A Profile of the Bermuda Captive Insurance Market

The Bermuda Monetary Authority

February 2009

Contents

Introduction

Welcome to the Bermuda Monetary Authority's study of the Bermuda captive insurance market. The aim of this paper is to give a comprehensive overview of the size and composition of the captive market in Bermuda and a thorough examination of business undertaken by Bermuda captives, touching on their performance and financial position.

The first section positions the Bermuda market within the global captive market by looking at trends in captive formations within Bermuda and at the global level. The next two sections discuss some of the key demographic characteristics of Bermuda captives, that is by company type and location of parent company. The remainder of the report deals with the financial position and premium business of Bermuda captives beginning with balance sheet size and composition. We then focus on gross written premiums and utilize premium data to assess retention rates, geographical origin of risk and the amount of risk assumed from other insurance carriers. The kinds of insurance coverage written is then examined, followed finally with a look at profitability indicators.

The financial and premiums data for this report have been obtained from the statutory filings of insurance companies and from a survey of captive insurance managers[1] (hereafter referred to as the Captives Survey) conducted in 2007 and 2008. The Captives Survey captured data for the years 2003 through 2007, and it covered approximately 64% of the total 2007 Bermuda captive insurance market[2]. The reader should note that 2007 data was gathered on an unaudited and management account basis in the interests of capturing the most timely information possible at the time of the survey's production. Wherever possible data from the entire 5 year survey period is presented on a non-weighted basis, by class[3] of captive insurer. The survey data has been weighted according to the market shares of each captive class wherever total or "all captives" data from the Captives Survey is presented.

A snapshot of the Bermuda captives market is highlighted below:

- 1149 licensed captives at year-end 2007, a net gain of 22 from 2006
- Total 2007 assets of $88.8 billion and total premiums of $19.4 billion
- Overall rate of retention of 81%
- 35% of total premiums assumed from other insurers
- Casualty coverage accounts for 57% of all business written; property coverage is 41% of all business
- Year 2007 loss and expense ratios of 65% and 13%, respectively

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[1] The surveys were administered jointly by the Bermuda Monetary Authority and the Bermuda Insurance Managers Association.
[2] As composed of all captive insurers that filed statutory financial returns on the year.
[3] Bermuda employs a three tiered captive insurance classification system: Class 1 captives are single parent companies insuring only the risk of their parent or affiliate(s); Class 2 captives are single parent or multi-owner captives with allowance to insure unrelated risk up to 20% of gross written premiums; Class 3 captives have allowance to insure unrelated risk above the 20% of gross written premiums threshold.

Bermuda and the global captive market

The global captive market expanded to over 5,000 formations (5,310) in 2007. Bermuda remained the largest domicile with 1149 captives licensed[4] at year-end, followed by Cayman Islands with 765 and Vermont with 567 (see Appendix III for worldwide insurance captive formation by domicile). Exhibit 1 displays captive formations grouped by Bermuda, combined US domiciles and combined non-US domiciles since 1997.

US domiciles continued to grow more rapidly than the rest of the world. In 2007, US domiciles combined for a 13% growth rate from 2006. The Bermuda market grew by 2% over the same period, closely mirroring the non-US world figure of 1% (the entire worldwide market grew by 4%). Over the last decade growth rates for Bermuda have tracked near to those for the rest of the world (non-US domiciles). Exhibit 2 depicts the rates of change over the last ten years for these domicile groupings.

Exhibit 1: Worldwide Captive Formations (1997-2007) in Bermuda, the US, and Non-US World

Source: Bermuda Monetary Authority for Bermuda data; *Business Insurance* for all world data

