Seizing opportunity and innovation are key to continued success of Bermuda’s captive industry

- ‘Bermuda’s value proposition continually evolving to stay out ahead’
- Island ‘ahead of the game’ in Latin America; Canadian interest ‘rallying’

Hamilton, Bermuda – The Bermuda market must continue to innovate to seize opportunities to attract new business and grow its leadership position in the captive industry.

Macro-economic, technological, political and regulatory dynamics continue to impact captives, but through dislocation comes opportunity. These are the views of Bermuda’s captive industry leaders coming out of 6th Annual Captive Update Seminar on GAAP, tax and regulatory matters for the island’s Captive Insurance sector.

“Latin America is growing and we are ahead of the game in positioning Bermuda with local rules and regulations,” said David Gibbons, Director, Captive Insurance. “Canadian interest is also rallying and we are working hard to crystallise opportunities and attract new companies to the domicile. And in spite of a shifting global tax environment, the US captive model works well and presents further opportunity.”

“For captives professionals, the blossoming ILS market provides for portability of skills typically found in the captives sector. In all of these areas we must continue to be agile, proactive and innovative to attract new business and keep our existing base strong.”

Arthur Wightman, Insurance Leader, added: “Despite the global economic malaise, Bermuda’s captive industry continues to demonstrate success. Incorporations are strong and industry leaders are increasingly agile in attracting business to the island, and affirming Bermuda’s leading value proposition.”

More than 100 attendees at the seminar heard 2013 is expected to see an increase in the number of insurance company formations in Bermuda, which as of Q3 2013 are up on 2012; with 53 new insurers to September 2013, of which 13 are captives and 29 are SPIs (against 53 new insurers for the whole of 2012, of which 12 were captives).

Primarily these are from the US market but there was some success in attracting at least three Latin American formations.
As of the end of November, there were 71 new insurance company registrations, said Leslie Robinson, Assistant Director, Department of Licensing & Authorisations, Bermuda Monetary Authority. “We have been having a busy last few Fridays at the Assessment and Licensing Committee meetings in December and we are looking to have a very good year by the time the end of December comes in terms of total registrations.”

Despite facing increased competition and other factors including the low interest rate environment, Ms Robinson said: “Bermuda continues to hold its own and maintains its position as captive leader. It’s not just about numbers though it’s about what Bermuda offers in terms of depth of service provider experience and expertise, its practical regulatory environment, efficient licensing process and proximity to north America and Europe. Captives also have access to a robust insurance and reinsurance market.”

Eduardo Fox, PC/Trusts & Latin America Manager, Appleby said that tax information exchange agreements (TIEA) with Latin American countries and “advanced negotiations” with others like Chile and Colombia — which had recently excluded Bermuda from a 40-plus list of “tax havens” — helped the Bermuda brand in the region.

And Colm Homan, Managing Director, Insurance & Reinsurance, PwC, praised Bermuda’s new Business Concierge service saying: “A number of clients appreciated it and felt it made them feel very welcome here.”

Mr Gibbons noted the Canada-Bermuda TIEA has been in place since mid 2011: “Since then there have only been a few formations from Canadian companies. The market for large entities forming captives is generally mature and has a strong foundation in Barbados. But the TIEA levels the playing field with Barbados.

“Combined with Bermuda’s strong infrastructure, economy, and (re)insurance sector we are in a strong competitive position to grow our Canadian captive presence. A recent Bermuda-sponsored event saw renewed interest from bigger players mainly in oil and gas with operations in the US. Going back to captive core competencies, beyond tax benefits, are the key to winning Canadian business.”

Ms Robinson agreed: “Canada is a good area for us to continue to target.”

Stephen Lund, CEO of the Bermuda Business Development Agency said events such as the recent ILS Convergence 2013 conference in Bermuda were key to attracting new business to the Island.

He added: “Following up with attendees is also critical.”

In providing a global overview, Mr Gibbons said mergers of global companies continue to grow year on year in 2013 (up approx 6% on 2012 and over 40% higher than 2011) with an associated impact on their captives.

“Companies are holding more cash now than they ever have in the past. A primary driver being uncertainty in the markets. As uncertainty eases, that cash will need to be deployed. This could have impacts both on the capital flows to Bermuda generally, and the appetite to form captives,” he added.

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