



# **Bermuda Captives at the Close of the Decade A Global Reflection**

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# Executive Summary

In 2006, The Bermuda Monetary Authority (BMA) partnered with the Bermuda Insurance Managers Association to conduct a survey on the Bermuda captive insurance market. Now in its fourth year, The Annual Market Survey on Captives (AMSC), with a survey sample of more than half of the captive market, has collected data on seven years, from 2003 to 2009.

Two previous reports, *A profile of the Bermuda Captive Insurance Market* and *The Bermuda Captive Insurance Market – 2008 Update*<sup>1</sup> examine the results of the first three surveys.

This report, *Bermuda Captives at the Close of the Decade: A Global Reflection*, is meant to reflect on the trends observed and lessons learned from the surveyed period. The Bermuda market demographic and behavior is characteristic of much of the global captive insurance market. This report demonstrates several of these instances.

Data from the AMSC is presented in four main ways on years 2003 to 2009:

- Business written through the lens of geographical place, lines of business and industry of parent company
- Industry utilisation of Bermuda captives, their premium shares and the industry profile of new entrants to the market
- Balance sheet positions by asset and liabilities composition and invested asset allocation
- Profitability indicators

The Bermuda market reflects the global market in the following instances:

- Widespread industry usage of captive insurance; no identifiable market leader
- Diverse kinds of business written; no identifiable market “specialty”
- Growth in business from non-traditional locations
- Slow or flat growth, in recent years, in business volume and captive formation

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<sup>1</sup> These reports are available at [www.bma.bm](http://www.bma.bm)

# Introduction

Measured since the founding of International Risk Management<sup>2</sup> in 1962, the Bermuda captive insurance market is nearly 50 years old. Over that time the Bermuda market has developed a certain affinity with the global captive market, something not widely shared by other established or new domiciles.

This report, *Bermuda Captives at the Close of the Decade: A Global Reflection*, puts forward in several areas the observation that the Bermuda market, in demographic makeup and behavior, is characteristic of much of the global captive insurance market, while maintaining a certain responsiveness to market conditions.

Bermuda captives are incorporated by companies operating in a diverse range of industries, without concentration in any one area. In a related way, the market writes in a variety of business lines, the largest of which are commonly written lines that form fundamental kinds of coverage provided by captive insurers. This differentiates Bermuda from domiciles that specialise in certain types of captives and kinds of business.

From 2003 to 2009, Bermuda has also seen an uptick in business from emerging markets with historically lower rates of insurance penetration, following still-developing worldwide progressions. Meanwhile, the market displays responsiveness to market conditions as trends in assets and liabilities show strong movements in invested assets allocations and capital deployment as insurance market and wider, economic conditions change.

In terms of market expansion, Bermuda is not an exception to the slower than normal growth experienced in the overall captive market, especially over the last two to three years, and centered at the top of the market.

Estimated 2009 gross written premiums (shown in Table 2) were off 4.6% from 2008 to \$18.8 billion. The drop in business magnitude appears comparable to the experience of many other domiciles and likely reflects the current market conditions. On the balance sheet, assets rose 2.2% to an estimated \$90.2 billion in 2009. By captive numbers, four of the top five captive domiciles (listed in Table 1) hosted fewer captives in 2009 than in 2007. Bermuda remained the most prolific with 885 captives.

Table 1  
Top Captive Domiciles 2009

	Count	GWP (\$ billions)
Bermuda	885	18.8
Cayman Islands	780	7.5 <sup>3</sup>
Vermont	560	16.2 <sup>4</sup>
Guernsey	355	3.4 <sup>5</sup>
British Virgin Islands	285	N/A

Source: *Business Insurance* for Captive Counts

Table 2  
Bermuda Market Figures (\$ billions)

	2003	2004	2005	2006	2007	2008	2009 <sup>6</sup>
Gross Written Premiums	15.2	16.7	19.4	21.5	19.4	19.7	18.8
Assets	51.6	65.3	65.0	72.1	88.8	88.3	90.2

