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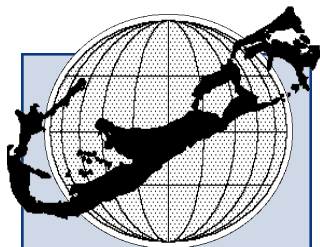
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IN THIS ISSUE

Captive for global bank2

New plans for debt recovery ...3

Hope Award for Duperreault4

Chasing on-line business5

Opening the Japanese market.....6

Reinsurance rises at ACE7

Bermuda satisfies OECD

Premier Jennifer Smith opened the ICAP2000 captives conference promising her Government's vigilance in combating onshore efforts that could dilute the effectiveness of Bermuda insurers to meet the global demand for specialised insurance and reinsurance capacity.

One significant effort involved the Organisation for Economic Co-operation and Development (OECD), which drew up a list of what they called "tax havens" and hinted at decisive and co-ordinated action against such countries

that they felt were engaging in



Premier Jennifer Smith

fiscal policies that run counter to the interests of OECD nations.

Subsequent to the ICAP 2000 conference it was learned that Bermuda was not on the list, and OECD officials pointed to the Island as a shining example of how offshore financial centres should conduct their affairs.

Premier Smith also commented on H.R. 4192, a measure taken to the US legislature that was directed at certain Bermuda (re)insurance companies.

She said, "I am aware of

■ continued on page 5

SAC legislation to set a new standard

Legislators should have in place this summer new provisions which will make it quicker and less costly to form segregated accounts companies (SAC) in Bermuda. The bill, which was tabled in the Bermuda legislature July 14, has several potential applications, including use in insurance, as well as certain non-insurance companies.

The purpose of the Segregated Accounts Act 2000 is to move Bermuda past Guernsey and the Cayman Islands, where such legislation exists but is restricted in terms of its use, and, past the United States, where the NAIC has prepared a draft of the model legislation to permit limited use of such accounts for insurance transactions.

The Act provides for any Bermuda company to operate segregated accounts enjoying statutory divisions between accounts. The effect of such

statutory division is to protect the assets of one account from the liabilities of other accounts within the same company.

Thus, the accounts will be self-dependent, with the result



Michael Hardy

that only the assets of a particular account may be applied to the liabilities of that account. Previously, such a legal effect has only been obtained by private act of Parliament.

President of the Bermuda Insurance Management



Association (BIMA), Michael Hardy, said, "As far as the insurance industry is concerned, this streamlines the process of setting up a segregated accounts rent-a-captive. And we understand there may be further amendments required to the Insurance Act.

"We are putting measures in place to meet the market's needs. This is indicative of the continuing efforts by Bermuda to ensure we are on the cutting edge of insurance products. This legislation represents a major effort in that respect."

Michael Burns, Insurance Partner with Bermuda lawyers, Appleby Spurling & Kempe, told delegates to captive insurance company conference ICAP2000 that, even with the new capability, some clients will continue to proceed via the private act route.

Mr. Burns noted however, that although two other jurisdictions recently passed laws relating to segregated accounts, Bermuda's new Act will lend greater

■ continued on page 4

CSFB forms Bermuda captive

In its first foray into captive insurance, leading global investment banking firm Credit Suisse First Boston (CSFB) has established Boston Re in Bermuda to deal with key business risks and access reinsurance markets.

One of the latest examples of the convergence of capital and purpose, will have CSFB access coverage from prime reinsurers and direct insurers in order to distribute some of the firm's risk exposure. The new Bermuda captive will assume political and credit risks.

Boston Re will underwrite risks in transactions such as loans and security offerings from corporate and sovereign borrowers.

But by accessing pools of reinsurance capital, CSFB may be opening the door to potentially billions of additional dollars in loans, through debt instruments, for those borrowing for emerging market investment.

CSFB, which already has successful deals working with direct writers, intends this year to structure treaty reinsurance through Boston Re with up to \$2 billion in underwriting capacity from top reinsurers.

The top investment bank's move into

the Bermuda captive market follows similar moves by Goldman Sachs & Co. and Lehman Brothers to establish special purpose reinsurance vehicles on the Island, namely, Arrow Re and Lehman Re, respectively.

