of the endurance and resilience of our economy during these challenging times" and that she was pleased that S&P balanced its analysis by taking a positive outlook on the resilience of Bermuda's international insurance sector.

Meanwhile Fitch Ratings stated in a Special Report earlier this year that its rating outlook for the Bermuda reinsurance market

remained negative due to the current turmoil in the financial markets — but said the Bermuda market was likely to fair better than many.

Fitch said while it expects downward rating activity globally and across all of its insurance ratings in 2009, Bermuda reinsurers were less likely to face widespread rating downgrades than other insurance sectors, primarily because of their comparatively lower asset leverage and higher-quality investment portfolios.

The report said challenges for the Bermuda market included ongoing pressure on asset valuations, uncertainty surrounding the market's ability to recapitalise in the event of a major catastrophe, and ongoing threats to the Island's tax advantages.

But Fitch said it foresaw opportunities for companies who historically have taken advantage of periods of increased risk to provide new underwriting capacity.

'Challenges included ongoing pressure on asset valuations, uncertainty surrounding the market's ability to recapitalise ... and ongoing threats to the Island's tax advantages'

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Rates set to harden later in year

GREENBERG: 'INSURANCE BUYERS HAVE SIGNIFICANTLY DIALLED BACK THEIR EXPOSURES'

Analysts and industry experts expect US property casualty rates to harden in the second half of 2009, but believe the ongoing financial crisis and recession will mean only modest increases.

Speaking at Standard & Poor's Insurance 2009 Conference in New York in June, Grace Osborne, Managing Director and Practice Leader for North America Insurance Financial Services at S&P, said recent pricing surveys had shown progressively smaller year-over-year price declines among primary commercial lines insurers, hinting at rate rises in the second half of the year.

Rates have been falling since 2005, particularly since 2007, following two strong years of operating results.

Evan Greenberg, Chairman and CEO of ACE Ltd, told the conference: "The capital levels in the industry remain adequate — not sufficient, but adequate — and I think that is one reason why rates have not moved as quickly as some had hoped."

He added: "On one hand business activity has declined, and that means insurance buyers have significantly dialled back their exposures. On the other hand clients simply view insurance as another expense item, and they are cutting back. It's making it much harder to get rate increases."

S&P said that due to ongoing pressures, it was maintaining its negative outlook on the US commercial lines property/casualty sector. In the reinsurance sector, pricing has started to firm, with rate increases for property and other short-tail reinsurance as a result of higher catastrophe losses in 2008.

The company said reinsurance casualty rates remain competitive but premium rates have flattened since the beginning of 2009 compared

with pricing reductions since mid-2004. Although investment losses significantly reduced the reinsurance sector's excess capital position, S&P believes most US and Bermuda firms continue to benefit from strong levels of capital adequacy.

S&P said aggregate capital for Bermuda-based reinsurers stood at \$65 billion at year-end 2008, while US insurers posted a \$37 billion

surplus at year-end.

David Brown, CEO of Flagstone Re, recently told *Reinsurance Magazine* that although the industry suffered poor or negative book-value growth during the last half of 2008, the Bermudian reinsurance industry absorbed significant losses from Ike and other events without any serious loss of capital.

"This compares well to the mess that followed in the wake of Katrina and indicates that, as an industry, we have a better handle and control on our exposures," he said. "Furthermore, the most recent six months have seen the impact of the capital losses from 2008 create an imbalance between the demand for reinsurance and the industry's ability to supply it."



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'Insurance seen as another expense item'

Heading for the hills...

BYRNE: 'SWITZERLAND STOOD OUT AS PROBABLY THE BEST ONE TO BE IN ON THE CONTINENT'



Mark Byrne: the right move

If Bermuda needed any reminder, a leading executive warned that it would be easy for insurers to leave the Island if threatened changes in the US tax code materialised.

Hans-Joachim Guenther, the Zurich-based Chief Underwriting Officer and Head of Reinsurance for Europe and Asia at Endurance Specialty Underwriting Ltd, a unit

of Bermuda-based Endurance Specialty Holdings Ltd, told an international conference recently that more companies would move off-Island if there were no longer any tax advantages to staying in Bermuda.

Speaking at the International Reinsurance Summit 2009 in Zurich, he was quoted in Business Insurance as saying: "The tax envi-

ronment is one of the key drivers for the profitability of our business and it's passed on through our pricing. If tax advantages of operating in Bermuda change and other jurisdictions provide such breaks, then I think our business will start to move."

Flagstone Re and ACE have already moved their headquarters from Bermuda to Switzerland, although they retain a substantial Bermuda presence.

Flagstone Re Chairman Mark Byrne, who also spoke at the conference, said: "Based on political reasons related to the evolution of US politics, we didn't think that staying as a Bermuda company made sense, and when we considered jurisdictions, Switzerland stood out as probably the best one to be in on the continent."

He added: "Clearly it is more efficient to have our capital consolidated in one place than have it split between two, which was how it worked before."

"Second, there are many parts of the world where, if you knock on a door and you are from a Swiss company, you're better received than if you are from a small island they haven't heard of."

Bermuda might be known around the world as a well-regulated jurisdiction for property catastrophe reinsurance, he said: "but if you are trying to sell aviation reinsurance in India, it's better to have a Swiss business card."

The comments drew a sharp response from Finance Minister Paula Cox. "The comments of Swiss resident and European resident business executives are unsurprisingly self-serving in promoting Switzerland," she told *The Royal Gazette*.

She said executives who promote Switzerland as safer than Bermuda were "out of step" with the majority view of Bermuda's insurance market leaders who see Bermuda as the platform of choice from which to launch global operations.

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Argus settles over Madoff losses

BUT NO FINANCIAL SETTLEMENT WILL BE PAID TO POLICYHOLDERS

Local insurance group Argus has reached an agreement in principle to settle a class action pending in the US relating to investment losses caused by the Bernard Madoff fraud scandal.

The case had been brought against Argus and Argus International Life Bermuda Ltd, as well as 10 other funds, money managers and companies, in the US District

Court for the Southern District of New York by some of Argus's international life insurance customers who had seen the value of their policies plummet.

In a company statement, Argus said the terms of the settlement, which are subject to documentation and court approval, incorporate a broad package of relief including loans to policyholders,

the assignment of certain Argus International claims to a litigation trust, and co-operation by Argus International in connection with litigation of the assigned claims. In exchange, the Argus Group and Argus International will obtain broad releases relating to the claims in the litigation and other protections and relief. No financial settlement will be paid to policyholders.

The statement also said: "The Argus Group and Argus International continue to deny all allegations of wrongdoing or liability whatsoever with respect to the litigation, but have agreed in principle to settle the case to eliminate the burden, expense and uncertainty of litigation as well as the concomitant distraction of resources and efforts from their businesses."

Argus has also filed a claim with the Supreme Court of Bermuda against Tremont Group Holdings Inc and Tremont (Bermuda) Limited. Argus bought Tremont International Insurance Ltd (TIIL) from the Tremont Group in December 2006, and subsequently changed the company's name to Argus International Life Bermuda Limited.

In addition, Argus has successfully petitioned the Cayman Grand Court to appoint liquidators over the Tremont-managed funds, Rye Select Broad Market Insurance Portfolio LDC and Rye Select Broad Market XL Portfolio Limited.

Gerald Simons, President and CEO of the Argus Group said: "Having done what we can to protect the interests of our policyholders by seeking the appointment of independent liquidator Zolfo Cooper over the Rye Funds, Argus is now turning its attention to its own case against Tremont arising out of the purchase of TIIL. It is quite clear that TIIL was not worth what Tremont said it was and that Argus has suffered losses and damage as a result."

