



Press Release

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PwC Survey Shows Pay is Under Pressure Across the Bermuda Financial Services Sector

- ***Challenging economy means smaller pay increases for the sector for the second year***
- ***Executives also facing stagnant compensation and declining job perks***

10 January 2012, Bermuda – PwC has released its annual *Bermuda International Business Compensation Survey*, and it reveals most employees and managers in Bermuda’s insurance, reinsurance, investment and banking firms saw only modest growth in their compensation packages in 2011, with some positions even experiencing cuts. Overall average compensation, which includes cash and total direct compensation, rose by just 5% in 2011, compared to 12% in 2010.

“The Bermuda financial services sector is feeling the chilling effects of uncertainty in the global financial markets and declining investment conditions. Not surprisingly, and in line with other global financial centres, profit margins across Bermuda’s sector have been eroded, creating a knock-on effect for the remuneration of employees at all levels,” says Alistair McNeish, Managing Director of PwC’s Human Capital Consulting group.

The survey of 55 Bermuda employers shows that some roles among the island’s biggest employers, in insurance and reinsurance, are experiencing lower compensation levels. For example, compensation for senior modellers at participating insurers fell by an average of 28% while the roles of chief underwriters and underwriters also experienced reductions of 14% and 21%, respectively.

The sector’s executive level positions mostly escaped serious pay cuts, except for those at smaller insurers and reinsurers (fewer than 100 employees), according to the survey, however, there has been little movement in base salaries among this group for the last few years. In many cases, where financial services companies reduced or capped salaries, bonuses and long term incentive plans were maintained across these roles.

Another telling sign of the times for the local economy is the reduction in perks for executives. The survey found the largest declines were experienced in club memberships, which were provided by 44% of

respondents in 2011, down from 64% in 2010, while free parking was only covered by 36% of companies in the survey, down from 53% in 2010. Allowances for first class air travel among executives were also down - to 24% in 2011 from 36% in 2010.

In comparison with executive positions, traditional “back office” jobs such as systems analysis, compliance and accounting, are proving to be the more resilient within financial services, with salaries and total compensation continuing to trend upwards, the survey found.

In addition to the negative effects on compensation resulting from the downturn, the report cites a number of possible other explanations for smaller increases in compensation increases among positions in the sector, with replacement hiring of individuals at a lower level skill or salary making the top of the list. Strategic restructuring and relocation of roles to other jurisdictions has likely contributed to the drop, and softer negotiating by new and existing employees in a competitive job market may also be adding to the trend.

“Bermuda has long been viewed as a place where you can earn significant rewards when times are good. And although the island doesn’t appear to be impacted by the downturn any more than other global centres like London and New York, the economic situation remains challenging for businesses,” says Mr. McNeish. “As a result, employers in the financial services sector are clearly reviewing how they balance tighter budgets while ensuring they are able to hold on to their most important assets: their best people.”

“Bermuda companies that do not take account of these internal and external factors when balancing their compensation strategy risk putting themselves at a competitive disadvantage, locally and internationally,” he added.

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