Source: Annual Market Survey on Captives

<sup>2</sup> Widely acknowledged to be the first captive insurance management firm

<sup>3</sup> Source: Cayman Islands Monetary Authority (June 2010)

<sup>4</sup> Source: Vermont Captive Insurance Association (Year-end 2008)

<sup>5</sup> Source: Guernsey Financial Services Commission (Year-end 2009)

<sup>6</sup> 2009 data is based on the management accounts of survey respondents and should be treated as estimations

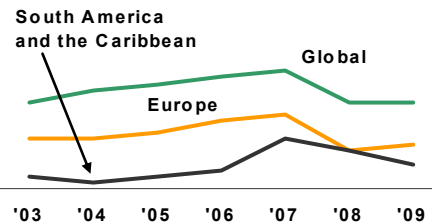
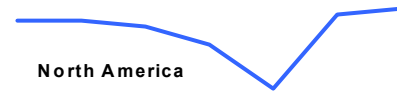
# Geography of Risk Assumption

Asia, Africa and the Middle East and Australia and New Zealand have remained small sources of business for Bermuda captives.

Bermuda captives wrote about \$13 billion in premiums to insure risk originating from North America, making up 72% of all premiums written. The portion of the Bermuda market dedicated to North American risks has risen to a level comparable to 2003 after declining in a three-year period from 2005 to 2007. Overall, the segment has grown by 26% since 2003, the second-largest regional gain.

The fastest growing region of business is South America and the Caribbean, up 107% since 2003, bringing about \$400 million of new business to the market. The region made up 4% of the overall market, about \$750 million. Global, or bundled, non-regional, risks made up about \$3 billion (14%) of the market. Bermuda captives insured just over \$1.5 billion from Europe, the third-largest segment of the market.

Chart 1  
Trends in Risk Assumption



Source: Annual Market Survey on Captives

Table 3  
Premiums by Location of Underlying Risk Insured (%)

	2003	2004	2005	2006	2007	2008	2009
North America	70	70	69	66	59	71	72
Global	14	16	17	18	19	14	14
Europe	8	8	9	11	12	6	7
South America and the Caribbean	2	1	2	3	8	6	4
Asia	2	2	2	2	2	2	2
Africa and the Middle East	3	2	2	1	1	1	1
Australia and New Zealand	<1	<1	<1	<1	<1	<1	<1

Source: Annual Market Survey on Captives

# Industry Utilisation

## | Demographic

Parent companies of Bermuda captives operate in a wide variety of industry groupings led by Health Care (12%), Manufacturing (9%), Financial Institutions (9%) and Energy (7%). Table 4 lists the full industry of parent company results.

The market is a microcosm of the global mix of industries that utilise captive insurers. Recent global studies<sup>7</sup> have agreed that Financial Institutions, Health Care, Retail and Manufacturing are the top four industries by ownership share of the market. All four of these industries are present in Bermuda's top five. Additionally, the broad population of other industries that comprise small portions of the market closely resembles the worldwide situation.

This position is not common to even large, established captive domiciles. Markets often show large representations of one industry grouping<sup>8</sup>. The Bermuda market is closer to the global picture.

2009 was the first year in which captives were surveyed on the industry in which their parent company predominantly operates.

**Table 4**  
Industry of Parent Company (%)

Health Care	12
Manufacturing	9
Financial Institutions	9
Energy	7
Business Services	6
Retail	6
Transportation	5
Construction	5
Automotive	5
Mining, Metals, Forestry	3
Real Estate	3
Aviation and Aerospace	3
Chemicals	3
Technology and Telecom	2
Power and Utilities	1
Hospitality and Gaming	1
Sciences	1
Public Sector Institution	1
All Other	19

Source: Annual Market Survey on Captives

<sup>7</sup> See Marsh, Next Generation Captives: Optimizing Opportunities (2008) and 2009 Captive Benchmarking Report: Single Parent Captives - A Global Analysis.