Some of the Argus Select Funds which support the pension policies of the Argus Group have a small investment in the Pioneer Momentum All Weather Fund which in turn had invested in the Bermuda-managed Kingate Global Fund Ltd, a Madoff feeder fund. Argus is advised that Pioneer is seeking legal advice in both Bermuda and New York to determine its ability to recover losses as a result of the Madoff fraud.

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BMA publishes key consultation paper

AUTHORITY WORKS TOWARDS REGULATORY EQUIVALENCE FOR BERMUDA'S INSURANCE FRAMEWORK

The Bermuda Monetary Authority has published another key Consultation Paper in its ongoing efforts to ensure Bermuda's insurance industry meets international regulatory standards.

According to a BMA statement, "Standards and Applications Framework for the Use of Internal Capital Models for Regulatory Capital Purposes" outlines the Authority's proposed application process and model approval criteria for Class 4 reinsurers applying to use an internal capital model to determine their regulatory capital.

Establishing an internal capital model framework is part of the Authority's ongoing work to develop a leading international regulatory framework for Bermuda's insurance sector.

BMA CEO Matthew Elderfield said: "The Authority is working towards the goal of achieving regulatory equivalence for Bermuda's insurance framework within key international markets. The issuance of this Consultation Paper represents the completion of another milestone for the Authority on the road to mutual recognition."

The use of regulator-approved

internal models is in line with international proposals on solvency that are currently in development, such as Europe's Solvency II Directive and the International Association of Insurance Supervisors solvency proposals. The BMA began developing its framework in 2008 when it conducted a survey with all Class 4 reinsurers to evaluate the extent to which internal capital models were

in use by companies, and the robustness of those models. This activity was followed up with a trial review of a small number of companies' models. At the end of 2008 the BMA published a report summarising the findings from the survey and reviews.

The Consultation Paper represents the next step in the development of the BMA's enhanced sol-

vency framework for Bermuda's largest insurers. This framework includes: the Bermuda Solvency Capital Requirement; the Authority's Standardised Capital Adequacy Model that was introduced at the end of 2008; the Internal Capital Models framework, and an Own Risk and Solvency Assessment regime which is currently in development.



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RenRe forms new reinsurer

Bermuda reinsurer RenaissanceRe has set up a new Bermuda sidecar to provide additional reinsurance capacity for the Florida homeowners market in the current upcoming renewal season.

RenaissanceRe will cede a defined portfolio of its property catastrophe business covering primarily hurricane risks for Florida insurers during the 2009 hurricane season, to Timicuan Reinsurance II Ltd (Tim Re II). Tim Re II has approximately \$60 million of equity capital, including \$10 million invested by RenRe.

IPC shareholders reject Max merger

VALIDUS EXPECT IPC'S BOARD TO AGREE PENDING AMALGAMATION AGREEMENT, CHRIS GIBBONS REPORTS

Shareholders of IPC Holdings Ltd have voted against their Board by rejecting a planned merger with Max Capital Group Ltd. The move now paves the way for a hostile takeover by rival Bermuda reinsurer Validus Holdings Ltd.

On June 12, IPC shareholders voted against the merger by “a wide margin” according to one insider quoted by the *Wall Street Journal*. A Validus statement put the figure at 72 percent. In a simultaneous meeting, Max shareholders had voted overwhelmingly — 90 percent according to a company statement — in favour of the deal first announced in March.

IPC began looking for partners last year to expand its business, and Chairman Kenneth Hammond said in a statement issued after the meeting: “We have heard the message sent by IPC shareholders. The board will review all strategic alternatives to maximise shareholder value including sale of the company, and as part of this review will give consideration to Validus.”

Validus CO Ed Noonan said in a statement: “By rejecting the Max amalgamation by an overwhelming margin, IPC shareholders have clearly spoken. We now expect IPC’s Board to heed the message sent by IPC’s shareholders by agreeing to Validus’ pending Amalgamation Agreement without delay so that IPC’s shareholders can receive the superior value offered by Validus promptly.”

“We are gratified that the Max amalgamation agreement has now been terminated and we urge the IPC Board to work co-operatively with us to achieve an expeditious closing of the Validus transaction.”

Under Validus’ offer, IPC shareholders would receive \$3.75 in cash and 1.1234 Validus voting common shares for each IPC common share, for a total consideration of \$30.32 per IPC share based on Validus’ closing price on June 11.

Validus had launched its rival bid on March 31, just weeks after the IPC-Max merger was



Marty Becker, Max Chairman and CEO

announced, with Mr Noonan declaring: “This proposal represents a compelling strategic combination that we believe would generate superior value for both Validus and IPC shareholders. The shareholders of both companies would benefit from being part of a larger, more diversified, global business which would be a market-leading carrier in Bermuda’s short-tail reinsurance and insurance market.”

The three firms then became locked in an increasingly bitter battle. Four days before the shareholders meetings, Validus upped its bid for IPC to \$1.72 billion.

Marty Becker, Chairman and CEO of Max Capital, commented: “The Board, employees and shareholders of Max were excited about the deal with IPC, and we are, of course, disappointed that IPC’s shareholders did not approve it. We believed and continue to believe that the combination of Max and IPC would have created significant value for both companies’ shareholders. However, we also believe that maintaining our perspective and discipline as a participant in this process was in the best interest of our shareholders. Max is a strong, diversified underwriting company and will continue to focus on building the value of our global business for our shareholders.”

The merger would have resulted in IPC shareholders owning about 58 percent of the combined company, with Max Capital shareholders owning the remaining 42 percent. The IPC board insisted that the subsequent offer from Validus was inferior and “not in the best interests of IPC and its shareholders as a whole,” saying the offer was at a significant discount to IPC’s book value and offered less book value per share than the IPC/Max transaction.

In a letter to shareholders on June 2, the IPC Chairman said the deal “meets all of the IPC

Board’s key criteria for enhancing shareholder value: greater scale and scope, diversification into non-correlated risks, preservation of the value of IPC’s existing franchise and increased management depth.”

Validus waged a determined PR and legal campaign to block the IPC-Max deal, and Mr Noonan said: “Validus’ superior offer contrasts with the proposed Max amalgamation, in which IPC shareholders would receive less cash, which is being paid solely through dividends. These dividends are essentially just returning IPC shareholders their own money and Validus believes, like most special dividends, will not result in a meaningful increase in IPC’s aggregate shareholder value.”

Three days before the vote, Validus said RiskMetrics Group, an independent proxy voting and corporate governance advisory firm, had recommended that IPC shareholders reject the Max offer, but IPC accused RiskMetrics of using “bad math” to come up with its recommendation.

It said RiskMetrics ignored book value growth for IPC’s operations, the potential incremental returns on \$400 million excess capital through special dividends, and potential deployment for additional earnings growth. IPC said another proxy advisory firm, Glass Lewis & Co, had recommended shareholders vote for the deal.

In a letter to the company’s shareholders, a disappointed Mr Becker said: “In the end, the Max Board of Directors did not believe that further enhancement of our proposal would be advantageous for our shareholders. While the IPC combination would have been an attractive combination to enhance our size and scale, we wanted to ensure Max shareholders were properly rewarded for the value that Max was bringing to the transaction. Max is a very vibrant and successful business with significant shareholder upside and more than adequate capital to execute our business plan.”

NOONAN: ‘We urge the IPC Board to work co-operatively with us to achieve an expeditious closing of the ... transaction’

BECKER: ‘Max will continue to focus on building the value of our global business for our shareholders’

Study highlights growing Bermuda role in US economy

PACKWOOD: 'BERMUDA PLAYS AN INVALUABLE AND INCOMPARABLE ROLE IN THE UNITED STATES'

A new Economic Impact Study commissioned by the Bermuda International Business Association underlines the growing importance of the Island's reinsurance sector in supporting the US economy.