But while they were established as transformer companies, Boston Re may be more of a traditional captive.

In many respects, it will be seen as a new model in risk distribution among the corporate players of the convergence game.

In addition to single credit transactions, Boston Re's activities will include credit portfolio insurance and hedging of the firm's trading books and derivative positions.

Jeremy Bennett, a Vice Chairman of the Board of Boston Re and CSFB Global Head of Emerging Market Structuring said, "Boston Re is a sign of CSFB's commitment to working with the insurance market. It represents an effective means of distributing and sharing the risks of our Emerging Market Group (EMG). It is further evidence of the growing synergy between the banking and the insurance sector."

Boston Re will be managed by Willis Management (Bermuda) Limited. The company's eight-member board of directors will include representatives from CSFB's senior management. Richard Thornburgh, Vice Chairman of the firm's executive board, will act as Chairman of the new company.

Boston Re will draw on the experience of CSFB's Emerging Market Group, which has completed a number of successful insurance-related transactions recently.

Alex Dubitsky, who is responsible for EMG structured insurance product, said, "With Boston Re's captive structure in place, the insurance market will benefit from direct access to EMG's deal portfolio. This will put CSFB in a unique position to serve clients and to further invest in our asset structuring and risk management expertise."

CSFB is one of the world's largest securities firms in terms of financial resources, with approximately \$9.8 billion in revenues in 1999 and \$7.8 billion in equity and \$275 billion in assets as of December 31, 1999. The firm is a wholly owned subsidiary of the Zurich-based Credit Suisse Group.

Strong case made for Bermuda

Bermuda is home for nearly half the world's captives, Structured Finance Institute conference delegates heard in New York.

President of Independent Management Ltd., Peter Strong, also said Bermuda developed international business in a number of areas, apart from insurance.

He said, "Bermuda has also developed into a significant financial market for Mutual Funds with over 1,000 registered funds. And more recently E-Commerce and Global Telecommunication companies have set up their headquarters there."

He said it wasn't by accident that Bermuda is the number one captive jurisdiction. One reason for Bermuda's success is that insurers and service providers work closely with regulators and other Government officials in a spirit of co-operation.

He said, "In Bermuda there has always been this tremendous interaction between Government and the private business sector, and they have worked together to develop the laws and the infrastructure,

which has been vital to the growth of our insurance industry.

"It is this co-operation between the private sector and Government, developing



laws and procedures, that is responsible for giving Bermuda such a prominent place in the insurance world."

Mr. Strong's address came during a panel discussion that included speakers

from several of the world's captive domiciles. The conference theme was "Maximising Tax and Financial Benefits for a Captive Insurance Company."

Involved in the captive business for 30 years, Mr. Strong has observed and participated in the development of the captive market in Bermuda.

"Bermuda is considered to be an insurance laboratory, attracting both financial and intellectual capital from the world insurance markets," he said.

"I have seen and experienced the growth and development of the laws and regulations that have helped make Bermuda what it is today. It is now the third largest insurance centre in the world, behind New York and London. It appears Bermuda capital accounts for at least 20% of the corporate capital at Lloyds."

Mr. Strong outlined how Bermuda began in international business in 1935 and welcomed one of the first US insurance companies, AIG (American International Group) in December 1948.

"There has been a long history of US insurance companies having a base in Bermuda. One of my current clients was formed in 1963 by private act. At that time, Bermuda did not have any insurance regulations or a Companies Act that allowed Companies to incorporate by registration. Those acts came later.

"This client formed his company to write a class of business that was not available in the commercial market, namely strike insurance and libel insurance for a particular national association. It was therefore formed to satisfy a need, something that occurs regularly in this industry."



Exporters forms debt recovery unit

Exporters Insurance Co. Ltd., a Bermuda credit and political risk captive insurer, has formed Exporters Asset Management (EAM) on the island, to work on debt recovery.

Exporters Vice President Malcolm Davies said part and parcel of the business of insuring export credit and political risk is the business of minimizing post-claim losses. Claims rarely occur because a buyer or guarantor has slipped into the night. They remain to offer explanations, to make excuses and to blame third parties. As important is the fact that, usually, there are physical assets to be repossessed, sold or otherwise dealt with. This is where EAM comes into the picture.