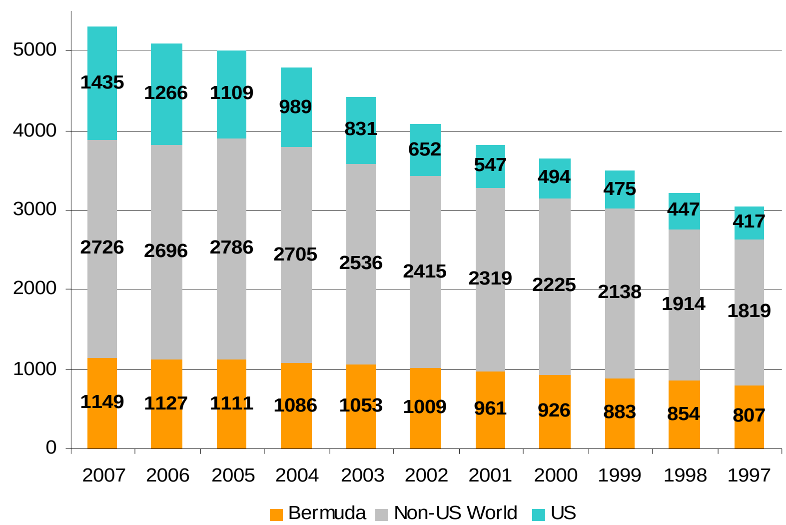
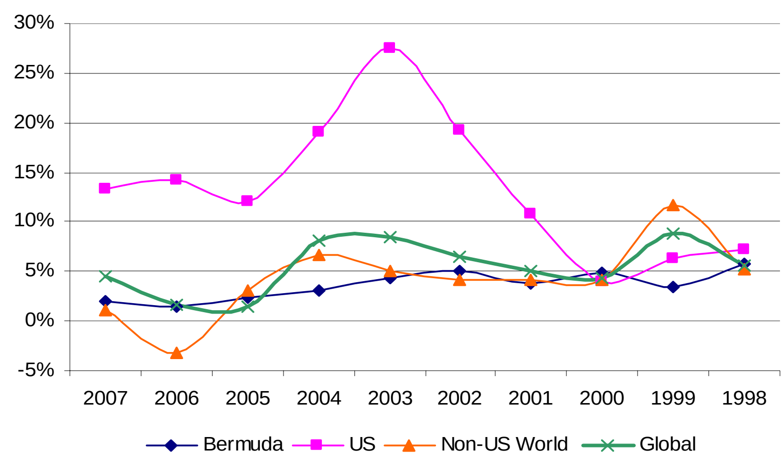


Exhibit 2: Yea r-over-year Growth Rates in Captive Formations (1998-2007)

Source: Bermuda Monetary Authority for Bermuda data; *Business Insurance* for all world data



[4] The Bermuda captive insurer count is based on the insurance company registry and is inclusive of non-active captives. This figure will therefore vary from the number of captive insurers that file statutory financial returns, as published in the Authority's Annual Report.

From what regions do Bermuda captives originate?

The parent companies of Bermuda captives are located predominantly in North America. This region accounted for 814 captives or 71% of all licensed Bermuda captives in 2007. North America's share of the Bermuda market has remained relatively stable over the last ten years (see exhibit 3), declining marginally from 73% in 1997. A similar pattern can be observed with Europe: there were 162 captives owned by European companies domiciled in Bermuda in 2007, composing 14% of the market, compared to 16% in 1997. Alternatively, the number of captives that have originated from other regions grew at a greater pace over the same time frame, seizing larger market shares.

- The number of Bermuda origin captives was up 214% to 66 from 1997 (21 captives) and represents 6% of the market (3% in 1997).

- Captives originating from South America and Caribbean countries totaled 38 in 2007, up 90% from 1997 (20) and accounted for 3% of the market.

- All other regions of the world comprised 6% of the Bermuda market

Exhibit 3: Origin of Insurer by Market Share (1997-2007)