The study confirms that Bermuda is the leading offshore supplier of insurance, reinsurance and payer of property and casualty losses to the US, and the fourth most important export market for US financial services and insurance.

The Economic Impact Study was conducted in the first quarter of 2009 by Stonebridge International, a leading Washington DC-based global business strategy firm founded by Samuel "Sandy" Berger, President Bill Clinton's former National Security Advisor.

BIBA said Lead Researcher Charles Ludolph, a Senior US Economist For International Trade



Cheryl Packwood, BIBA CEO

And Investment, used only publicly available economic information and scoring methods used by the US Congressional Budget Office for the study. As such, the study is likely to provide useful ammunition for Bermuda's lobbyists on Capitol Hill as they seek to derail possible tax and regulatory threats to the Island's reinsurance business.

BIBA CEO Cheryl Packwood said: "For years Bermuda has known that we are dependent in large part on the United States for our continued economic growth

and success, but rarely has Bermuda turned the tables to focus on the role that Bermuda plays in supporting the US economy.

"This study puts some real substantive findings behind the argument that Bermuda plays an invaluable and incomparable role in the United States. While that economic support begins with insurance and reinsurance, it extends beyond those industries specifically and supports agriculture, energy, shipping and investment capital that make a meaningful difference in the short and long-term health of the US economy."

The study estimates that two-way trade between Bermuda and the US was worth \$60 billion a year and sustained 300,000 US jobs in 2007 - 100,000 created by annual US exports to Bermuda, with a further 200,000 derived

from Bermuda subsidiaries majority-owned by US interests.

Over the last 10 years, Bermuda has also evolved into a significant international financial centre with important ties to the US investment community. The study says in 2008 Bermuda had 1,300 domiciled and regulated investment funds with almost \$200 billion in net assets, with US-owned corporate and tax exempt funds accounting for as much as \$70 billion of those assets, and American individuals for another \$30 billion. The study said that most of these Bermudian investments are US offshore funds.

Bermuda is also the 10th largest portfolio investor in US securities, its portfolio investment doubling to \$209 billion from 2000 to 2008. Bermudian investors are the 15th largest holders of US Treasuries and US Government asset-backed bonds.

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Bermuda ‘dodges bullet’ over tax change

US WARNED ‘NOT TO TAR ABUSERS OF ADVANTAGES WITH THE SAME BRUSH’

Bermuda’s reinsurance industry breathed a sigh of relief in mid-May when it was not targeted in US President Barack Obama’s plans to raise more than \$200 billion in tax revenues over the next 10 years.

President Obama will clamp down on tax havens and remove tax incentives for moving jobs overseas, but stopped short of including the tax code change proposed by Massachusetts Representative Richard Neal that would raise the US tax rate on non-US insurance companies — a move that would hit Bermuda-based insurance companies with US subsidiaries.

At present, the President is focusing on the offshore activity of American companies because, as a White House statement put it: “Nearly one-third of all foreign profits reported by US corporations in 2003 came from just three small, low-tax countries: Bermuda, the Netherlands and Ireland.”

While the industry might have “dodged a bullet” as one headline stated, it is still on a war footing, and Bermuda will continue the charm offensive it has mounted in recent months. Premier Dr Ewart Brown and Finance Minister Paula Cox led a high profile delegation to Washington, DC, in May to fight the Island’s “tax haven” label. “It is important that we continue to tell the Bermuda story on Capitol Hill,” said Ms Cox.

According to the *Wall Street Journal*, a US Treasury spokesman said the reinsurance issue was still under review and that President Obama had not yet taken a firm position on it.

As Bradley Kading, President of the Association of Bermuda Insurers and Reinsurers (ABIR), and the industry’s Washington-based lobbyist, told *The Royal Gazette*: “It’s a long fight. We’ve just passed one more milestone in the road. The US Government is hungrily seeking revenue from all sources.

“We think there is a recognition



Don Kramer: infuriated

in the [Obama] Administration that the proposed discriminatory tax is a complex issue and needs more study.”

Premier Brown said that based on conversations he had in Washington, he did not think the Neal Bill had sufficient support.

“More than a few members of Congress said they had no intention of supporting the Bill because they don’t think it’s good for Bermuda or good for the US,” he said.

The Coalition for a Domestic Insurance Industry (CDII), which supports the Bill, claims the tax code change is necessary to “level the playing field” for American-based reinsurers. But Bermudian companies say such a move would cut the supply of insurance and reinsurance in the US and drive up insurance costs for American consumers.

A report by the Brattle Group, a Cambridge, Massachusetts-based economic consulting firm commissioned by the Coalition for Competitive Insurance Rates (CCIR), claimed that the Neal Bill would cost consumers an additional \$10-\$12 billion per year to maintain their current insurance coverage.

According to the study, the Neal Bill would also:

- Reduce the supply of reinsurance in the US by \$19-\$22 billion, which represents 20 percent of all reinsurance and 40 percent of all foreign reinsurance (non-affiliated



Bradley Kading: “long fight”

as well as affiliated).

- Reduce the supply of primary insurance in the US by 1.8-2.1 percent.
- Increase the price of primary insurance by 1.8-2.1 percent overall, and by more than 16 percent in some lines of business.

The study said the burden of reduced supply and higher prices would fall disproportionately on the states most vulnerable to catastrophic losses — California, Florida, New York and Texas.

“This study confirms the fears of the nearly 40 independent experts, state government officials, business owners, and associations who publicly filed opposition letters to legislation pending in Congress,” said Mr Kading.

“This legislation imposes an unnecessary and costly tariff on companies that help spread insurance risks for consumers and businesses in areas subject to hurricanes, earthquakes, crop failures and other forms of natural disas-

ters.”

In the June issue of *Reinsurance Magazine*, Don Kramer, an American-born veteran of the Bermuda market and CEO of Bermuda-based Ariel Re, said it was “infuriating to hear the [CDII] seeking protectionist tax legislation say repeatedly that all they want to do is level the playing field when, in fact, the cession of inter-company reinsurance to Bermuda involves the assumption of significant risk.”

In the same issue, Ironshire CEO Mitch Blaser said: “Any bill that encourages protectionism will ultimately have the biggest negative impact on the consumer: costs would increase as the sources of capital become more expensive.”

He said it was a misconception that Bermuda-based companies do not pay US taxes. “Federal Excise Tax at four percent of gross translates into taxes of 20 to 40 percent of net income assuming a 10 to 20 percent profit and there wasn’t as much profit in the business over the last two years. However, these taxes are still paid.

“The issue that the US has to deal with is to be careful not to tar abusers of tax advantages with the same brush.”

And Max Capital CEO Marty Becker said an ABIR survey of members with significant US operations, showed that between 2004 and 2006 those Bermuda companies were already paying an effective average US tax rate on their income related to US operations of approximately 28 percent.

Government to open DC office

The Bermuda government is to open an official office in Washington, DC, just seven blocks from Capitol Hill. The office, at 325 7th Street NW, is expected to officially open in September.

Government made the announcement in May following Premier Dr Ewart Brown’s trip to Washington at the head of a Bermuda delegation to meet with key members of Congress to put Bermuda’s business case in the face of growing tax and regulatory threats. Dr Brown told the House of Assembly that the new office would help bolster moves to change the misconception of Bermuda as a tax haven.

