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# Artemis Bermuda ILS Executive Roundtable 2021

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# FOREWORD

**Welcome to Artemis' sixth Bermuda-focused insurance-linked securities (ILS) executive roundtable, held virtually for the second year in a row owing to ongoing pandemic-related restrictions.**

Despite the impacts of the Covid-19 pandemic and subsequent restrictions on travel and face-to-face meetings, Bermuda attracted a significant amount of startup capital in 2020 ahead of expected reinsurance market firming.

Noting this, leaders and experts from across the ILS and reinsurance sector started by discussing why fresh investor and startup capital should choose Bermuda.

At the same time, Bermuda is still the favoured jurisdiction for catastrophe bond issuance, evidenced by a record breaking 2020 for this sub-segment of the ILS space. However, there's now more choice than ever for sponsors with new jurisdictions, notably in Asia, increasingly looking to grow their market share.

With this in mind, participants highlighted Bermuda's robust risk transfer infrastructure, adaptive regulatory environment and ability to innovate, and explored what the island must do to ensure it continues to win new business.

While the pandemic has grabbed the headlines for the past 18 months or so, climate change remains and as the conversation has intensified, the universe of sustainable and responsible investing has expanded and is now often debated in the ILS space, and our roundtable was no exception.

Alongside rising ESG demand and also elevated demand from more traditional investors, the longevity of current market conditions was questioned, as was the potential for the trapping of capital from Covid-related business interruption uncertainty.

**Steve Evans**

*Owner and Editor in Chief, Artemis*





## PARTICIPANT INDEX

**Steve Evans**, Owner and Editor in Chief, Artemis.bm

**Tom Johansmeyer**, Head of PCS

**Sherman Taylor**, Executive Director, Ocorian

**Brad Adderley**, Partner at Appleby, Bermuda

**Aurora Swithenbank**, Chief Financial Officer, Vantage

**Darren Redhead**, Chief Executive Officer, Lancashire Capital Management

**Kathleen Faries**, Chief Executive Officer, Horseshoe

**Aaron Garcia**, Portfolio Manager, Hiscox ILS

**Richard Lowther**, Managing Partner, Integral ILS

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**Bermuda attracted a lot of startup capital in 2020 ahead of expected reinsurance market firming, as losses related to the pandemic combined with the lower for longer interest rate environment and impacts of a prolonged soft market state.**

**While there's some signs that the market cycle is close to its peak, current market conditions are expected to persist. With this in mind, and also the fact consolidation remains strong across the sector, why should newcos and fresh investor capital look to Bermuda?**



Having recently made the decision to move here, I can tell you there's a lot more advantage to Bermuda than just the legal or regulatory benefits. I chose Bermuda because it lives up to its reputation as the ILS community's hub for collaboration and innovation. PCS's range of new solutions – going back to our first steps into specialty lines loss aggregation in 2017 – all came from Bermuda support.

The Bermuda market helped us develop our specialty lines methodology (first for PCS Global Marine and Energy), delivered our seed data for large onshore risk losses, and was instrumental in getting loss reporting for Japan and cyber off the ground. And Bermuda transacts – the rest of the world follows.



The robust insurance infrastructure in Bermuda has historically acted as a stabilising factor in times of great market stress; the fresh capital deployed in the Bermuda insurance market in the last six months signals increased investor confidence and will ease capacity and rates concerns over time.

In the interim, we can expect further consolidation and changes to the global insurance landscape. Bermuda's deep insurance roots, rich talent pool and commitment to innovation provide a sense of confidence to investors, and this is one of the main reasons why newcos and fresh capital continue to look to the jurisdiction.



**Tom Johansmeyer – There's a lot more advantage to Bermuda than just the legal or regulatory benefits**



BRAD  
ADDERLEY

It's the only market in the world which has the following characteristics: One, there's Solvency II equivalence. Other than Switzerland or Hong Kong, who else is Solvency II equivalent? At some point you're going to write European business. Two, you get NAIC approval for the U.S. market. So, again, of our competitors, who has got NAIC approval and specific jurisdiction approvals in different states? The others don't have it.