Source: Bermuda Monetary Authority

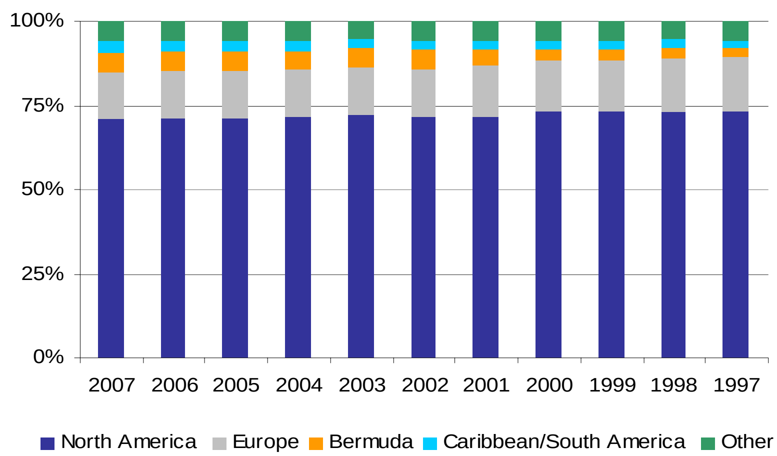
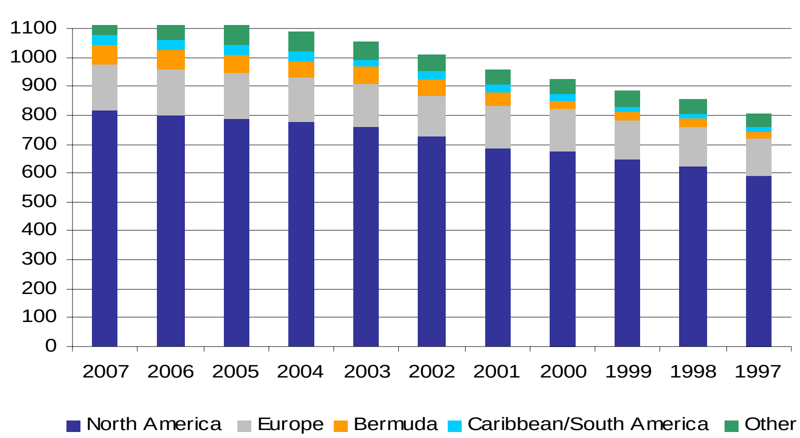


Exhibit 4: Origin of Insurer by Number of Captives (1997-2007)

Source: Bermuda Monetary Authority



What is the ownership structure of Bermuda captives?

Single-parent or pure captives continued to be the most common kind of captive in the Bermuda market, making up 38% (427 captives) of all licensed captives in 2007. Since 1997, the number of pure captives has increased 49%, outpacing slightly the 42% growth of the overall market over the same period. The most significant movement has occurred in the formation of rent-a-captives, from 38 in 1997 to 84 in 2007, a 121% climb. This is reflected in the 7% market share that rent-a-captives held in 2007, up 2 points from 1997, the largest such gain in the kind of company demographic.

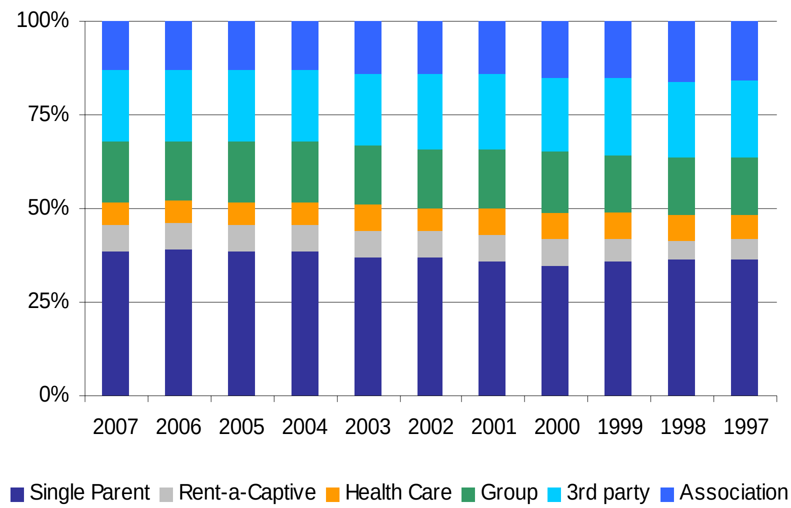
Other changes by company kind are highlighted below:

- The growth of 3rd party and association captives has not kept pace with the overall market; dropping 2 and 3 points, respectively, of their market share since 1997. As noted above, this share has been claimed by the faster growth in the number of rent-a-captives.

- Group captives, which include agency captives and captives writing connected business, remained the third largest group in 2007, representing 16% of the entire market, up one point since 1997.

Exhibit 5: Kind of Captive by Market Share (1997-2007)

Source: Bermuda Monetary Authority



The balance sheet position of Bermuda captives – asset side overview

Bermuda captives posted total assets of $88.8 billion in 2007, up significantly from 2006 ($72.1 billion) and about three-quarters more than the total of $49.9 billion recorded in 2002.
Just over half of all assets were held by Class 2 captives in 2007 and this 50% threshold has held over the time series. Class 1 captives held 20% of all assets and class 3 captives made up 30% of 2007 assets. Exhibit 6 displays total market asset figures for the past six years by captive class.