BERMUDA TAKEN OFF GREY LIST

Bermuda has officially been removed from the Organisation for Economic Co-operation and Development's (OECD) controversial grey list of tax havens after completing the required 12 tax information exchange agreements (TIEA). Finance Minister Paula Cox signed Bermuda's 12th TIEA at the Dutch Embassy in London on June 8.

Bermuda was included in the list at the G20 Economic Summit in London as world leaders pledged to clamp down on tax havens.

The list compiled by the OECD named jurisdictions that had committed to international tax transparency standards but had not yet implemented them. Jurisdictions on the list were ordered to complete 12 TIEAs by September 2009 or face further sanctions.

Jeffrey Owens, Director of the OECD's Centre for Tax Policy and Administration, called the signing a "very significant development" for Bermuda.

The Finance Ministry's Treaty Unit has concluded negotiations on three more TIEAs, with Germany, Mexico and Canada, which are expected to be signed by the end of the year, and Government plans to sign TIEAs with all G7 countries.

In a statement, the OECD said: "Bermuda was one of the first jurisdictions to commit to the international standard of transparency and exchange of information in May 2000."

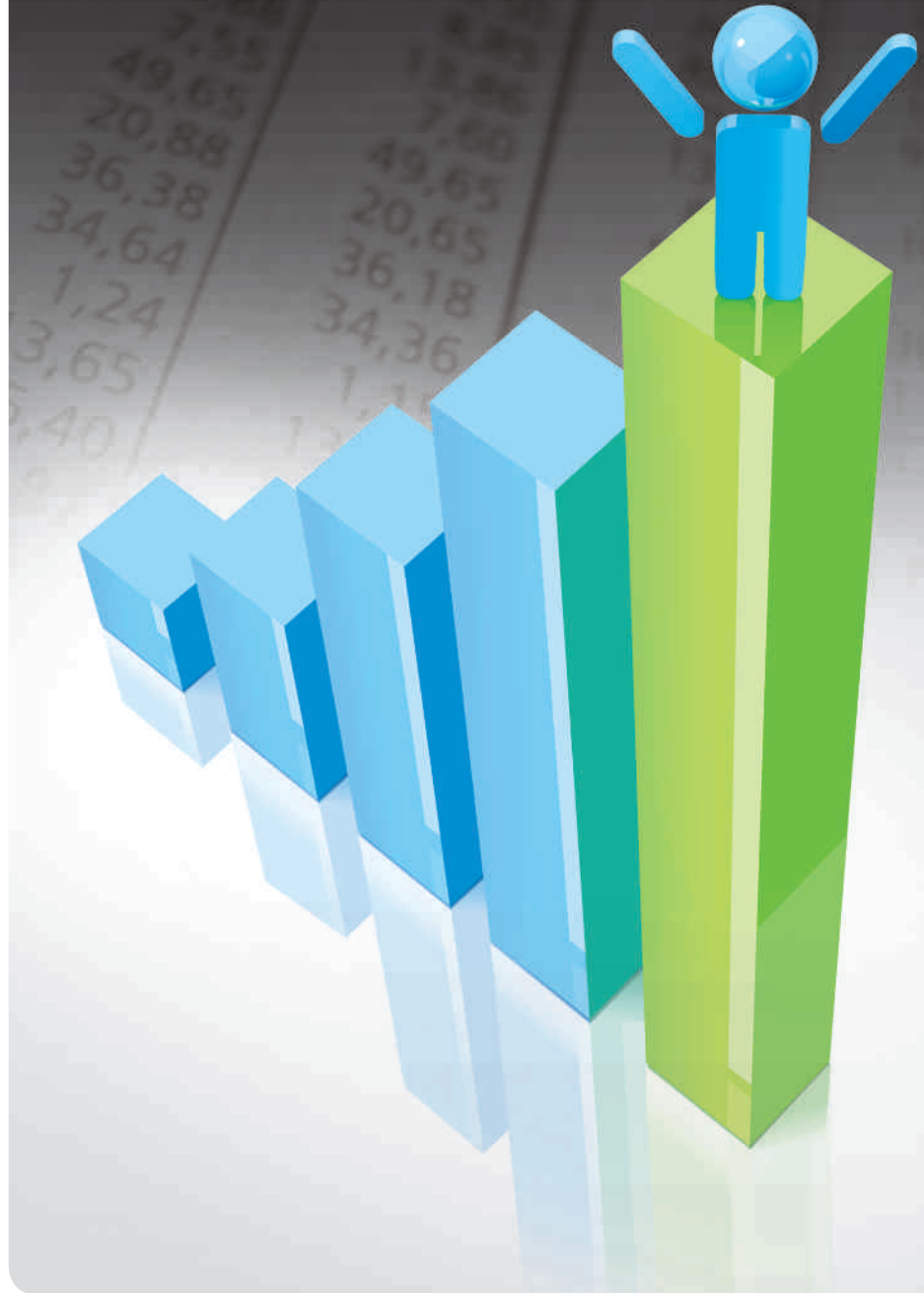
Minister Cox pledged that Bermuda would "build upon our long standing position of transparency and co-operation which has, through the years, differentiated Bermuda from other jurisdictions."

She added: "Most importantly, Bermuda continues to not only meet but exceed standards set by the OECD Global Forum's annual assessments, and we are confident that we have the legislative framework in place to well position ourselves for the forthcoming model peer review process as our TIEA partners repeatedly publicly commend Bermuda on how well we effectively exchange information."

However, the Opposition UBP criticised government's apparent sluggishness in dealing with the issue. Shadow Finance Minister Bob Richards said:

"We hope the Minister has learned a lesson from this exercise — that there can be no complacency when it comes to upholding Bermuda's international reputation."

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OPERATING RATIOS

QUARTERLY LOSS RATIOS

	Q1 2009	Q1 2008	Q1 2007
ACE	59.7%	55.6%	62.1%
Arch	57.2%	57.1%	56.3%
Aspen	56.1%	52.9%	51.4%
Allied World	45.8%	52.5%	57.9%
Axis	58.3%	54.9%	57.3%
Endurance	58.2%	50.9%	55.9%
Everest Re	61.1%	59.8%	56.3%
Flagstone Re	44.3%	29.4%	47.2%
IPC	39.6%	5.9%	50.6%
Max Capital	65.7%	69.2%	69.5%
Montpelier	34.7%	54.5%	41.8%
PartnerRe	55.9%	64.8%	59.9%
Platinum	58.2%	53.1%	63.9%
Renaissance Re	28.6%	26.6%	40.2%
Validus	41.4%	48.0%	41.7%
White Mtn	59.6%	68.7%	65.4%
XL Capital	59.8%	64.5%	61.4%

QUARTERLY EXPENSE RATIOS

	Q1 2009	Q1 2008	Q1 2007
ACE	27.8%	29.0%	25.0%
Arch	29.5%	29.1%	27.1%
Aspen	28.4%	32.5%	28.0%
Allied World	29.5%	25.7%	21.8%
Axis	28.3%	26.3%	23.4%
Endurance	34.0%	33.5%	30.8%
Everest Re	28.6%	29.3%	26.1%
Flagstone Re	36.1%	37.5%	27.1%
IPC	34.6%	17.6%	16.5%
Max Capital	24.0%	19.6%	21.5%
Montpelier	39.4%	35.2%	23.8%
PartnerRe	31.1%	32.6%	23.9%
Platinum	21.9%	25.3%	23.1%
Renaissance Re	27.9%	24.8%	25.4%
Validus	33.6%	34.4%	22.8%
White Mtn	32.7%	32.7%	35.2%
XL Capital	33.2%	29.1%	27.7%