He further commented: "Historically, insurers have emphasized skill and innovation in underwriting rather than the flip side of the deal. There are several possible explanations for this; first, the burden rests with the insured to act to minimize loss and the insurer usually requires that its interest remains confidential.

"This, arguably, has put the most interested party out of direct involvement in the recovery process. Secondly, once a debt goes into default, if the initial exchanges that take place between creditor and debtor are not productive, it's the legal mill that starts to turn, slowly and expensively."

Mr. Davies, a trade finance specialist with debt recovery experience, who heads up EAM, admits that legal recourse is frequently successful and, in any event, often procedurally essential if a debtor is to be pursued through an alien legal system.

Debt rescheduling, creditors meetings, arranging the physical removal of plant and machinery; all require a lawyer's hand. But all too often if it's "with lawyers" it's "out of sight, out of mind" particularly of those who could be looking at the problem with fresh insight.

Thirdly, the situation is not helped by the fact that assigned "rights to assets" have no book value as far as the insurer is concerned.

Some brokers specializing in export credit insurance have recognized that a debt recovery capability is essential to the service they provide and offer this expertise to their clients. This has brought some alternative options into play such as debt sales. But, as many a frustrated broker will admit, their role is not conducive to decisiveness or the quick response which is often necessary.

Mr. Davies said, "Exporters has always recognized the dual role - before and after a date of loss, perhaps because its insured customers, as shareholders, are rather more interested in loss minimization. Exporters has a small portfolio of paid claims and EAM was formed to hold assigned creditors rights and to ensure that the recovery work was pro-active and that all recovery options were routinely evaluated and explored.



Malcolm Davies

"However, Exporters is not looking at this recovery business solely for its own account. There is the insured's interest and often the interest of reinsurers and re-insurers. Making a virtue of this necessity, EAM is offering debt recovery service to members and non-members, re-insurers and other insurers."

EAM provides these services on a fee-for-service or a success fee basis. But there is an alternative. EAM will operate investment funds where the investment is made by contributing a debt, which is swapped for a fund participation unit. A participation unit's value is determined as an agreed discount to the face value of the debt.

"Investors' will receive dividends according to the performance of the fund, that is its success in realizing greater value for the assets than the contributed value. A debt is invested in a particular fund to balance shareholder interest, using criteria such as the assessed likelihood of recovery.

Techniques for the realization of value will include debt collection, debt sales, debt swaps and payment in kind. There is reason to believe that the whole can have greater value than the sum of its parts and not simply because of the more active approach brought by EAM. For example, a portfolio of debt, selected on the basis of, say, geography may have greater sale or swap potential.

EAM will also use the 'debt-for-development' swap. This permits debt redemption in local currency. Hard currency availability is often a problem for sovereign debtors in the developing world. EAM will accept local currency where it can provide foreign exchange to international charities funding development projects, in fields such as health and environmental protection, in the debtor country.

Said Mr. Davies, "Interestingly, whereas the ECA's have the Paris Club and commercial bankers a London Club, there is no secretariat looking out for the interests of commercial insurers. EAM is certainly not claiming such a mantle, but it is a small step in that direction, offering a service in an underserved field".

The President of Exporters, Bob Svensk, likens the claims experience to "a pig in a python". The industry responds to the good times with a growing appetite for business and then has to swallow the claims pig. He said underwriters have had a busy few years.

Life company to be sold

PartnerRe Ltd. will sell its US life subsidiary PartnerRe Life Insurance Company of the US to SCOR Group, through Partner Reinsurance Company of the US.

It includes PartnerRe Life and subsidiaries Republic Vanguard Life Insurance Company, Investors Insurance Corporation and Investors Marketing Group, Inc.

Herbert N. Haag, President and Chief Executive Officer noted, "Based upon our evaluation of the strategic alternatives regarding the US life reinsurance operations acquired as part of the purchase of Winterthur Re, we concluded that PartnerRe would concentrate its US activities on advancing its non-life initiatives.