<sup>8</sup> See, for example, the relationship between Cayman Islands and Health Care, Hawaii and Construction or the District of Columbia and trade associations

# Industry Utilisation

## |Premium Share

About one-fifth of all business was written by Energy captives in 2009, while only 7% of all Bermuda captives were owned by parent companies operating in Energy. General liability and property damage and business interruption were the two lines in which Energy captives concentrated. Premium shares by industry grouping is detailed in table 5 for 2009.

Technology and Telecom captives also seized a larger share of business compared to their absolute numbers. The average Technology and Telecomm captive wrote about \$100 million in coverage, largely property damage and business interruption and product warranty. The average amount of business written by Technology and Telecomm captives exceeded the average Energy captive and led the market.

Retail captives (7%), Health Care captives (7%) and Transportation captives (7%) followed Energy captives and Technology and Telecom captives in premium shares.

See Annex 2 and 3 for a more detailed view of the business written by industry groupings.

Table 5  
Total Premiums by Industry (%  
share)

Energy	22
Technology and Telecom	10
Retail	7
Health Care	7
Transportation	7
Manufacturing	6
Aviation and Aerospace	4
Financial Institutions	4
Construction	4
Business Services	4
Automotive	3
Hospitality and Gaming	1
Mining, Metals, Forestry	1
Chemicals	1
Real Estate	1
Power and Utilities	<1
Sciences	<1
Public Sector Institution	<1
All Other	18

Source: Annual Market Survey on Captives

# Industry Utilisation

## |New Entrants

The notion that the Bermuda market is a microcosm of the global mix of industries that utilise captives is reinforced by a review of recent captive startups. Captives formed over the last five years, from 2005 to 2009, are distributed by industry group in table 6.

Looking only at recent captive startups, no large or small trend in industry of parent company emerges; there is symmetry between this dimension and industry composition of the market in general. The only slightly out-of-step development with the market at large is that construction seizes twice as much share amongst new captives than it does overall. The remainder of industry groupings are relatively close to their position in the overall market.

Also consequential here is the likely ongoing scenario, in soft market conditions, that no particular industry is facing challenges in the commercial market - challenges which help to mediate the captive insurance option.

See Annex 1, 2 and 3 for more business detail on new market entrants.

Table 6  
New Captive Startups  
(2005 - 2009) by Industry (%)

Construction	12
Energy	12
Financial Institutions	12
Health Care	10
Automotive	6
Real Estate	6
Manufacturing	4
Technology and Telecom	4
Transportation	4
Aviation and Aerospace	2
Business Services	2
Power and Utilities	2
Retail	2
Sciences	2
All Other	22

Source: Annual Market Survey on Captives

# Lines of Business

## |Property

The provision of property coverage represented 36% of all business written by Bermuda captives, the equivalence of about \$7 billion. Property business is broken out by line for 2009 in table 7.

Property damage and business interruption continued to be the largest property line, and marine hull and cargo has also been a significant line during the last 3 year period for which the AMSC collected premiums by line of business to this detail.

New developments in property coverage include, most notably, the increase in product warranty business, now a major line of business, sparked by Technology and Telecom captives.

Interestingly, agriculture, a newly added line of business to the AMSC, totaled about \$500 million (9% of all property), and was a line written largely by new market entrants.

For the full AMSC findings on property lines of business, refer to Annex 2.

Table 7  
Property Lines  
(All Property Business = 100%)

Property Damage and Business Interruption	52
Product Warranty	12
Marine Hull and Cargo	9
Agriculture	9
Offshore Energy Physical Damage	4
All Risk to Equipment	4
Aviation Hull and Cargo	3
Auto P D	3
Credit Risk	3
All Risk to Builders and Contractors	1
Environmental Risk	1
All Other Property Lines	1

Source: Annual Market Survey on Captives

# Lines of Business

## |Casualty

Bermuda captives wrote about 63% of business in casualty lines, worth about \$12 billion. Casualty business is detailed by line for 2009 in table 8.