QUARTERLY COMBINED RATIOS

	Q1 2009	Q1 2008	Q1 2007
ACE	87.5%	84.6%	87.1%
Arch	86.7%	86.2%	83.4%
Aspen	84.5%	85.4%	79.4%
Allied World	75.3%	78.2%	79.7%
Axis	86.6%	81.2%	80.7%
Endurance	92.2%	84.4%	86.7%
Everest Re	89.7%	89.1%	82.4%
Flagstone Re	80.4%	66.9%	74.3%
IPC	74.2%	23.5%	67.1%
Max Capital	89.7%	88.8%	91.0%
Montpelier	74.1%	89.7%	65.6%
PartnerRe	87.0%	97.4%	83.8%
Platinum	80.1%	78.4%	87.0%
Renaissance Re	56.5%	51.4%	65.6%
Validus	75.0%	82.4%	65.4%
White Mtn	92.3%	101.4%	100.6%
XL Capital	93.0%	93.6%	89.1%

FINANCIAL STRENGTH RATINGS

A M BEST RATING S&P RATING

	A M BEST RATING		S&P RATING	
	May 15, 09	May 15, 08	May 15, 09	May 15, 08
ACE	A+	A+	A+	A+
Arch	A	A	A	A
Aspen	A	A	A	A
Allied World	A	A	A-	A-
Axis	A	A	A+	A
Endurance	A	A	A	A
Everest Re	A+	A+	A+	AA-
Flagstone Re	A-	A-	NR	NR
IPC	A	A	A-	A-
Max Capital	A-	A-	NR	NR
Montpelier	A-	A-	A-	A-
PartnerRe	A+	A+	AA-	A
Platinum	A	A	NR	NR
Renaissance Re	A+	A+	AA-	AA-
Validus	A-	A-	NR	NR
White Mtn	A-	NR3	A-	A-
XL Capital	A	A	A	A+

NR — Not rated by S&P
NR3 — Not rated by A M Best

ANALYSIS / PRICEWATERHOUSECOOPERS Q1 2009

Outlook

● Q1 of 2009 has seen some rate hardening in several classes of business, with primary rates lagging pricing movements in reinsurance. Pricing trends have generally been in line with expectations.

● The companies in the group with stronger capital bases and ratings have increased their market share and this trend looks set to continue.

● That said, the overall trend in premium growth is downward, due mainly to the impact of the current economic environment as well as the well publicised 'capital crunch.'

● Continued hardening for property catastrophe renewals in June and July is expected especially in respect of Gulf of Mexico exposures.

Earnings

● Most P&C companies released reserves this quarter. Net favourable development was generally

more than expected for the group. There was also low cat activity.

● Signs of stabilisation in the credit markets have led some companies to start to redeploy cash into high quality fixed maturities to improve yields.

Other

● FAS 157-4 and FAS 115-2 were issued by the FASB and modify certain fair value and OTTI requirements. Adoption is required for Q2 but early adoption was permitted for Q1. Most companies indicated that they do not expect adoption of these standards to have a material impact on results but expect that the required split of OTTI into that arising from credit loss and other factors will be very subjective. Most companies in our sample did not early adopt.

● Several companies repurchased debt, preferred shares or common stock at a discount during the quarter.

GROSS PREMIUMS WRITTEN \$M

	Q1 2009	Q1 2008	Q1 2007
ACE	4,535	4,409	4,496
Arch	1,029	1,053	1,210
Aspen	637	596	637
Allied World	480	397	438
Axis	1,324	1,264	1,303
Endurance	783	869	573
Everest Re	998	878	1,017
Flagstone Re	361	242	207
IPC	235	198	236
Max Capital	434	307	214
Montpelier	251	257	261
PartnerRe	1,340	1,439	1,302
Platinum	249	300	303
Renaissance Re	598	527	633
Validus	610	522	378
White Mtn	1,146	1,178	1,202
XL Capital	2,013	2,936	3,273

NET PREMIUMS EARNED \$M

	Q1 2009	Q1 2008	Q1 2007
ACE	3,194	2,940	3,082
Arch	701	708	745
Aspen	447	392	439
Allied World	324	273	287
Axis	665	659	685
Endurance	378	372	377
Everest Re	932	912	1,005
Flagstone Re	173	135	101
IPC	99	90	105
Max Capital	190	136	139
Montpelier	133	140	143
PartnerRe	867	910	842
Platinum	248	302	285
Renaissance Re	302	309	363
Validus	319	292	111
White Mtn	911	929	938
XL Capital	1,452	1,712	1,791

Q4 EARNINGS (LOSS) DATA

	Net income (loss) attributable to common shareholders (\$m)			Fully diluted earnings (loss) per share (\$)		
	Q1 2009	Q1 2008	Q1 2007	Q1 2009	Q1 2008	Q1 2007
ACE	567	377	701	1.69	1.10	2.10
Arch	140	189	199	2.24	2.78	2.59
Aspen	91	81	122	1.39	0.85	1.27
Allied World	131	131	114	2.57	2.55	1.83
Axis	116	238	228	0.78	1.48	1.37
Endurance	74	74	98	1.24	1.13	1.36
Everest Re	109	78	298	1.77	1.24	4.59
Flagstone Re	36	33	36	0.42	0.38	0.50
IPC	8	83	73	0.15	1.31	1.07
Max Capital	45	8	80	0.78	0.13	1.24
Montpelier	52	0	73	0.61	-	0.76
PartnerRe	133	120	161	2.32	2.16	2.76
Platinum	84	103	70	1.58	1.76	1.08
Renaissance Re	97	137	191	1.57	2.05	2.63
Validus	95	66	57	1.20	0.85	0.94
White Mtn	30	(57)	92	3.44	(5.38)	8.54
XL Capital	178	212	550	0.53	1.19	3.06

COMPREHENSIVE INCOME FOR THE QUARTER

	Comprehensive income (\$m)		
	Q1 2009	Q1 2008	Q1 2007
ACE	337	88	775
Arch	202	157	233
Aspen	77	122	138
Allied World	74	130	139
Axis	64	224	259
Endurance	71	83	116
Everest Re	106	74	294
Flagstone Re	38	31	35
IPC	8	87	77
Max Capital	(18)	18	76
Montpelier	51	(2)	73
PartnerRe	113	190	185
Platinum	83	101	82
Renaissance Re	102	168	204
Validus	95	67	57
White Mtn	(27)	(21)	109
XL Capital	(873)	(602)	491

MARKET CAPITALISATION

	Q1 2009		Q1 2008		Q1 2007	
	Common shares issued	Market value \$	Common shares issued	Market value \$	Common shares issued	Market value \$
ACE	335,890,644	40.40	332,506,547	55.06	328,309,225	57.06
Arch	60,532,222	53.86	64,649,618	68.67	73,746,726	68.21
Aspen	82,762,673	22.46	85,395,154	26.38	88,133,866	26.21
Allied World	49,522,766	38.03	48,841,837	39.70	60,390,269	42.75
Axis	137,622,000	22.54	144,590,000	33.98	150,417,000	33.86
Endurance	57,473,048	24.94	60,097,750	36.60	65,967,559	35.74
Everest Re	65,700,000	70.80	65,500,000	89.53	63,200,000	96.17
Flagstone Re	84,864,844	7.79	85,316,924	12.10	84,547,891	13.48
IPC	56,092,672	27.04	55,947,610	28.00	63,848,158	28.85
Max Capital	55,883,024	17.24	56,450,598	26.19	60,305,517	25.48
Montpelier	87,448,434	12.96	94,505,314	16.05	111,778,122	17.34
PartnerRe	57,874,268	62.07	57,580,543	76.30	56,704,414	68.54
Platinum	51,163,377	28.36	48,923,952	32.46	59,825,816	32.08
Renaissance Re	62,324,000	49.44	64,927,000	51.91	72,289,000	50.14
Validus	75,828,922	23.68	74,230,410	23.43	n/a	n/a
White Mtn	8,854,086	171.91	10,570,234	480.00	10,833,788	566.50
XL Capital	342,109,626	5.46	179,033,752	29.55	178,252,037	69.96

n/a = data not publicly available

SHAREHOLDERS' EQUITY (\$M)