So, now I can write U.S. business, I can write European business. Obviously, there's conditions to all of that, like the amount of capital, rating and track record, but you can't do them in any other jurisdiction.

But on top of that, when you think about Bermuda's competitors, who actually has a real reinsurance marketplace? Whereas in Bermuda, you can come and actually do lots of deals because people are around you. Well you can't do that in all the other jurisdictions. So, whether Bermuda is expensive or not, there's an ease to doing business because you're surrounded by it.

AURORA  
SWITHENBANK

When we were looking to set up Vantage, the choice of Bermuda was easy. Our chairman, Dinos Iordanou, and our CEO, Greg Hendrick, have long-standing experience building and operating Bermuda-based businesses. The pool of underwriting and operational talent on the island is deep. And Bermuda provides this platform within a strong and consistent legal framework supporting capital formation. It is the reason why investors are comfortable with the jurisdiction, having done extensive due diligence and having had good historical experiences in Bermuda.

Bermuda remains the premier jurisdiction for newcos and the hub for ILS capital formation, and on a personal note, I'm thrilled to call Bermuda my new home.

DARREN  
REDHEAD

For us at Kinesis/LCM Bermuda provides an infrastructure/resources in service providers and most important a willingness/understanding from regulators to help you adapt to changing market conditions.

KATHLEEN  
FARIES

Bermuda is known for being able to balance its robust regulatory framework with being nimble and commercial. This is a very difficult balance especially when you are also a Solvency II regime. In addition, many of the other jurisdictions that are competing for this start-up activity appear unable to rival the level of expertise, experience and "plumbing" that Bermuda has built up over the years.

AARON  
GARCIA

Investor capital should look to Bermuda because it is a tried and tested centre of excellence for risk taking. Over the past decade, the island has consistently maintained its global reputation as 'world's risk capital' due to the strong leadership of Bermuda insurers, reinsurers and asset managers, and their ability to work hand in glove with the Bermuda Government and regulators.

This mutually beneficial relationship has enabled Bermuda to create a regulatory framework that fosters a culture of innovation and customer-lead service, whilst also meeting international regulatory standards. For example, the introduction

STEVE  
EVANS

**2020 was a record breaking year for cat bond issuance and, so far, 2021 is breaking records once again. But while Bermuda remains the domicile of choice for cat bonds, how does the island make sure it continues to win new business amid the rise in other ILS jurisdictions?**

RICHARD  
LOWTHER

The key to Bermuda continuing as the domicile of choice for all forms of ILS hinges on remaining competitive in key areas:

**Speed to market** – For the major onshore domiciles looking to make inroads into ILS, it is hard to see how their large and complicated regulatory framework can be as nimble and develop the inhouse expertise to match Bermuda. ILS structures continue to evolve and innovate at a fast pace and there is a steep learning curve for law makers and regulators. Overall, however, ILS is a small asset class comparatively. Allocating adequate resources to appropriately regulate ILS makes sense for a concentrated specialist domicile like Bermuda but less so for onshore financial centres.

**Competitive costs** – Institutional investors are under enormous pressure from their stakeholders with regards to the fees they pay their managers. The knock-on impact to ILS in Bermuda is not only to offer competitive fees but also to advocate for helping to compress all aspects of the insurance value chain and offering competitive, 'turnkey' structures.

**Attracting and retaining talent** – A by-product of the global pandemic has been an acceleration in virtual meeting and remote working technology. The 'digital nomad' concept favours the quality-of-life benefits of living in Bermuda and will help to retain talent. Bermuda must remain competitive with transparent and expeditious immigration and continue to invest in local education and infrastructure.