Workers compensation and employers liability and general liability have been the first or second largest casualty line over the last several years.

Both workers compensation and general liability are broadly written lines of business, but there is some industry association. Retail captives write more workers compensation than any other industry group and Energy captives more general liability than any other industry group.

The results of both property and casualty coverage by line of business distinguish Bermuda by two facts: first, the variety of lines present in the market that carry significant amounts of business; and second, the largest lines of business are common lines frequently written across different kinds and types of captives.

The Bermuda market does not exhibit any spike in a particular line of business that is only written by a captive of a particular profile.

For the full AMSC findings on casualty lines of business, refer to Annex 3.

Table 8  
Casualty Lines  
(All Casualty Business = 100%)

Workers Comp/ Employers Liability	36
General Liability	33
Auto Liability	10
Professional Liability (other)	7
Medical Malpractice	4
Marine Liability	2
Aviation Liability	2
Umbrella	2
Products Liability	2
A&H (General)	1
Offshore Energy Liability	1
Life (General)	1
Personal Accident/Travel	1

Source: Annual Market Survey on Captives

# Assets

## |Composition

Asset composition showed that quoted investment was measured at about \$34 billion, the largest asset item (see the next section on invested assets for further information). The two other major items were investment in and advances to affiliates or intercompany investment/advances at about \$23 billion and a cash position of about \$18 billion dollars.

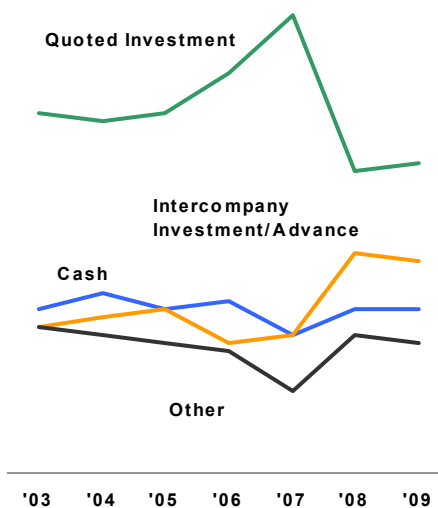
The mix of other assets included: accounts premiums receivables (\$5 billion) and unquoted investment (\$2 billion). Full asset composition is shown in table 9.

Chart 2 displays trends in asset composition over the time of the survey. The stand out change is the decline in quoted investment, from 2007 to 2008. The fall in quoted investment was likely impacted by investment losses and corresponded to a sharp rise in intercompany investment and advances. Bermuda captives appeared able to adapt on the balance sheet to deteriorating investment conditions, reflected secondly in the flattening out of intercompany investment/advances in

2009 as worldwide markets regained some traction.

See Annex 1 for more detail on asset composition.

Chart 2  
Trends in Asset Composition



Source: Annual Market Survey on Captives

Table 9  
Asset Composition (%)

	2003	2004	2005	2006	2007	2008	2009
Quoted Investment	44	43	44	49	56	37	38
Intercompany Investment/Advances	18	19	20	16	17	27	26
Cash	20	22	20	21	17	20	20
Accounts Premiums Receivables	6	5	5	5	4	6	6
Unquoted Investment	4	4	4	3	3	3	2
Other Assets	8	8	7	6	3	8	8

Source: Annual Market Survey on Captives

# Assets

## | Invested Assets

Within invested assets (quoted investment) shown in table 10, bonds totaled about \$25 billion, other funds and investments about \$6 billion and equities about \$3 billion.

Table 11 provides a different representation of the risk appetite of the market on the asset side of the balance sheet, and portrays a diverse mixture of positions:

40% of all captives had no equity investment; 12% of the market had a small portion (1-20%) of invested assets in equity and other funds; another 12% of the market had a moderate to moderately aggressive position with 21-50% of invested assets in equity and other funds; and about one-third of the market had more than 50% of invested assets installed in equity and other funds.

See Annex 1 for further quoted investment compositions.