	Q1 2009	Q1 2008	Q1 2007
ACE	14,718	16,735	14,959
Arch	3,630	4,005	3,783
Aspen	2,832	2,923	2,509
Allied World	2,492	2,395	2,356
Axis	4,493	5,371	4,642
Endurance	2,254	2,538	2,367
Everest Re	5,040	5,633	5,197
Flagstone Re	1,024	1,242	1,061
IPC	1,849	2,148	2,054
Max Capital	1,263	1,512	1,448
Montpelier	1,437	1,570	1,560
PartnerRe	4,282	4,473	3,907
Platinum	1,830	1,929	1,937
Renaissance Re	3,121	3,386	3,304
Validus	2,023	1,991	n/a
White Mtn	2,866	4,679	4,543
XL Capital	6,141	9,255	11,313

n/a = data not available

Thiele takes top award in 'challenging year'

CHRIS GIBBONS MEETS THE WINNERS OF THIS YEAR'S BERMUDA INSURANCE AWARDS

Patrick Thiele, President and CEO of PartnerRe Ltd, said being named Bermuda's Reinsurance Person of the Year was all the more satisfying after the challenges the industry faced in 2008.

"It does mean more because of the difficulties everyone's had in the last year," Mr Thiele said at the awards ceremony at the Fairmont Hamilton Princess. "It feels a little more special to be honoured at this time."

The Bermuda Insurance Institute said it honoured the genial and highly respected mid-westerner from Wisconsin for "his outstanding leadership, consistently positive company results and his unwavering support and promotion of Bermuda as a domicile." It called his leadership style "understated, modest and founded on his own personal commitment to creating a well-managed company."

Mr Thiele came to Bermuda in 2000 to take over the reins of PartnerRe from its mercurial founder Herbert Haag. He had previously been Group Director of Development of CGNU, and CEO and President of St Paul Companies' worldwide insurance operations.

He has spent eight and a half years as head of PartnerRe, "which apparently makes me the third longest serving reinsurance CEO in the world," he quipped. "It's not a long-lived profession!"

His — and PartnerRe's — success, he said, had been down to "inheriting a very good company from Herbert Haag and a little bit of luck. I joined PartnerRe at the end of 2000 just as the market was turning. It was bad luck to have 9/11 happen nine months after I took over, but the market was in recovery and prices rose and we were able to replenish our capital and move forward."

"Since then it has been a case of the understated virtues of stubbornness and conservatism. Reinsurance business is all about risk, taking risk prudently and evaluating and valuing risk properly. The achievement I'm most proud of is our risk culture. We take our risk very seriously and promise with absolute certainty that we will be around for the claims and earn a decent return for our shareholders."

Under his leadership, PartnerRe has success-

fully transformed from a cat-only reinsurer to a diversified global reinsurance company with 14 offices worldwide offering coverage for property and casualty, catastrophe, specialty lines, life and alternative risk products. PartnerRe's total assets currently exceed \$16 billion, with total capital greater than \$4 billion. For the year ended December 31, 2008, revenues were almost \$4 billion.

Since 2002 PartnerRe has grown its book value per share at an 11 percent compound rate, its economic value per share at 13 percent, and increased its shareholder dividend every year since incorporation, including 2009, when the company still managed to deliver a 12 percent operating return on beginning equity for the year. The company also maintained a strong balance sheet and achieved a positive total return on its investment portfolio.

The BII citation read: "In 2008 — a challenging year all-round — PartnerRe maintained its strong position in the market, preserved its reputation and its client base and produced an acceptable set of results, all of which reflect Patrick's commitment to intelligent risk management and success over the long-term. PartnerRe's track record speaks directly to Patrick's excellent leadership and this success can only reflect positively on Bermuda in its role on the world stage, especially in the troubled climate of today."

Mr Thiele's thoughtful approach and commitment to risk management and transparency means his opinion is sought and respected on industry issues. Last year he represented the Bermuda market at the International Regulatory Dialogue in Brussels.

'Outstanding leadership, consistently positive company results and unwavering support and promotion of Bermuda as a domicile'



Patrick Thiele: Reinsurance Person of the Year and President and CEO of PartnerRe Ltd

As Director and Deputy Chairman of The Association of Bermuda Insurers and Reinsurers, he has consistently called for appropriate regulation and greater transparency, has provided support for the Bermuda Monetary Authority's transparency working group, and talked to the IMF on Bermuda's regulatory framework in their review of Bermuda.

Mr Thiele also constantly emphasises the fact that PartnerRe is "a Bermuda company" that boasts an 80 percent Bermudian workforce, including two-thirds of the senior management team in Bermuda. His corporate-giving policy ensures a percentage of PartnerRe's earnings are donated to local charities each year.

"Yes we're a global company, but Bermuda is our home," he said. "The real value that Bermuda gives us is not so much the tax advantages, the proximity to the US markets, but that it gives us a neutral home base. If I was based in Paris, we'd be a French company, or if I was based in Zurich the company would have a Swiss culture, but each of our offices can have their unique culture under the neutral umbrella that Bermuda gives us."

"People often ask me if the tax situation or the regulatory environment changed would the company move. I always tell them it would take a lot to make us move because of everything Bermuda gives us."

Butt not ready to call time just yet...

'I DON'T CARE HOW I'M REMEMBERED. I CARE MUCH MORE ABOUT WHAT'S HAPPENING NOW'

He may have received a Lifetime Achievement Award from the Bermuda Insurance Institute but Michael Butt says it's premature to call time on his more than 40 year career just yet.

The urbane 67-year-old Englishman won't be retiring as Chairman of AXIS Capital Holdings Limited and AXIS Specialty Limited for another two and a half years, and he quipped that the award should be changed to the "Life Sentence Award" as previous recipients Don Kramer, Bob Newhouse, Bob Clements and Brian O'Hara are still active.

Besides, he said, he and CEO John Charman still have plenty of work to do taking AXIS, the company they formed in 2002, "to the next level."

He said: "The rocket's taken off and we've gone into orbit. Now the question is 'do we stay in the same orbit or go into another one?' It's been relatively easy to grow the business recently if you wanted to, but the profit factor wasn't necessarily evident. As always it's a challenge finding the right balance.

"I think there are going to be a large number of opportunities for quality capital and good management teams to continue to add value and grow. It doesn't have to be by acquisition."

The BII award described Mr Butt "as a statesman, the consummate diplomat" respected professionally and personally at all levels of the industry. As Chairman of both The Association of Bermuda Insurers and Reinsurers (ABIR) and the World Insurance Forum, and a long-time member of the Geneva Association, he has "long been a tireless contributor to Bermuda" as "a non-partisan sounding board for legislators and a leader in the efforts to establish Bermuda as a substantial and respected financial services jurisdiction."

Mr Butt said: "One of the things I'm most proud of is helping people to grow and helping the industry as a result. That matters to me a lot. People did it for me so it's only fair to reciprocate and try and multiply the effect."

As a mentor, he stressed that "in this industry personal reputation over time is a critical factor. I once told a group of young brokers that the

most important thing you can do is to build and maintain your personal reputation for integrity. Don't let anyone compromise that. You might have tough times short-term, but long-term that's the real value."