Richard Lowther

KATHLEEN FARIES

While the jurisdiction continues to lead the way, Bermuda must keep increasing the competitive landscape in view as the business can easily go elsewhere. The jurisdiction's talent pool has long been a competitive advantage and they must intentionally ensure that they continue to foster and attract talent to Bermuda. Additionally, in order to improve and evolve the volume and liquidity of these assets, complacency must be avoided and the sector must be open to listening to the needs and demands of the business.

Certainly, there is still a tremendous amount of potential innovation that could be applied to securitization of risk and Bermuda could and should lead on this innovation by leveraging the Digital Asset regulatory framework already adopted in the jurisdiction (DABA).

TOM JOHANSMEYER

Frankly, there's no substitute for transacting. Bermuda needs to show that it can continue to lead the world in fresh and useful ideas, but it also needs to turn them into practical, repeatable reality. Innovation isn't calling in every favor you can to show that you can get an exotic or unusual transaction to market. Rather, it's identifying a difficult problem, developing a solution, and showing that the solution is relevant enough that it can – and will – be done again.

BRAD ADDERLEY

Clearly, you've seen some cat bonds done in Singapore, more so this year than ever. Put simply, when they subsidise it, why would they not use the money. But the question is, what happens when that money runs out?

We've been working with the BMA to ensure that the experience in Bermuda is as easy and as seamless as possible for the ILS space.

What's happened is, the BMA has been really, really good about this, they said fine, let's look at what we're doing, let's look at how we're doing it and let's improve it. Let's improve our system and let's improve how we go about it.

.....  
**Sherman Taylor –  
 It is Bermuda's  
 value for money  
 proposition that will  
 keep it in its position  
 as the leading  
 domicile for ILS**  
 .....



SHERMAN TAYLOR

Insurers recognise that value for money is not necessarily the same thing as the lowest cost. Bermuda successfully competes by providing high quality, low friction service, while simultaneously keeping the island's pricing and speed to market highly competitive. This is how Bermuda sets itself apart in a crowded global insurance sector. Ultimately, it is Bermuda's value for money proposition that will keep it in its position as the leading domicile for ILS.

AURORA SWITHENBANK

Bermuda remains the go-to for cat bond capital raising. Vantage's debut cat bond earlier this year used Bermuda as its domicile. I think it's difficult for other jurisdictions to catch up with Bermuda, given the ecosystem of a strong legal and regulatory framework, top-notch service providers, and a large number of significant domiciliary sponsors and investors.

As has historically been the case, I think remaining open to a dialogue with sponsors, service providers, funds, and end investors and being thoughtful and balanced around emerging issues and trends – such as ESG – will inform any further evolution in the framework surrounding cat bonds.

AARON GARCIA

If we, as market participants, ensure that we continue finding innovative solutions to better serve our clients – whether that's addressing an evolution in standard practices, such as ESG, or to absorb new areas of risk, such as cyber and pandemic – the island will continue attracting opportunities.

DARREN REDHEAD

As I said previously, speed to market is a big advantage/understanding current market conditions really helps Bermuda maintain its pre-eminent position.

STEVE EVANS

**Clearly, responsible and sustainable investing continues to gain real momentum, so what must Bermuda do to ensure it attracts the growing base of ESG focused investors?**

BRAD ADDERLEY

I think one, the BMA has come up with its own guidance, looking to ESG and making sure things are ESG compliant. Two, I think we could argue that cat bonds, generally, have always been ESG compliant. Why? Because they are about protecting the environment. And three, we have a history of it here in Bermuda. In fact you have things like Africa Risk Capacity reinsuring flood and drought reinsurance in poor nations in Africa. What could be any more ESG than that?

So, I think Bermuda, in some ways, has been doing this for years, before ESG became a hot topic. It now is an important focus, and Bermuda needs to do a better job talking about ESG and what it is doing, and what it has been doing naturally over the years.