Table 10  
Quoted Investment  
Composition (%)

Bonds	73
Other Funds and Investments	19
Equities	8

Source: Annual Market Survey on Captives

Table 11  
Invested Assets Profile  
(% of market)

No Equity Investment	40
>50% Equity Investment	36
1% - 20% Equity Investment	12
21% - 50% Equity Investment	12

Source: Annual Market Survey on Captives

# Liabilities

prevailing market conditions, this seems to indicate a flexible marketplace. See Annex 1 for more detail on liability composition.

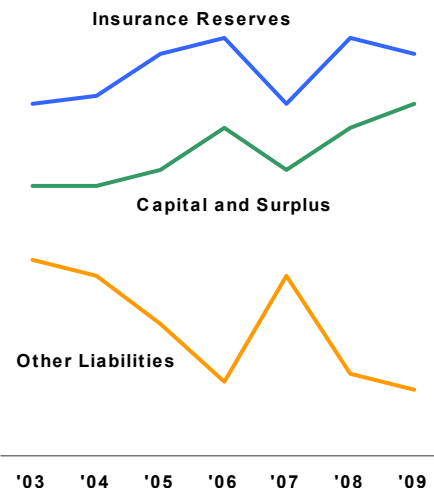
On the liability side of the balance sheet, insurance reserves (loss and loss expense provision plus unearned premiums) accounted for about half of all liabilities or about \$44 billion in 2009. Capital and Surplus was at about \$39 billion.

The mix of other liabilities included: insurance and reinsurance balances payable (\$3 billion) and amounts due to affiliates (\$1 billion). Full liability composition is shown in table 12.

Chart 3 shows trends in liability composition over the time of the survey. We can observe a relatively consistent and predictable relationship between insurance reserves and capital and surplus. They have tracked in tandem: capital and surplus is removed from the market when a reduction in insurance reserves occurs, as from 2006 to 2007 and added to the market when there is an increase in insurance reserves, as from 2007 to 2008 and from 2003 to 2006.

Taken together with movement in asset allocation, which appeared to be in response to

Chart 3  
Trends in Liability Composition



Source: Annual Market Survey on Captives

Table 12  
Liability Composition (%)

	2003	2004	2005	2006	2007	2008	2009
Capital and Surplus	33	33	35	40	35	40	43
Loss and Loss Expense Provisions	35	36	40	42	37	42	40
Unearned Premiums	8	8	9	9	6	9	8
Insurance/Reinsurance Balances Payable	4	3	4	3	2	4	3
Amounts due to Affiliates	15	15	8	1	16	1	1
Other Liabilities	5	4	4	5	4	5	4

Source: Bermuda Annual Market Survey on Captives

# Profitability Ratios

In 2009 the loss ratio for Bermuda captives reached its lowest mark in the span of the survey at 64%, continuing a trend of declining loss ratios since 2007, and 6 points below the seven year average loss ratio of 72%.

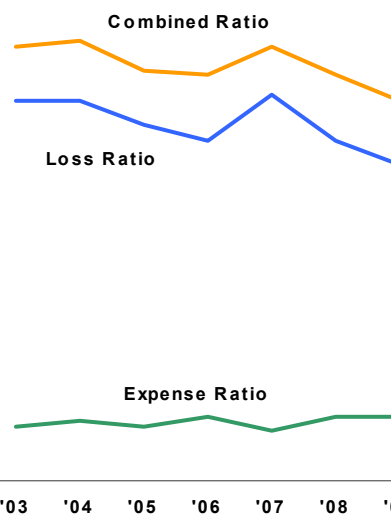
In one possible scenario, this decline might help explain the rise in capital and surplus last year, even while loss reserves remained relatively flat. Low loss ratios also reflect that while economic challenges remain the core insurance practices, e.g., underwriting programs, of Bermuda captives constitute a business strength.

The expense ratio registered at 13% in 2009, the same as in 2008, and within the three point spread (10%-13%) observed since 2003.

The loss, expense and combined ratios are given in table 14 and trended in chart 4.