Looking within the aggregated figures at asset configuration, the Captives Survey revealed strong balance sheet positions for Bermuda captives. In 2007, more than two-thirds of assets were held as cash (24%) and quoted investments (45%). Further diagnosis of asset composition is shown in Exhibit 7 for all captives and Exhibit 8 for each captive class.

- Quoted investments have routinely made up nearly half (43-49%) of all assets over the time series. Figures for 2007 show that bonds and debentures relate to 78% of all quoted investment and equities 12%. Exhibit 8 provides additional detail of the makeup of quoted investment by class of captive.

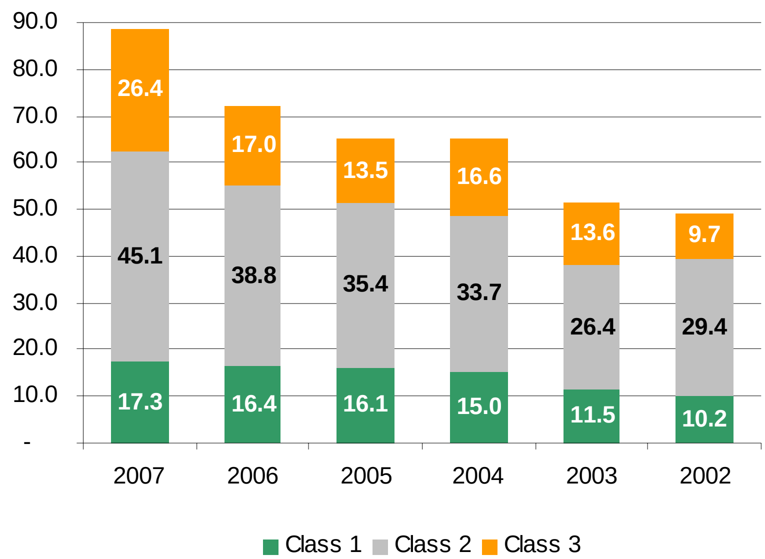
- Investments in and advances to affiliates was the third largest category, making up 17% of assets in 2007. Premium receivables consisted of 5% of all assets and all other asset classes accounted for 6%.

- Unquoted investments figured proportionally small (4% of all assets), and has shown no fluctuation over the 5 year time span.

- See Appendix I for combined balance sheets for all captives and each captive class.

Exhibit 6: Assets (2002-2007) by Captive Class in US Billions

Source: Bermuda Monetary Authority



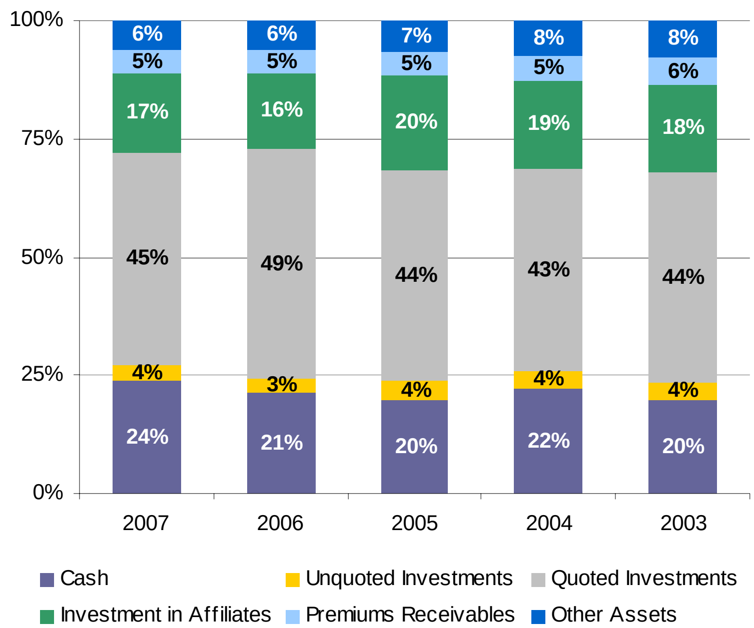


Exhibit 7: % Asset Composition (2003-2007) for all Captives

Source: Captives Survey

Exhibit 8: % Asset Composition with Breakdown of Quoted Investments (2003-2007) by Captive Class
Source: Captives Survey