"PartnerRe's successful European based life division remains of strategic importance to the group. Its established and leading expertise in new product development has been significantly strengthened in the past year and will continue to be delivered through its life representatives in Paris, Zurich, Canada and the Far East.



E-solutions established

An offshore digital certificate authority aimed at providing e-security for confidential information and transactions over the Internet as well as private networks is being established in Bermuda.

It is backed by a unit of the Centre Group and potential clients include the Bermuda-based insurers, as well as their global clients and partners.

Leveraging the Island's reputation as a home to blue chip international finance and e-commerce companies, QuoVadis has contracted with Baltimore Technologies a global leader in e-security solutions, to design a complete security infrastructure for offshore e-business.

QuoVadis is developing an offshore Commercial Certificate Authority to issue digital certificates for secure e-commerce.

Public Key Infrastructure (PKI) technology is the leading solution to address the security, authentication, and non-repudiation issues associated with e-commerce. PKI operates through the provision of digital certificates that act as 'digital passports' and uniquely identify the parties to any on-line transaction.

QuoVadis will develop a secure network facility in Bermuda to serve the local

e-security market as well as other offshore jurisdictions.

QuoVadis is backed by eVentureCentre, an e-commerce incubator formed by a Bermuda-based member of the Centre Group and Paragon Bermuda Ltd.

Co-founder Tony Nagel explains "Bermuda is rapidly evolving as a key international hub for electronic transactions, with its active financial community and excellent telecommunications.

QuoVadis expects to reinforce Bermuda's reputation for trust and sensible regulation, and provide the high security that the business-to-business multinational e-commerce sector requires.

"We recognise that on-line security is an issue for any organisation based in Bermuda - and that PKI is the best solution to instill trust in digital business.

Indeed, Bermuda's reputation and regulatory framework already differentiate the island from other offshore jurisdictions in the eyes of international clients. An independent Certificate Authority will further enhance Bermuda's e-commerce edge.

"Offshore is characterized by high value transactions and confidential transfers of information over electronic networks.

New SAC rules set

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substance to, and otherwise refine, the concept, and promote a far more cost-effective procedure. The Act establishes a system of registration for those companies, and consent of the Finance Minister is required for non-insurance uses.

AS&K and a number of other local firms assisted



the BIBA (Bermuda International Business Association) Legislative Change Committee in preparing the report to the Minister, on which the bill was based.

Mr. Burns said, "Similar legal constructs are known as protected cell legislation in Guernsey and segregated portfolio legislation in the Caymans. Bermuda's legislation will represent a quantum leap forward in the development of these concepts."

He also believes the act will permit Bermuda to maintain its status as the leading global provider of the legal segregation of accounts product."

The process to get the new law in place was slowed by the desire to extend its provisions beyond insurance, to include non-insurance uses such as mutual funds for umbrella classes of shares, securitization, transformer companies,

catastrophe bonds, annuity and life and e-commerce.



Michael Burns

In this regard, Mr. Burns said the bill expressly reflects appropriate regulatory safeguards designed to protect Bermuda's reputation as a jurisdiction of high standards and integrity.

ACE boss awarded by Hope

Chairman and CEO of Bermuda-based ACE Limited, Brian Duperreault, will be awarded City of Hope's most coveted honour, The Spirit of Life Award, for his outstanding contributions to his industry and community.

The National Insurance Council of City of Hope will present this honour on November 9, 2000 at the Sheraton Chicago Hotel. Proceeds benefit breast cancer research at the City of Hope National Medical Center and Beckman Research Institute.

Mr. Duperreault joined ACE Limited as Chairman, President and CEO in October of 1994. He has overseen ACE's growth from a small catastrophe insurer with operations in three countries to a broadly diversified global company doing business in almost 50 countries.



Brian Duperreault

Prior to joining ACE, Mr. Duperreault was the Executive Vice President of

Foreign General Insurance of American International Group, Inc. (AIG), and concurrently, CEO of American International Underwriters (AIU).

Mr. Duperreault, a Bermudian, holds a B.S. degree in Mathematics from Saint Joseph's University in Philadelphia. He is a member of the Board of Trustees of Saint Joseph's University and The College of Insurance in New York.