SHERMAN TAYLOR

Bermuda must treat ESG as the "new normal" of business, and there are already encouraging signs that the key players in the jurisdiction are fully on board. In the ILS sector for example, market participants have long recognised the necessity of incorporating ESG into their activities in order to continue to access fresh capital. The next logical step for Bermuda is to introduce regulations to combat

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green-washing in the jurisdiction. This will keep Bermuda in step with the rest of the world and attract the rising tide of ESG focussed investors who are becoming a powerful force in the capital markets.

The recent announcement that the Lloyd's market will no longer provide new insurance cover for thermal coal-fired power plants, thermal coal mines, oil sands, or new Arctic energy exploration activities from 1 January 2022 is a clear signal that the ESG is becoming more significant to the insurance market. As a result, capital could be freed up and redeployed into the ILS market if the right framework is in place.



A key aspect moving forward for not only Bermuda as a jurisdiction but the ILS sector as a whole is the need to develop a unified ILS ESG framework. Given Bermuda's position in the sector, they certainly could lead the way in this initiative. Furthermore, Bermuda is the centre of risk transfer for natural, weather-related catastrophes and there is the potential to extend this expertise to a leading position in climate related risk transfer and financing.

The investor community are increasingly reviewing the ESG properties of their portfolio, sourcing ESG compatible risk and prioritizing ESG reporting. With this in mind, Bermuda should be listening to investors and using their desire for sustainable investing moving forward to determine how the intellectual capital and experience in Bermuda can be leveraged to offer investors real value.



Interest in ESG performance – from regulators, investors, media, customers & employees has never been greater. As leaders in the (re)insurance industry, we have an important part to play in helping our customers prepare for and navigate this complex issue. While ILS is an intrinsically positive asset class with its role in protecting society against the earth's perils, attracting ESG-focused capital requires us to go beyond this. At Hiscox, we believe that the benefits of an ESG approach to ILS investing is tangible. For example, from an environmental point of view, quantifying the impact of climate change on risk is essential to achieve sustainable returns.

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**Kathleen Faries –  
The investor  
community are  
increasingly  
reviewing the ESG  
properties of their  
portfolio**  
.....





Different regulators, investors, and third-party validation firms have varying definitions of what constitutes ESG. Right now, there isn't a lot of consensus on some basic questions like which ILS securities could be considered ESG investments. Consistency of definitions is one of the areas where I see a lot of struggle.

I think there's a lot of scope for engaging with the industry and investors to set standards for disclosure and definitions – without creating burdensome or overly bureaucratic incremental reporting requirements.

We see milestones being established across different industries to achieve various ESG goals by 2030 or 2050. I think re/insurers should also consider such goals to set an objective to strive for. In that way, we will have progress, and even if we don't achieve these distant goals, it can form the basis of an ongoing dialogue.



Where Bermuda could help lead ESG investing is to support the development of an independent scoring and evaluation framework to grade ILS strategies and managers on ESG. Large institutional asset owners such as pension, sovereign wealth and endowment funds are at the forefront of promoting ESG investment mandates. To attract these investors, Bermuda already offers 'institutional-quality' asset management infrastructure but formalizing an ESG framework would further cement the domicile as the leading place for blue-chip capital.



Specifically, the Bermuda market needs to identify original risk that needs sufficient capital and can be executed without the need for side deals and other concessions. The problem is an analytical one. Take solar power. One of the biggest problems in solar right now is hail. Instead of evaluating new technology relative to historical weather swaths and representative losses, you're more likely to see a focus simply on loss runs. That's not how you get progress. There's an industrywide perspective that can make solar easier to write in the face of difficult threats like hail.



**With strong pricing execution already evident in the cat bond market, do you feel that rising investor demand, coupled with added ESG demand, could bring additional capital and risk pushing the wider ILS market into a phase of softening? And, whether you feel this would be a healthy representation of capital efficiency?**



ESG is going to be tricky. If anything, rising ESG demand could act as a constraint on new capital flowing into the ILS market. Two years ago, ILS funds could convince end investors that a catastrophe focus was inherently ESG. Those days are gone. We need to develop real ESG products now. The first fund to launch one that is sustainable, repeatable, and feasible economically could gain a profound first-mover advantage.



