## The Commercial Market in Bermuda

Bermuda's insurance industry performed strongly with aggregate total assets of nearly a half a trillion dollars ($452.2 billion at the end of 2011). Gross premiums written totaled $107.6 billion.

The presence of commercial insurance and reinsurance companies in Bermuda allows captive owners and operators to access open-market underwriting capacity not found in any other major captive domicile.

Unique among the captive insurance centers, these well-capitalized commercial markets are now used by about a third of the owners of captive insurance companies incorporated in Bermuda.

The non-captive sector of the industry grew out of the US liability insurance capacity crisis of the mid-1980's and was started by pioneering excess liability companies, ACE Limited and XL Capital Ltd.

The reinsurance market started in 1992 when, on the heels of Hurricane Andrew, Bermuda attracted its first property catastrophe reinsurer, Mid Ocean Re. A further seven "cats" followed in 1993 and with them came a $4.5-billion influx of new capital. The market then evolved with companies becoming multi-line reinsurers and market capabilities were enhanced by the formation of specialist life companies.

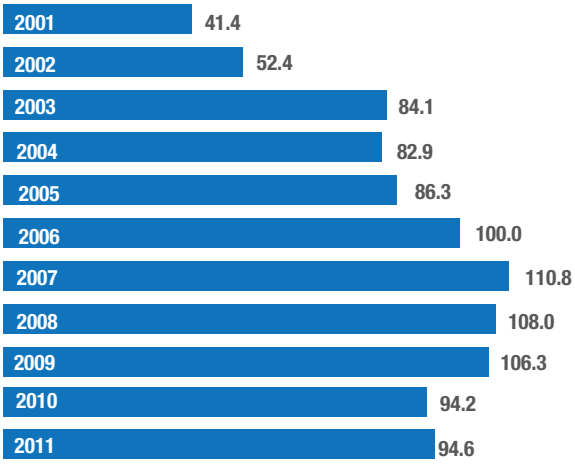
After the devastating attack on the World Trade Center in 2001, some $8 billion was raised for the Bermuda market, bolstering the positions of existing carriers and bringing in seven new, highly capitalized carriers. Another wave of new capital arrived in 2005, after significant hurricane activity created substantial damage along US gulf coast and east coast states. The Class of 2005, together with existing companies brought a further $18 billion in new capital to the Bermuda Insurance Market.

In 2009, more than $17 billion in shareholders equity bolstered the market, as underwriting profits and investment recoveries overcame the $10 billion drop experienced in 2008 by Bermuda insurers and reinsurers.

Bermuda is one of three leading reinsurance centers in the world, with over 100 companies with financial strength ratings, many of which are publicly traded insurance companies. Buyers of commercial insurance and reinsurance coverages are increasingly placing large parts of their programs in the Bermuda market. All lines of traditional insurance and reinsurance are written with large amounts of capacity available. Bermuda has also become

a leading center for insurance securitization transactions and some captives are being used as transformers to access this capacity. Bermuda's top specialty carriers are also able to provide large blocks of capacity in custom built programs for big corporations seeking balance sheet protection. These carriers are mainly net line underwriters and highly conservative in their operations on a premium to capital and surplus ratio basis.

The global market capitalization of Insurance Linked Securities (ILS) issued for 2012 increased to $6.4 billion, with Bermuda increasingly becoming a centre for the creation, listing and servicing of ILSs that are specifically sponsored by SPIs.

**Net Premiums Written for all International Insurers**

*U.S. Dollars (in Billions)*