The Insurance Industry Council has supported City of Hope activities for more than 20 years. In the last seven years, the Council has channeled its donations to the institution's breast cancer research programs. More than \$4.5 million has been generated by the industry-effort since 1993 to help City of Hope battle the major health problem.



New Internet risks emerge



Warren Cabral

E-commerce is creating new, emerging, on-line risks in which Bermuda insurers can find new business, a leading corporate lawyer has said.

Head of Insurance Practices at Appleby Spurling & Kempe, Warren Cabral, told delegates to ICAP 2000, that Bermuda will have a similar golden opportunity as it did when Hurricane Andrew wiped out so much reinsurance capital, that it paved the way for the formation of seven new property catastrophe reinsurers in Bermuda.

Delegates to the on-Island captive conference heard that at least three Bermuda companies were working on



Internet covers, although they all faced criticisms of being too limited and too complicated.

But he said, "Bermuda is possibly the only place where massive treaty covers can be designed for the cyber age; for now there is simply no cat cover available. One of the largest areas of exposure will undoubtedly be intellectual property infringement claims."

He sees the Bermuda market as more interested in the low frequency, high severity model, although a key problem is that valuation is difficult.

Mr. Cabral told the audience, "One possible solution to the bottomless pit of exposure for insurers is to agree to a valuation beforehand. Something of the nature of Bermuda's well known finite risk products may serve.

"Another Bermuda feature which offers potential for scarce coverage is an association captive for e-businesses with

similar risk profiles, much in the same way that ACE started out as an association captive for major companies at a time of short capacity. Equally, all users of ISPs or web host have risk, and thus ISPs could add value by securing insurance coverage through a related captive. Similarly, on-line stock exchanges have risks and may wish to take advantage of the Hiscox Cyber Liability policy out of the London market.

"This then is the brave new world of Internet insurance and the loss control exercises that every on-line business will need to consider. There will still need to be a lot of prevention and a lot of cure in the globalised world of e-risk exposure."

Mr. Cabral said, "E-businesses and insurers face new risks simply by doing business on-line. As if competing in the hyper-fast, hyper-competitive 'Net market were not enough, it is possible to be wiped out from any one of a number of new and unpredictable angles. How to protect oneself from on-line risks, and the absence of adequate cover, is fast emerging as a major business issue in the development of E-commerce."

Insurance against hackers, business interruption, litigation, trademark, patent or copyright infringement is vital.

He said, "A whole new class of indemnity risk claims will arise as third parties come to rely on the services of on-line businesses and of access providers. The best advice is to be aggressive in writing the cover because to miss this market as it rises, is to miss out on building market share and the

depth of expertise in what will be the main area for commercial risk in the future. The essential is to define and cap the exposure.

The global scale of exposure means that no one insurer will be able to provide their clients with "soup-to-nuts" cover; the accumulations build up too quickly and too widely. There is a need for alliances and massive catastrophe protections."

One cost will be the demand for high speed repair of any malfunction. Damage will accumulate at lightning speed for every minute that a firm is off-line.

Briefly:

Overseas Partners Ltd. has agreed to purchase the reinsurance arm of Reliance Group Holdings Inc., although there will be no assumption of liabilities. Reliance Re has provided insurance for small and medium size insurers, and is licensed in 40 states.

Annuity & Life Re Holdings Ltd. has purchased Connecticut-based Capitol Bankers Life Insurance Co. for \$13.2 million. The purchase from a Swiss Re subsidiary was made through wholly owned subsidiary, Annuity & Life Re America Inc.

OECD satisfied

■ continued from page 1

moves in the United States by some of the big domestic insurers to petition Congress in relation to Bermuda's major reinsurers, who happen to have US subsidiaries.

I am very conscious of the possibility that any adverse development in this matter could affect Bermuda's economy, in so far as our economy is allied to the reinsurance companies. I am also conscious of the affect these moves could have on reinsurance capacity for some of the captives represented here today."

The Premier said that her Government was addressing the issue and was confident of overcoming the threat.

Life risks pursued

XL Mid Ocean Re is establishing a life and annuity reinsurer, XL Mid Ocean Life, but has already completed a deal to reinsure annuity business for UK insurer Century Life.