Mr Butt played a pivotal role in the development of Bermuda as a global reinsurance centre, although he is the first to admit that his success has largely been about "being in the right place at the right time and knowing the right people."

One of those people was Bob Newhouse, the former Chairman of Marsh & McLennan, and the place and time was Bermuda in Spring 1992. Mr Newhouse invited Mr Butt to join the Board of a new property cat reinsurer he was forming called Mid Ocean Re, the first of the billion-dollar 'Class of 93' start-ups.

"In September 1992, Hurricane Andrew hit and a small idea became a big idea," he recalled. He was asked to take over as CEO of the new company in January 1993. The company went public that summer and the rest is history. Bought by XL in 1998, it became the core of XL Re and from 1998 to 2002, until he joined AXIS, Mr Butt was a Director of XL Capital Ltd, and a senior member of Brian O'Hara's advisory team that grew XL into a company

'The rocket's taken off and we've gone into orbit. Now the question is, Do we stay in the same orbit or go into another one? It's been relatively easy to grow the business recently if you wanted to, but the profit factor wasn't necessarily evident'



Michael Butt: Lifetime Achievement Award winner and Chairman of AXIS Capital Holdings Ltd and AXIS Specialty Ltd

with significant US and European platforms.

Mid Ocean and AXIS, he said, had been "fantastic career opportunities."

He started his career in the London market as Chairman of Sedgwick Limited and then Chairman and CEO of Eagle Star Holdings plc and Eagle Star Insurance Company. Although he didn't plan on being in Bermuda for 17 years, he is not surprised that the market has flourished.

"From the mid-1970s onwards I could see there were going to be different capital solutions so I didn't come to Bermuda being sceptical, I was optimistic that Bermuda could achieve a significant role through the ability of capital to flow more freely and it to become a centre of expertise. Was I sure it was going to happen? No, but I saw it was a very real possibility. I still believe it's the centre of Bermuda's success. Bermuda was originally a US solution up until the 1980s and we transformed it into a global solution.

"We are now the single largest concentration of capital in our industry and that's creating a self-reinforcing clustering effect of the marketplace, which has really happened since 2001."

As for his own legacy, Mr Butt insists that: "I don't care how I'm remembered. I care much more about what's happening now."

Special award for unsung hero

THE MAN WHO LAID THE GROUNDWORK FOR THE ISLAND'S RISE AS A LEADING GLOBAL REINSURANCE CENTRE

For 30 years, Bala Nadarajah has been one of the unsung heroes of Bermuda's insurance and reinsurance sector.

Quietly working behind the scenes, the Sri Lankan-born lawyer has been involved in virtually every piece of legislation and regulation shaping the industry since the historic Insurance Act of 1978, including the Bermuda Companies Act.

Such has been his contribution that at this year's annual Bermuda Insurance Institute Awards, the selection committee presented him with a Special Award in recognition of his "outstanding service to the Bermuda reinsurance industry" and his "tireless work and great personal sacrifices."

Euromoney Expert Guide recently called him "one of the world's leading insurance lawyers" and while Mr Nadarajah is modest about his achievements and says he is "humbled" by the award, his expertise and wise counsel were critical in laying the vital groundwork for the Island's rise as a leading global reinsurance centre.

David Ezekiel, the Head of the Association of Bermuda Insurance Companies, who has worked closely with Mr Nadarajah for many years, said he had been "invaluable" to the industry and Bermuda.

"He was able to make the finer legal points together with a practical knowledge of the insurance industry. That made him pretty invaluable, especially at the planning stages of our industry."

Mr Nadarajah first came to Bermuda in April 1979 at the invitation of the late Shelton Burgess, then Registrar of Companies, to help formulate the regulations without which the Insurance Act could not be implemented.

At the time, Mr Nadarajah had successfully completed a Master's degree in Law at Georgetown University in Washington DC, having moved to the US from his native Sri Lanka where he had



Bala Nadarajah: Special Award for "outstanding service to the Bermuda reinsurance industry" and "tireless work"

practiced English-based law for 16 years.

He said: "I found Bermuda provided an interesting challenge because at the time there was no insurance law in operation. The captive growth was taking place in an environment with no insurance regulation. In that respect I became a useful conduit and facilitator between the industry and the legal draftsmen. There was a lot of insurance expertise around but it needed to be harnessed and used to good effect.

"This award needs to be shared with all those insurance industry experts, accountants and lawyers too numerous to name, who interacted very effectively with me, Shelton and others in government."

Mr Nadarajah served as a Legal Advisor to the Ministry of Finance, the Registrar of Companies, the Bermuda Monetary Authority (he was Director from 2002-06 when it became the industry regulator), and the Insurance Advisory Committee. He represented the Attorney General's Chambers in

the Private Bills Committee.

During a spell as a consultant in Washington, DC, from 1986-1993, he advised the Ministry of Finance on US-Bermuda business issues and relations before returning to Bermuda as a senior corporate and insurance attorney in private practice. At Attride-Stirling & Woloniecki (ASW), where he established the firm's Corporate Unit, he held the position of Head of Corporate. At 74, he is still working as Special Legal Counsel to ASW.

Mr Nadarajah witnessed the development of Bermuda's insurance industry from a captive domicile into one of the world's leading property catastrophe reinsurance jurisdictions. "We foresaw that the jurisdiction would expand into other lines of business but not to the extent it did. That has been very satisfying to witness."

That the legislation could accommodate such growth, he said, was testament to its adaptability, along with its foresight on other issues, such as jurisdictional credibility and reputation.

"Back then Bermuda was primarily a captive domicile. Most were captives of Fortune 500 companies and it was important that the wrong type of company didn't get into the mix and damage the entire jurisdiction's reputation. If legislation that governed the captive was inadequate or non-existent, no one would reinsure the captive."

He continued: "Not only did Bermuda's insurance law provide a solid foundation but we foresaw the need for adaptability and what has become a global regulatory yardstick these days called "risk-based assessment" was fundamentally ingrained in Bermuda's insurance regulations and that's why, in 1995 when we created the Bermuda insurance class system, it was possible to do so without having to rehash completely the work we had previously done.

"The strength of the Bermuda regulations was that they can bend without breaking. They were adaptable, they were reasonable, they were facilitative and it had the necessary sanctions.

"One of the other strengths was the disclosure required of companies in good faith. It was not a "catch me if you can" type of law. Solvency Declarations had to be signed by directors; the auditors were given additional responsibilities to confirm that statutory financial statements and returns were prepared in accordance with the Act and Regulations.

"Of course self-disclosure alone was not sufficient, so appropriate sanctions were made available to the Regulators from the very start, initially to the Minister of Finance, and from 2002 to the BMA. The Bermuda Regulators have always performed their roles admirably. With the expansion of Bermuda's insurance business into the commercial reinsurance market, ensuring that Bermuda was in step with global regulation became essential, and Bermuda has risen to the occasion."

At the Awards



Nigel Crow, Bradley Kading and Leila Madeiros



Lawyer Rod Attride-Stirling with BMA CEO Matthew Elderfield



Andre Perez, of the Horseshoe Group, and wife Catherine



Elizabeth Kramer, Ariel Re CEO Don Kramer and Zoe Butt

PHOTOS: CHRIS GIBBONS, KALEIDOSCOPE MEDIA

Erica earns top young award

Erica Symonds, Assistant Vice President and Excess Liability Underwriter at XL Insurance (Bermuda) Ltd, has been named Bermuda's Young Reinsurance Person of the Year.