Expense ratios are recapitulated in table 13: about one-third of the market had an expense ratio of less than 5%. About one-fifth had a ratio of between 5% and 9.9% and one other fifth between 10% and 19.9%. The remaining 30% of captives experienced ratios of greater than 20%.

Chart 4  
Trends in Profitability Ratios



Source: Annual Market Survey on Captives

Table 13  
Expense Ratios (% of market)

<5%	32
5% - 9.9%	18
10% - 19.9%	20
20% - 29.9%	9
30% and greater	21

Source: Annual Market Survey on Captives

Table 14  
Loss, Expense and Combined Ratios

	2003	2004	2005	2006	2007	2008	2009
Loss Ratio	77	77	72	69	78	69	64
Expense Ratio	11	12	11	13	10	13	13
Combined Ratio	88	89	83	82	88	82	77

Source: Annual Market Survey on Captives

## Annex I – % Balance Sheet Positions (2009)

	All Captives	Statutory Class <sup>9</sup>			Industry of Parent Company <sup>10</sup>															New Market Entrants <sup>11</sup>
		Class 1	Class 2	Class 3	Health Care	Manufacturing	Financial Institutions	Energy	Business Services	Retail	Transportation	Construction	Automotive	Mining, Metal, Forestry	Real Estate	Aviation and Aerospace	Chemicals	Technology and Telecom		
Quoted Investment	38.0	30.1	33.7	46.3	44.6	13.9	45.8	54.8	25.5	38.1	6.0	21.7	71.4	0.5	47.3	16.2	17.7	4.7	42.3	
Of Which in:																				
Bonds	72.8	46.7	65.7	86.4	68.1	93.3	89.7	86.6	94.4	96.3	48.1	98.8	49.3	82.2	75.5	94.1	88.6	100	37.4	
Equities	9.2	5.3	16.0	4.7	15.2	5.5	7.5	0.5	5.6	3.6	47.7	1.1	38.5	17.8	24.5	5.9	11.4	0.0	0.1	
Other Funds	18.1	48.0	18.4	8.9	16.7	1.2	2.8	12.9	0.0	0.1	4.2	0.1	12.2	0.0	0.0	0.0	0.0	0.0	62.5	
Intercompany Investment/Advances	25.9	30.4	23.6	26.4	6.5	44.3	31.0	19.4	13.6	39.3	51.7	23.7	3.0	58.7	5.0	38.5	40.9	23.9	23.6	
Cash	19.9	24.5	23.8	13.3	29.2	21.4	11.0	8.0	30.2	9.7	38.4	21.0	17.3	18.4	44.7	24.0	35.6	64.9	20.3	
Accounts Premiums Receivables	5.8	9.7	4.9	4.9	10.1	5.7	1.9	2.8	27.2	8.8	1.1	21.9	1.0	9.0	0.4	17.6	3.1	4.6	6.9	
Unquoted Investment	2.4	1.0	3.5	1.9	4.4	10.3	0.7	4.7	0.1	0.0	0.0	3.6	0.4	0.5	0.0	0.0	0.0	0.1	0.2	
Other Assets	8.1	4.4	10.4	7.1	5.3	4.4	9.7	10.4	3.4	4.2	2.6	8.1	7.0	12.8	2.6	3.8	2.6	1.9	6.8	
<b>Total Assets</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	
Capital and Surplus	42.9	55.0	42.4	38.0	22.3	37.1	55.0	43.5	35.9	32.8	48.7	35.0	43.0	53.6	58.7	29.9	57.2	49.6	65.4	
Loss and Loss Expense Provisions	40.4	28.8	41.5	44.5	65.9	41.1	31.9	41.1	40.0	46.2	45.2	50.1	10.5	34.7	37.4	49.0	37.3	31.9	23.3	
Unearned Premiums	8.3	6.9	9.2	7.8	6.2	10.5	3.1	5.8	16.3	14.3	1.6	9.7	35.7	3.4	0.5	2.5	2.6	7.5	5.5	
Insurance/Reinsurance Balances Payable	2.9	3.7	2.8	2.7	2.3	2.2	3.1	2.8	3.5	3.4	1.4	0.9	1.9	2.1	0.8	17.1	1.9	1.9	1.6	
Amounts due to Affiliates	1.1	2.3	1.1	0.6	0.6	7.2	0.7	0.2	1.2	0.1	1.2	0.1	4.6	0.8	0.2	0.0	0.0	0.0	0.1	
Other Liabilities	4.3	3.2	3.0	6.4	2.7	1.8	6.3	6.6	3.1	3.3	2.0	4.2	4.3	5.4	2.4	1.5	0.9	9.0	4.1	
<b>Total Liabilities</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	