The challenge for the ILS market is to achieve ESG relevance while being so far away from the original risk. I've been asked several times. Reinsurers and ILS funds can't influence claimant behavior and even struggle to influence insurers on ESG. Once you work your way up to the retro market, it can take forever to see the risks you cover – if you even get to at all.

Ultimately, one should not confuse the structural competitive advantage ILS has to assume peak zone cat risk with a lack of underwriting discipline. ILS investors demand high levels of transparency, impose granular investment guidelines and require frequent fair value reporting on their portfolios. There are simply fewer places to hide 'soft market sins' in an ILS fund.

One must also not assume that ESG driven demand for ILS investing means writing business at lower margin. Targeting capacity as part of an ESG framework has strong societal benefits but providers of cat capacity need to be adequately compensated for the risk they assume.



We clearly see people commit more money to this marketplace. We have people like Integral with Richard, and some of the largest ILS funds recently have been formed with \$500 million, \$600 million, which says a lot about the people running the firms, right. So, we see these funds growing; there's no question about that. So therefore there's more capital in the marketplace from ILS funds. That has to affect the price of these products. It has to affect the products themselves. It's got to because we're not talking about \$100 million coming in, we're talking about \$500 million coming in or \$600 million coming in. Which, to me, has to affect the market and soften it.



I think the tightening we've seen in the cat bond market is being driven by a re-assessment of the value of the liquidity of those securities, something I'd thought was long undervalued by the marketplace.



Brad Adderley –  
We clearly see  
people commit  
more money to this  
marketplace

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Of course, when new capital flows into the space, it has the potential to drive pricing; however, the amount of capital flowing into ILS is dwarfed by the capital movement in the broader reinsurance market. Although the reinsurance and ILS markets can get out of step, they are still tethered, and any mismatches correct over time. ILS investors and funds have shown good price discipline in recent renewals cycles and I expect that discipline to continue.

KATHLEEN  
FARIES

Investors will always seek the best yield and best execution. The move to collateralized reinsurance over the last 5-8 years has been coupled with challenges and in some instances surprises for investors given the level of nat cat events and most recently the exposure to COVID related claims. It would appear that many investors are interested, at least for the time being, in securitized risk that has a bit more certainty around terms and returns.

The ILS market should shift our focus to how we can deliver securitized climate risk related products to capital as efficiently as possible in an effort to increase the volume of potential assets, rather than diluting the traditional pool of UNL risk that is in the market. Climate risk is one example but there are certainly others that are in need of more capacity and product innovation such as cyber risk.

Ultimately, the re/insurance market is permanently cyclical and pricing will always be a function of capital supply and demand for products. The ILS market needs to become less reliant on property cat exposures and find ways to structure and price other classes of business.

SHERMAN  
TAYLOR

The ever-shifting dynamics between capacity, pricing and demand will lead cycles in the insurance market, and a phase of softening is inevitable.

One reason why capital is moving from the traditional reinsurance market to the ILS market is the search for more capital efficiency. The ILS market has responded well to this challenge, and the asset class is considered a very good representation of the best use of capital.

DARREN  
REDHEAD

Even with surplus capacity we have seen continued price increases, which in my view is required to maintain pricing adequacy, I think there is a realisation that as a sector we need to maintain this momentum.

STEVE  
EVANS

**It's been many months now since the onset of the global pandemic, but is Covid BI-related trapping still a threat to the market? And, if so, then structurally how can funds work to overcome this?**

SHERMAN  
TAYLOR

BI remains a concern as long as Covid remains a threat. Fund managers must build the right portfolio of ILS that can withstand shocks and still remain within tolerance limits of performance. This may require the fund to have ready access to a greater level of insurance expertise, and, as such, large ILS fund managers may even need to bring new and enhanced insurance resources in-house.



