The Statutory Financial Returns

Insurers are required to file annually, with the Bermuda Monetary Authority, a statutory Financial Return. For Class 1 and 2 insurers, the returns must be filed within six months after the end of the financial year. For Class 3, Class 3A, Class 3B, and Class 4 insurers, these returns must be filed with the Bermuda Monetary Authority within four months after the end of the financial year. For Long-Term insurers, these returns must be filed with the Bermuda Monetary Authority within four months after the end of the financial year.

The Captive Industry in Bermuda

The captive insurance business played a founding role in the development of the Bermuda Insurance Market and remains one of its best-known core activities, providing nearly $20 billion in gross written premiums annually in recent years.

The bulk of Bermuda's captives are US-owned entities, often used to insure and reinsure retentions on general liability, auto liability, workers compensation, property and marine programs and to access the reinsurance markets.

Many are single-parent captives, insuring only the risks of their parent and affiliates. Other types are group-owned or association captives formed by members of a common industry and agency captives, so called because they are owned by insurance agents and often used in quota-share arrangements to reinsure business written by the agents.

Since the early 1990's, one of the fastest-growing categories has been that of healthcare or medical malpractice captives. The US-based ownership of these captives is diverse, ranging from groups to single-parent, from tax exempt hospitals to for-profit health maintenance organizations and physician- controlled entities. Some US healthcare providers see the captive vehicle as a means of offering competitive professional liability coverages, while others use their captives to fund for the capitated risks they assume and for access to provider excess and HMO stop-loss reinsurance.

The United States is the biggest, single source of captive business for Bermuda, accounting for some 60 percent of the Island's insurance formations. But the picture is changing. New source markets are beginning to emerge in Africa, Australia, the Far East, the Pacific Rim and Latin America as risk managers abandon traditional insurance buying practices and increase their self-insured retentions.

User applications are changing too. Increasingly, captives are being used by larger corporations to enhance core products. They are also playing major roles in long-range, strategic planning as more and more companies seek optimum retentions and exert greater, in-house control over their financial exposures.

Bermuda captives today have assets of more than $80 billion and retain healthy capital positions, with statutory capital and surplus at 86 percent of loss and loss expenses provisions, many times the regulatory requirement for any captive class.

Segregated Account Companies

Segregated Account Companies (SACs) provide the statutory legal division of business to protect the assets of one account from the liabilities of another. The separate accounts are often referred to as cells and can act and contract as separate "captives" within the overall SAC structure.

Each cell generally maintains its own income statement and balance sheet and can assist in corporate retentions and risk identification, much like a regular captive. Quite often cell owners, once they become comfortable with the captive concept, will form their own captive and transfer the cell's risk into the new company.

In addition to their application to captive insurance business, Segregated Accounts Companies are used for "ring fencing" exposures in mutual fund companies, life insurers and shipping companies.