The 35-year-old Bermudian, who graduated from Rutgers University in 1998 with a degree in Marketing, started her reinsurance career as a Technical Assistant at the now defunct New Cap Re, and worked as a Casualty Broker for Aon before joining XL Insurance (Bermuda) Ltd in 2002 as an Assistant Underwriter. She was promoted to her current position in April 2009, and is responsible for a significant book of business comprised of Fortune 1000 companies.

She serves as the President of the Bermuda International Chapter of the Chartered Property Casualty Underwriters (CPCU) Society. She received her CPCU designation in 2006, and has also been instru-



Erica Symonds: career success

mental in organising educational workshops, seminars and lunches for Bermuda's young people.

She said her proudest moment to date as President was to bring the President of the worldwide CPCU Society to Bermuda for the first time in January 2009 to a reception to recognise a group of local young people who recently received their CPCU designations.

Her other passion is working with Bermuda's young people. Through the Bermuda school-based

mentoring programme YouthNet, she serves as a mentor to two 10-year-old girls at the Victor Scott Primary School. She believes that every young Bermudian should be open to opportunities and strive for excellence.

"In the insurance industry we are competing with people all over the world," she said.

"Being open to educational and career opportunities is all a part of becoming a successful global citizen."



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Reeves joins XL Capital

XL CAPITAL LTD has appointed **Elizabeth L Reeves** as Executive Vice President and Head of Global Human Resources. She joins XL from Liz Claiborne Inc where she was Senior Vice President and Chief Human Resources Officer. She succeeds **Celia Brown** who is retiring after 20 years.

XL INSURANCE has hired three additional underwriters from

Catlin for its London-based aviation business. The London team will be headed by **Simon Murray** as Regional Manager – Aviation. He will be joined by Class Underwriters **James Owen** and **Andrew Innes**. Mr Murray has over 20 years' underwriting experience in the London insurance market, most recently as Senior Aviation Underwriter. Mr Owen and Mr Innes have 15 and 14 years' experience respectively.

Andrew Carrier has been named Director of Underwriting at **ARGO INTERNATIONAL** (formerly Heritage Managing Agency Ltd), a member of Argo Group International Holdings.

HARDY UNDERWRITING BERMUDA has appointed **Paul Bailie**, the former Chairman of JLT Insurance Management (Bermuda) Ltd, as Managing Director of Hardy Bermuda. Mr

Bailie, who has been a Non-Executive Director of Hardy Underwriting Bermuda since its establishment in December 2007, will take up his new position in September.

ACE LIMITED has announced that **Brian Dowd**, CEO, Insurance – North America, will take up the additional position of Vice Chairman, ACE Limited and ACE Group Holdings. In addition to his current responsibilities, which encompass ACE's property and casualty insurance operations in the US, Canada and Bermuda, Mr Dowd will now assume corporate-wide executive responsibility for the ACE Group's global product underwriting boards and the strategy and purchase of the company's reinsurance programmes.

Bermuda-headquartered **IRONSHORE** has appointed **John Reusch** as Vice President of Property & Casualty Claims. He will be based in Simsbury, Connecticut, and joins Ironshore from Allied World Assurance Company where he managed their US direct, excess and reinsurance commercial property and casualty claim operation.

IRON-STARR EXCESS AGENCY LTD has named former AIG executive **Michael Warwicker** as Chief Operating Officer of Iron-Starr Excess Agency Ltd, a joint venture between Ironshore Inc and Starr Underwriting Agencies LLC.

The Bermuda-based **EVEREST RE GROUP** has appointed **Dominic J Adesso** as Executive Vice President and Chief Financial Officer. Mr Adesso joins Everest from Munich Re America.

Constantine (Dinos) Iordanou, President and CEO of **ARCH CAPITAL**, has been appointed to the additional position of Chairman of the Board, from November.

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Help the wounded animals!

“This is the year you don’t bet the bank. You preserve capital ... At Axis we (keep) surplus capital because we like to be opportunistic ... We are being killed on the yield, but when you are concerned about stability of financial markets, better to be killed on the yield.”

— **John Charman**, *AXIS Capital President & CEO, in a panel discussion at Standard & Poor’s annual Insurance Conference in Brooklyn (Reuters)*

“I don’t think that regulatory concerns are the issue for capital in Bermuda — the issue is that capital has not been available in any geography

over the last two years regardless of regulatory or tax-related issues. Bermuda is the third-largest insurance market and the ability for trading partners to meet and conduct business in an open market that is friendly to the encouragement of international business, is the key to both the continuance and potential flourishing of this market.”

— **Mitch Blaser**, *Ironshore Bermuda CEO, in Reinsurance Magazine*

“Bermuda-resident executives who may promote Switzerland as safer than Bermuda, are

out of step with the majority view of Bermuda’s insurance market leaders who view Bermuda as the platform of choice from which to launch global operations.”

— **Paula Cox**, *Finance Minister, on the redomiciling of some Bermuda-based companies, in The Royal Gazette*

“There are a lot of wounded animals out there and people who are trying to preserve their market share.”

— **Brian Nocco**, *XL Capital CFO, at Standard & Poor’s annual Insurance Conference*

WHAT’S ON

ONSHORE

September 9–11

11th ALARYS Latin American Risk Management and Insurance Congress

Fairmont Southampton, Bermuda

www.bermuda-insurance.org

November (date TBC)

Annual Standard & Poor’s/Price-waterhouseCoopers Bermuda Reinsurance Conference

Fairmont Hamilton Princess, Bermuda

www.pwc.com/bermuda

November (date TBC)

Goldman Sachs Asset Management’s 5th Annual Conference for Bermuda Reinsurers

Fairmont Hamilton Princess

OFFSHORE

August 11–13

Vermont Captive Insurance Association

Burlington, Vermont

www.vcia.com

September 4–10

Les Rendez-Vous de Septembre

Monte Carlo

www.rvs-monte-carlo.com

October 22–24

American Society for Healthcare Risk Management (ASHRM)

Denver Convention Centre

www.ashrm.org

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Giving back to the community

PHOTO SUPPLIED BY ROGER GILLETT



Mission accomplished for Roger Gillett, right, and Roger Scotton, at the end of their walk around Cornwall

Despite the recession, Bermuda's insurance market continues to be a major supporter of worthy causes both on the Island and overseas.

In May, former ACE executive **Roger Gillett** completed a 296 mile walk around the coast of his native Cornwall, England, to raise funds for cancer research. Mr Gillett, who recently retired after 30 years in the Bermuda market — he was President of ACE Risk

Management International and Chairman of the Bermuda Insurance Development Council (IDC) — took 16 days to complete the walk, and at press time had raised more than \$33,000 for the Bermuda Cancer and Health Centre. He was accompanied on the walk by another recent retiree, **Roger Scotton**, former Head of XL's Media Relations, and undertook the walk in memory of his best friend **Graham Sotheran**, who died of a brain tumour in October 2008 aged 55.

Donations can still be made through the BCHC website at www.chc.bm/RogerGillettsWalkforCharity.asp.

Meanwhile, BIQ Contributing Editor **Chris Gibbons** and wife **Tracey**, Vice President, North American Casualty Treaty Re-insurance for Allied World Assurance Company, were among the many industry executives who took part in the annual St. Baldrick's event by shaving their heads in aid of children's cancer research and treatment. The couple, joined by six year old son **Toby**, raised more than \$40,000 for their hair-raising experience and, in total, the Bermuda event raised around \$500,000. World-wide, the event raised more than \$15 million in nearly 600 locations.

St. Baldrick's was started in 1999 by three American insurance executives, John Bender, now COO of Allied World Re, Tim Kenny, President and CEO of QBE Insurance Group, and Enda McDonnell, President of Access Re. It has now raised more than \$50 million.



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Charity baldies Chris, Tracey and Toby Gibbons



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