AARON  
GARCIA

Covid-19 is still an ongoing event with cases open across several jurisdictions and, as such, trapping is still a threat. Reacting quickly to find solutions that increase the efficiency of capital, while having healthy side pockets to protect future investors and fronting companies, is the key to mitigating this.

At Hiscox ILS, with our in-house fronting capabilities, we were pleased to have been able to offer an efficient solution to trapped capital which our investors welcomed as amongst the best available in the market.



Aaron Garcia

DARREN  
REDHEAD

A threat may be too strong a word, but yes it's an issue with the ILS sector due to its funding of risks rather than a promise to pay. It is more advanced in difficult conversations re coverage and aggregation of events.

RICHARD  
LOWTHER

At Integral, we were fortunate to launch with a clean slate and no legacy Covid BI issues. Generally, we did not see capital trapping as an ILS industry-wide issue but there were some consequences, particularly in the retrocessional market. Ultimately the retro market appeared to 'kick the can down the road' with capital being rolled. Our concern is that this came at a cost of incumbent ILS managers having to accept a lower price to get renewals done.

ILS provides abundant competitive capacity most efficiently when the coverage is clean and focused on natural catastrophe exposures. BI capital trapping erodes the 'low correlation' benefit that is key to many ILS investors and is frustrating. Vague contract wording where coverage is 'including but not limited to...' introduces coverage uncertainty and ultimately benefits no one.

TOM  
JOHANSMEYER

It's not just Covid-19. There's plenty of trapping risk outside the pandemic, and we're hearing about it all the time. Predictions of an active storm season could only exacerbate that risk. It's not just cat. PCS has reported on lots of marine and large onshore risk losses over the past 18 months, some of them in the area of US\$1 billion insured. Managing trapping risk – without trying to impede the appropriate holding of collateral pending loss development – requires a data solution. Period.

From what I'm hearing up and down Front Street, most questions about trapping involve either party taking a self-serving opinion, collecting whatever supporting

STEVE  
EVANS

information they can find, ignoring the rest, and pressing their case as hard as they can. I'm surprised the market didn't get tired of this in the wake of Typhoon Jebi, with all the litigation that followed. Instead, parties need to return to the use of independent, credible data. We launched our entire specialty line to help address this very risk (trapped collateral, as well as inappropriate/inaccurate reserving). And we're still at it. Our latest database, with sister company Xactware, provides daily insight into catastrophe loss development, which provides ground-level loss information to help parties to a trade determine whether collateral really needs to be held.

### To end, do panellists feel that there's room for greater innovation in the regulatory and legal structuring field to position Bermuda at the forefront of the next wave of ILS growth?

For me the innovation tends to come from managers/investors. The BMA are very receptive/open to innovation.

DARREN  
REDHEAD

I think there's always room to make things better. Can Bermuda improve its regulation and restructure itself to help attract more business, or more capital, or more products? So, my view is, yes. My view is, secondly, it's happened and it's happening.

BRAD  
ADDERLEY

The first thing to explain is, we know we've had for a while the sandbox, which was formed for people to create businesses where you don't even know there's a business out there, you're not even sure that there's a marketplace, but you've got the sandbox licence. We then created the innovative licenses. So, that is already in place, and people are using it, right. So, that's clearly a positive. And, of course, some people would argue, we don't want regulation, therefore, maybe we'll be in a jurisdiction which doesn't have regulation, because it's easier to do business in that jurisdiction.

I don't think Bermuda is standing still, I think Bermuda is going with the tide and being sensible. I think we're constantly tweaking ourselves and trying to improve things, and making sure we stay where we are. Which is, making sure we're Solvency II equivalent still, making sure we're NAIC approved still, and making sure the new wave of InsurTechs are formed in Bermuda.