<sup>9</sup> Bermuda employs a tiered insurance classification system: Class 1 captives are single parent companies insuring only the risk of their parent or affiliate(s); Class 2 captive are single parent or multi-owner caprices with allowance to insure unrelated risk up to 20% of Net Written Premiums (NWP); Class 3 captives have allowance to insure unrelated risk above the 20% threshold but to greater than 50%.

<sup>10</sup> Industry groupings Power and Utilities, Hospitality and Gaming, Sciences and Public Sector Institutions are excluded due to their small populations in the Bermuda market.

<sup>11</sup> Inclusive of captive startups from 2005 through year-end 2009

## Annex 2 – % Gross Written Premiums by Property Business Line (2009)

	All Captives	Statutory Class <sup>12</sup>			Industry of Parent Company <sup>13</sup>														New Market Entrants <sup>14</sup>
		Class 1	Class 2	Class 3	Health Care	Manufacturing	Financial Institutions	Energy	Business Services	Retail	Transportation	Construction	Automotive	Mining, Metal, Forestry	Real Estate	Aviation and Aerospace	Chemicals	Technology and Telecom	
Property Damage and Business Interruption	52.1	76.6	44.4	49.1	104.6	66.7	65.9	72.7	0.0	16.9	68.8	83.3	4.3	93.7	99.9	17.7	95.9	64.0	45.4
Product Warranty	12.1	0.0	0.9	20.6	0.0	0.0	0.0	0.0	0.0	69.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	35.8	0.0
Marine Hull and Cargo	8.9	8.1	19.8	4.1	-4.6	8.4	12.8	5.4	0.0	1.6	23.3	0.0	3.7	5.7	0.0	0.0	0.4	0.1	9.1
Agriculture	8.5	0.4	0.0	14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	38.8
Offshore Energy Physical Damage	4.3	0.8	11.5	1.8	0.0	0.0	0.0	15.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
All Risk to Equipment	3.8	0.1	5.3	4.1	0.0	7.6	0.0	3.2	0.0	0.0	0.0	0.0	48.7	0.0	0.0	0.4	0.0	0.0	0.0
Aviation Hull and Cargo	2.9	9.0	2.4	1.6	0.0	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	81.6	0.0	0.0	1.2
Auto P D	2.9	0.9	9.5	0.3	0.0	13.1	0.0	0.0	0.0	0.7	0.0	0.1	38.9	0.0	0.0	0.0	0.0	0.0	0.6
Credit Risk	2.5	1.2	4.0	2.1	0.0	0.0	20.7	0.7	100	11.7	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0
All Risk to Builders and Contractors	0.8	0.3	1.1	0.8	0.0	1.1	0.0	1.6	0.0	0.0	0.0	3.8	4.3	0.0	0.1	0.0	0.0	0.0	0.7
Environmental Risk	0.7	2.4	0.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	6.5	12.8	0.0	0.0	0.0	0.0	2.6	0.0	2.4
Terrorism (per risk)	0.4	0.0	0.9	0.2	0.0	0.0	0.6	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
Catastrophe: Terrorism	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Crime and Fraud	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	0.1
Catastrophe: Wind	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Catastrophe: Earthquake	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Total Property Business	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

<sup>12</sup> Bermuda employs a tiered insurance classification system: Class 1 captives are single parent companies insuring only the risk of their parent or affiliate(s); Class 2 captive are single parent or multi-owner captives with allowance to insure unrelated risk up to 20% of Net Written Premiums (NWP); Class 3 captives have allowance to insure unrelated risk above the 20% threshold but to greater than 50%.