Century Life took over the UK life and annuity portfolio for Old Mutual Life Assurance, which ceased writing that business in the UK. Century Life retained the policy obligations and administration for the portfolio of more than 11,000 pension and purchase life annuities. XL Mid Ocean reinsured 100 percent of the liabilities.

In return, the Bermuda reinsurer assumed established reserves, which included assets of about \$600 million. Other minor provisions included a method of removing any financial risks from interest rate fluctuations around the time of transfer.

The deal was hailed as the first of its kind, as reinsurers have recently been avoiding annuity risk transactions, and may serve as a model for the fledgling Mid Ocean Life.

NNI to grow Japanese captives

Influential Japanese business interests have taken steps to increase the awareness in Japan of captive and rent-a-captive structures, and Bermuda's leading role.

Top executives of New Network Insurance Inc. (NNI) visited with leading Bermuda political and insurance industry leaders to discuss new developments that could increase the use of Bermuda captives by Japanese firms.

The President of NNI, Mr. Kuniaki Atarashi, said captive and rent-a-captive structures were important and significant to the deregulating Japanese insurance market and NNI is committed to promoting such structures in Japan.

During a three-day visit, Mr. Atarashi met with Premier Jennifer Smith to discuss this Japanese insurance initiative and the potential benefit for both the Bermudian and Japanese economies. He also met with Finance Minister Eugene Cox and Registrar of Companies Jeremy Cox.

Mr. Atarashi also saw prominent people in the insurance industry, including executives at ACE, XL Capital, Zurich, AIG and KPMG.

One topic of discussion was Bluewell Reinsurance Company (Bermuda) Ltd., a Bermuda incorporated joint captive venture between New Network Insurance and the Sumitomo Corporation.

This is the first rent-a-captive company with a cell structure established by Japanese corporations for Japanese corpo-

rations. It is managed by captive managers Zurich International (Bermuda) Ltd.

Mr. Atarashi said "There is a vast market in Japan for captive businesses, but it is not yet popular. However with an increased flow of information regarding captives, and support from NNI there will be a revolutionary change in the way of thinking in Japanese business."

Following the deregulation of the Japanese Insurance market, NNI, a company sponsored by venture capital, was created in 1998.

The venture has obtained the financial support of some prestigious sponsors including Sumitomo Corporation, The Daiwa Business Investment Co. Ltd., Softbank Investment Corp and Tokyo Venture Capital Co. Ltd. It is currently capitalized with JPY326.3 million.

The company expects to increase its capitalization to JPY1 billion following a listing on the NASDAQ or MOTHERS JAPAN in 2001.

Mr. Atarashi, an alumnus of WASADE University, one of Japan's premier seats of learning, and author of "The Insurance Revolution", worked at Mitsui Marine and Fire Insurance Co., Ltd. for 24 years as a senior executive before resigning to set up the largest insurance brokerage firm in South East Asia.

He regularly lectures on captives and rent-a-captives at Japanese insurance companies and at the universities of WASADE

and FUKUOKA.

His self-proclaimed goal is to make the captive and rent-a-captive structure a common insurance practice in Japan resulting in an expanding market for this form of insurance. Mr. Atarashi is planning to set up a brokerage firm in New York and London and has just purchased an insurance brokerage house in Hong Kong.

PwC accepts new partner

Caroline J. Foulger has been named as the newest Insurance Partner at the Bermuda office of PricewaterhouseCoopers.

The firm said the first female Bermuda partner will continue to take a leadership role in their strong and growing Insurance Industry



Service Group.

Ms Foulger, who first began with the firm's UK office in 1982, is focusing on meeting the audit and business advisory needs of property and casualty clients, with particular emphasis on US GAAP and SEC reporting and compliance.

The new partner has previously worked as a senior financial manager with a Bermuda-based reinsurer, before joining the Bermuda office of PricewaterhouseCoopers in 1994, undertaking a variety of responsibilities within the firm, including a senior administrative role. In recent years she has worked with the firm's largest insurance clients.