TOM  
JOHANSMEYER

There's a lot more room, although I'd say the regulatory aspect is only a small piece of it. Our industry needs to focus first and foremost on bringing more original risk into the market. As an industry, we're spending more time shaving fractions of a basis points off Florida wind deals and trying to argue numbers over collateral holds than we are figuring out how to bring new risks to market. That needs to change. Where necessary, the regulatory and legal environment should be flexible enough either to accommodate original risk or adapt to it with relative ease. What our community needs to focus on is bringing more original risk to market. Everything else should help remove friction from that process.

SHERMAN  
TAYLOR

Regulatory and legal frameworks can sometimes create unnecessary friction cost for an ILS vehicle, and sensible, well balanced regulations are always welcome. With many domicile options available today, there will always be room for innovation. Bermuda has done well to create a favourable environment for ILS and further adjustments are imminent, with a view to attracting the next wave of ILS.

AURORA  
SWITHENBANK

There is always room for greater innovation, and there's sometimes a need for evolution based on events; this extends to the regulatory and legal environment. One of the most powerful tools for driving innovation is open communication among the various stakeholders. In particular, recognizing the highly sophisticated nature of the vast majority of ILS investors, there's room to streamline structures and corresponding regulatory frameworks to allow for faster times to market for new products and more cost-effective transaction execution. I think Bermuda has done a good job of balancing innovation and prudent regulation in the past and have every confidence they will continue to strike this balance while embracing transparency and engagement with key constituents.

Vantage was formed with the idea that better access to data, combined with more transparent communication, will provide creative ways to grow the marketplace, whether through traditional balance sheets or ILS structures, and preferably both. That communication between regulators and stakeholders is a key element of Bermuda's continued success.

KATHLEEN  
FARIES

Bermuda would be wise to continue to listen and partner with the business, as well as using the expertise and robust regulatory framework they currently have, to deliver swift execution on transactions and new co activity. Moving more quickly to a digital infrastructure for all of the necessary approvals and required documentation would also be a smart move for Bermuda. Leading the market on digital KYC/AML and a "connected" and standardized compliance framework would be a big step forward in providing real value for clients.



Aurora Swithenbank –  
**There is always room for  
greater innovation**

AARON  
GARCIA

As an asset class, ILS is still in its infancy and has plenty of room for growth. The last four years have provided many data points for investors to understand how structures work when events happen. Specifically, it offers the industry an opportunity to develop a way to solve the trapped capital conundrum, be that through in-house mechanisms or through third-party legacy risk-transfer solutions.

At Hiscox ILS, we concentrate on continuing to make our structures more capital efficient, which has been a core component of our value proposition since the launch of our Funds in 2013. We believe that existing investors and the new wave of ILS growth are likely to target capital efficient structures that can trade sustainably through the uncertainty of unpredicted events and the changing cycles of the market.

RICHARD  
LOWTHER

Innovation is always essential to sustaining a competitive advantage. Bermuda has a demonstrable track record of reinventing itself after market dislocations. On a continual basis, the island is evolving the regulatory and legal framework with innovations such as the recent Incorporated Segregated Accounts Companies Act and the Collateralized Insurer licencing framework etc.

One immediate focus for Bermuda should include joining with the many other likeminded countries in formulating a response to the recent G7 communique calling for the implantation of a global minimum corporate tax. It is honestly quite astonishing that the largest economies in the world would agree to cede sovereignty over their corporate tax systems. Bermuda over the decades has paid billions of dollars to satisfy insured claims in the wake of massive insurance events. Tax increase at the corporate level will most assuredly be passed along to the consumer exacerbating the protection gap, not reducing it.

Bermuda re/insurance companies have substantive operations on the island, which should help demonstrate that significant business is generated here. The appeal of Bermuda is not solely related to tax. Bermuda is the home to one of the largest global re/insurance markets, has developed infrastructure, proximity to the US and strong regulatory framework.

Bermuda needs to continue to promote the fact that tax efficiency does not mean tax secrecy. Many are unaware that Bermuda has dozens of Tax Information Exchange Agreements (TIEAs) with major OECD countries. This framework for exchanging information between countries helps enforce tax laws and demonstrates the island's commitment to transparency.



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