<sup>13</sup> Industry groupings Power and Utilities, Hospitality and Gaming, Sciences and Public Sector Institutions are excluded due to their small populations in the Bermuda market.

<sup>14</sup> Inclusive of captive startups from 2005 through year-end 2009

## Annex 3 – % Gross Written Premiums by Casualty Business Line (2009)

	All Captives	Statutory Class <sup>15</sup>			Industry of Parent Company <sup>16</sup>														New Market Entrants <sup>17</sup>
		Class 1	Class 2	Class 3	Health Care	Manufacturing	Financial Institutions	Energy	Business Services	Retail	Transportation	Construction	Automotive	Mining, Metal, Forestry	Real Estate	Aviation and Aerospace	Chemicals	Technology and Telecom	
Workers Compensation/ Employers Liability	35.9	26.0	38.0	37.7	21.9	45.4	11.6	5.9	39.7	87.6	58.8	15.9	17.1	67.5	0.7	60.7	27.6	46.4	17.6
General Liability	33.4	40.6	28.2	37.2	23.1	26.3	45.4	74.4	48.4	10.4	8.4	74.3	9.8	10.2	99.3	5.4	56.1	32.8	46.0
Auto Liability	10.3	4.2	12.4	10.1	1.3	4.2	30.3	2.9	4.5	1.5	21.3	6.4	67.3	17.1	0.0	0.0	10.5	7.5	6.5
Professional Liability (other)	6.8	12.0	5.2	6.6	14.2	0.5	7.3	10.6	4.4	0.0	0.0	0.3	2.2	0.0	0.0	0.0	0.1	4.8	10.2
Medical Malpractice	3.6	8.1	3.9	1.1	27.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	9.7
Marine Liability	2.3	0.6	4.4	0.4	0.0	7.0	0.0	0.3	2.4	0.4	8.8	0.0	0.0	0.0	0.0	0.2	1.4	0.0	0.2
Aviation Liability	1.8	0.2	0.3	4.7	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.5	0.0	0.0	0.0
Umbrella	1.6	0.3	3.0	0.2	6.4	4.6	0.0	0.0	0.0	0.0	0.0	1.3	0.9	0.0	0.0	0.1	0.0	16.0	0.9
Products Liability	1.5	6.2	0.9	0.3	5.7	4.1	2.1	0.0	0.7	0.2	0.0	0.6	0.0	0.0	0.0	0.0	4.3	7.5	8.2
A&H (General)	0.9	0.2	1.4	0.5	0.1	0.0	2.4	2.0	0.0	0.0	0.0	0.0	2.2	5.2	0.0	0.0	0.0	0.0	0.2
Offshore Energy Liability	0.7	0.0	1.2	0.4	0.0	4.5	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Life (General)	0.6	1.5	0.1	0.8	0.0	3.4	0.8	1.6	0.0	0.0	0.1	1.2	0.5	0.0	0.0	0.0	0.0	0.0	0.5
Personal Accident/Travel	0.5	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total Casualty Business	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

<sup>15</sup> Bermuda employs a tiered insurance classification system: Class 1 captives are single parent companies insuring only the risk of their parent or affiliate(s); Class 2 captive are single parent or multi-owner caprices with allowance to insure unrelated risk up to 20% of Net Written Premiums (NWP); Class 3 captives have allowance to insure unrelated risk above the 20% threshold but to greater than 50%.

<sup>16</sup> Industry groupings Power and Utilities, Hospitality and Gaming, Sciences and Public Sector Institutions are excluded due to their small populations in the Bermuda market.

<sup>17</sup> Inclusive of captive startups from 2005 through year-end 2009