In welcoming her, Insurance Partner Richard Patching commented: "Caroline's unique blend of industry and professional practice experience and her in-depth knowledge of insurance industry and SEC reporting issues, combined with a demonstrated dedication and commitment to providing the highest quality client service, make her an invaluable addition to leadership of the firm's Insurance Industry Services Group."



Meeting of the minds: (from left) NNI General manager Yoshiaki Nishikata and President Kuniaki Atarashi meet with Paul Zisson and Mike Deevy of Zurich International (Bermuda) Ltd. to discuss points of interest before another round of talks with Bermuda political and business leaders.



The sky is the limit for ACE

The Chief Actuary of Bermuda-based ACE Ltd. said that gross and net premiums have increased dramatically compared with last year.

Gross premiums for the quarter ending March 31, 2000 were \$2 billion, versus \$435 million for the same period last year - clearly a result of acquisitions.

John Burville said the premium growth should produce more stable income because ACE is using more reinsurance than in the past, and even more than was purchased by the acquired entities.

ACE Bermuda's reinsurance is up from a quarterly spending of about \$3 million in 1995 to \$35 million today. As a whole, the group spent \$540 million dollars for reinsurance in the current quarter. Some 27 percent of the gross written premium is spent on reinsurance.

Meanwhile, ACE is combining financial instruments and insurance to create new products that can be marketed to banks, insurance companies and other corporations globally. It could mean products such as multi-trigger contracts, which permit insurers to combine more than one risk.

ACE Bermuda, has formed ACE Financial Solutions International (FSI), a new business unit.

It will provide non-traditional insurance

and finance-related solutions to international companies facing complex risk management issues and will incorporate the



John Burville

former Tailored Risk Solutions operations of ACE Bermuda.

Pierre Samson, Senior Vice President, Tailored Risk Solutions, has been appointed to the position of President and Chief Underwriting Officer of FSI.

ACE Limited President and Chief Operating Officer and Chairman of ACE Financial Services, Dominic Frederico, said the new unit was a natural evolution for the structured risk business incorporating the new ACE capabilities.

"With our acquisition of Capital Re, the establishment of ACE Financial Solutions in the U.S. and the expansion of our alternative risk transfer (ART) product line into the European community, we are well-positioned to establish a leadership role in the convergence between the insurance and financial services industries," said Mr. Frederico.

President and Chief Executive Officer of ACE Bermuda, Gary Schmalzriedt, said that FSI's creation is representative of the success of ACE Bermuda's Tailored Risk Solutions unit.

He said, "Tailored Risk Solutions has established itself as a creative, responsive underwriting group which has not only met, but in some cases, anticipated, the needs of its clients.

"As FSI, this unit will offer a wider variety of financial, finite risk and alternative risk transfer products to a worldwide client base. In particular, we see real opportunity in Europe, the Far East, the Asia Pacific region and Latin America."

"There is continuing interest on the part of our clients in risk solutions that help to manage their enterprise risk as well as their traditional risk," said Mr. Samson. FSI will help ACE's global ability to provide innovative risk financing solutions.

BF&M expects brighter future

Domestic insurer BF&M Ltd. increased total income by eight percent to \$67.85 million, after gross premiums earned jumped 11 percent to \$68.9 million. Company executives said that's not bad for a year in which they concluded a long running legal battle, which cost them dearly.

The company has much to look forward to after consolidating charges in the 1999 year of account of \$35 million in the court settlement, in addition to the \$6.7 million legal bill and a substantial loss realised on the sale of under-performing investments to fund part of the court settlement.

BF&M produced excellent operating results from subsidiary companies, but had

strong net earnings of \$12.1 million wiped out by the one time charges on the way to a \$29.6-million net loss. Still, BF&M President and CEO Glenn Titterton had good reasons to be upbeat.

He said, "While 1999 was a most difficult year because of the trial, it represented a turning point in the history of the company and in the company's fortunes."

The finality to the near-decade long dispute will free busy executives from the significant time and energy that had to be devoted to the matter, allowing them to get on with the running of a very promising company.

Mr. Titterton added, "Recording 100

percent of these very substantial expenses in 1999 produces a large net loss. However, the matter has been concluded once and for all and we have a lot to celebrate as we look forward.

