News release

Date: November 7, 2013

Contact: Jonathan Hicks, PwC
Tel: 1-441-299-7182/1-441-505-6050
e-mail: jonathan.p.hicks@bm.pwc.com

Pages: 2

Life insurance – Bermuda’s key role in putting the industry back on a competitive and profitable footing

- How Bermuda can help create a more viable business model for annuity sector
- Upcoming conference to examine how use of reinsurance enables annuity writers to manage capital demands

Hamilton, Bermuda – The life insurance market is facing a tough landscape. Market demand continues to soar. At the same time, the traditional business model is buckling under the strain of low yields, mounting capital demands and intensifying price competition.

However, these challenges are opening up valuable opportunities for Bermudian companies. This includes helping annuity writers to improve capital efficiency and opening up access to broader investment strategies.

At next week’s PwC and Standard & Poor’s Ratings Services eighth annual Bermuda (Re)insurance Conference, Colm Homan, PwC Bermuda’s Managing Director, Insurance, will lead a panel, The Meaning of Life, which will explore the increased demand for reinsurance - among other topics.

Many see Bermuda’s role in supporting the US annuity sector as comparable to earlier developments in catastrophe reinsurance.

“Bermuda is ideally placed to provide the cost-, capital- and tax efficient solutions that would enable annuity writers to compete more effectively,” says Mr. Homan. “One of the island’s key advantages includes the speed of licensing. Bermuda also offers a mature regulatory system, which reflects the fact that the arrangements are being made between knowledgeable parties rather than directly with retail policyholders.”

Mr. Homan continues: “Ceding risks to special purpose insurers and other reinsurance structures domiciled in Bermuda has become a growing trend over the last four years. Use of reinsurance is enabling annuity writers to reduce their capital demands. They’re therefore in a much better position to compete on price while still achieving a reasonable margin.”

More than 40% of US life and annuity liabilities have been already ceded to subsidiaries in Bermuda and other capital-efficient jurisdictions such as Vermont and South Carolina.
“Bermuda offers the additional advantage of more flexible asset rules and a tax neutral environment, which can help companies to deliver higher investment returns to their policyholders,” Mr. Homan says. “Alongside the capital advantages, this flexibility could help to promote the development of innovative new products in what is an increasingly dynamic marketplace.”

He notes that companies operating in the New York market could face some of the toughest choices. The New York Department of Financial Services is reluctant to sanction proposed new principles-based reserving (PBS) rules it believes could reduce rather than increase reserves.

“If the regulator gets its way and reserving levels are increased, New York could become economically unviable for many life insurers,” says Mr. Homan. “They will be faced with a tough choice to either withdraw, and lose access to a major market or deal with lower returns associated with holding the higher capital levels.”


-ENDS-

About PwC Bermuda
PwC Bermuda helps organizations and individuals create the value they’re looking for. PwC Bermuda is a member of the PwC network of firms with over 184,000 people in 157 countries. We are committed to delivering quality in assurance, tax and advisory services for both Bermuda and globally. Tell us what matters to you, and find out more by visiting us at www.pwc.com/bm.

© 2013 PricewaterhouseCoopers Ltd. (a Bermuda limited company). All rights reserved. PwC refers to the Bermuda member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.