"Our business is in excellent shape and provides a solid foundation on which to build. We made dramatic changes within our organization in recent years and BF&M is now lean, well organized and customer focused. We have an excellent management and staff. We now have a level playing field. We are prepared to face the challenges of 2000 and beyond and we move forward with confidence and enthusiasm."

Willis teams with ACE

British based insurance intermediary and global risk management company, Willis, has entered into a strategic partnership with ACE Bermuda over ACE's new protected cell company (PCC), which has been called ACE PCC Insurance Ltd., and set up in Guernsey.

ACE PCC will write a variety of alternative risk financing products using the beneficially secure PCC concept, and develop significant new capacity for non-traditional exposures. It will provide many different types of specialty financial solutions, with net capacity of up to \$200 million. Willis will provide management and marketing input through their global network.

The PCC concept allows insurance programmes from different companies to be established in one insurance vehicle, but allowing the various programmes to each be segregated and protected from the liabilities of another, with full statutory protection.

While the company intends to write traditional insurance, it will create tailored ART (alternative risk transfer) contracts and a new market based on risk transfer.

Roger Gillett, who is responsible for the development of market strategy for captive and captive-related business for the ACE Group, said: "The PCC provides an important alternative to traditional



Roger Gillett

captive and rent-a-captive business. It complements our existing capabilities and will enable us to develop new strategies and products for clients in major growth markets around the world."

New political cover offered

A new political risk insurance product tailored specifically for cross border capital markets transactions is being offered by Sovereign Risk Insurance Ltd. Sovereign is the Bermuda-based political risk insurance joint venture between XL Capital Ltd and ACE Limited.

The new capital markets product covers bond offerings by emerging market issuers against currency inconvertibility and currency non-transfer risks in the country of the issuer.

Sovereign is already considering several transactions that would benefit from this coverage. There has been much interest in coverage for bonds, especially in certain emerging markets such as South America and Asia.

The capital markets political risk insurance is designed to enable issuers in emerging markets to achieve higher foreign currency ratings from ratings agencies on the insured bond offerings. With higher ratings, the issuers will be able to attract funding from a broader range of investors while

reducing their financing costs.

Sovereign has per-project limits of \$125 million and is able to provide tenors out to 15 years, making this coverage particularly well suited for cross border 144A bond offerings and private placement.

Price Lowenstein, Sovereign's President and CEO, noted, "By adding our political risk coverage to the structure of bond offerings and removing the currency inconvertibility and currency non-transfer risks, many emerging market issuers will now be able to obtain an investment grade rating, regardless of the rating of the issuer's country. This will be a valuable enhancement feature for project and corporate bond issuers in the emerging markets."

Formed in July 1997, Sovereign, has rapidly become one of the world's leading political risk insurers and reinsurers. Sovereign's clients include international financial institutions, multinational corporations and national export credit agencies. Its portfolio now exceeds \$3 billion of exposure spread over 60 emerging markets.

Bryce takes the helm at IPC

Senior Vice President of Bermuda cat reinsurer, IPC Holdings, Ltd., James P. Bryce, has been promoted to President and Chief Executive Officer of IPC Holdings, Ltd. and IPCRe Limited, effective July 25.

Mr. Bryce succeeded John Dowling, who earlier announced his intention to take early retirement at the end of July.

Mr. Dowling said, "After thirty-seven years in the insurance business, I've decided to spend more time with my family and friends. The past six and a half years with IPC in Bermuda have been particularly enjoyable."

Prior to joining IPC in 1993, Mr. Bryce served in various senior underwriting positions with subsidiaries of American International Group, Inc. in New York, London, Tokyo and Hong Kong.

The company's Chairman of the board of directors, Joseph Johnson, commented: "John has played a pivotal role in leading IPC, bringing with him a wealth of experience and knowledge of the insurance business, and we wish him well in his retirement. Jim Bryce has been IPCRe's chief underwriter since its formation in 1993 and we have every confidence in his ability to lead the company."

IPC Holdings, Ltd., through its wholly-owned subsidiary IPCRe Limited, provides property catastrophe reinsurance and, to a limited extent, marine, aviation, property-per-risk excess and other short-tail property reinsurance on a worldwide basis.



James P. Bryce

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