	2007			2006			2005			2004			2003		
Asset Category	**1***	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Cash	31	20	25	33	18	18	35	14	16	37	22	10	36	18	11
Quoted Investments	34	52	39	31	55	50	25	55	39	25	49	46	24	52	47
Of which:															
(a) Bonds and Debentures	85	67	88	83	65	81	90	79	75	87	81	74	85	84	67
(b) Equities	10	18	5	10	22	11	8	17	14	9	15	11	12	11	12
(c) All Other	5	15	7	7	13	8	3	4	11	4	3	15	3	5	21
Unquoted Investments	1	5	2	1	4	2	0	2	12	0	2	11	0	2	10
Investment in Affiliates	24	12	19	24	14	14	27	20	14	25	18	15	26	18	13
Premiums Receivables	6	4	6	5	4	6	6	4	6	8	3	7	9	4	7
Other Assets	4	6	9	5	5	10	6	5	12	5	6	13	6	6	13

*Key: 1 = Class 1 Captives; 2 = Class 2 Captives; 3 = Class 3 Captives

The balance sheet position of Bermuda captives – liability side overview

In 2007, for the first time in the 5 year period of the Captives Survey, statistics on liabilities (see exhibit 9) showed that statutory capital and surplus actually exceeded the loss reserve provisions. The minimum statutory capital and surplus must be at least 10% (Class 1 and 2) of the loss reserve provisions or 15% for Class 3 captives. Exhibit 10 shows that Class 1 captives have significantly exceeded 100% of the loss reserve provisions and for Class 2 and 3 captives the percentage has never been less than 74% over the surveyed period. See Appendix I for combined balance sheets for all captives and each captive class.

Exhibit 9: % Liability Composition (2003-2007) for all Captives

Source: Captives Survey

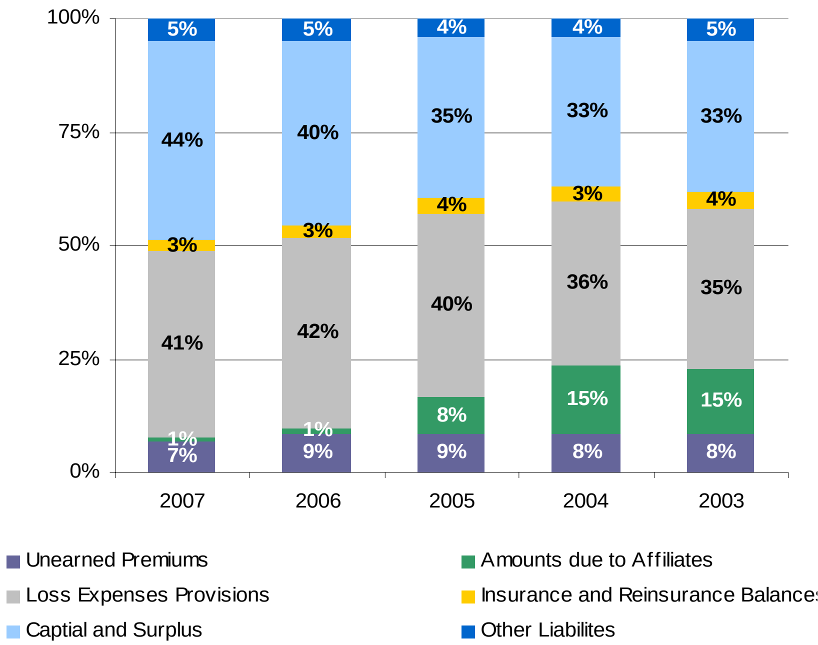


Exhibit 10: % Liability Composition (2003-2007) by Captive Class

Source: Captives Survey

	2007			2006			2005			2004			2003		
Liability Category	**1***	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Unearned Premiums	6	6	6	6	10	10	6	7	7	6	6	6	7	7	7
Loss and Loss Expenses Provisions	31	50	50	32	48	48	38	41	41	35	35	35	33	35	35
Re/Insurance balances payable	3	2	2	3	3	3	5	3	3	5	2	2	4	2	2
Amt. Due to Affiliates	2	1	1	2	1	1	2	13	13	2	28	28	2	27	27
Statutory Capital and Surplus	57	37	37	56	35	35	47	32	32	49	27	27	52	28	28
Other Liabilities	1	4	4	1	4	4	2	3	3	2	2	2	3	2	2

*Key: 1 = Class 1 Captives; 2 = Class 2 Captives; 3 = Class 3 Captives

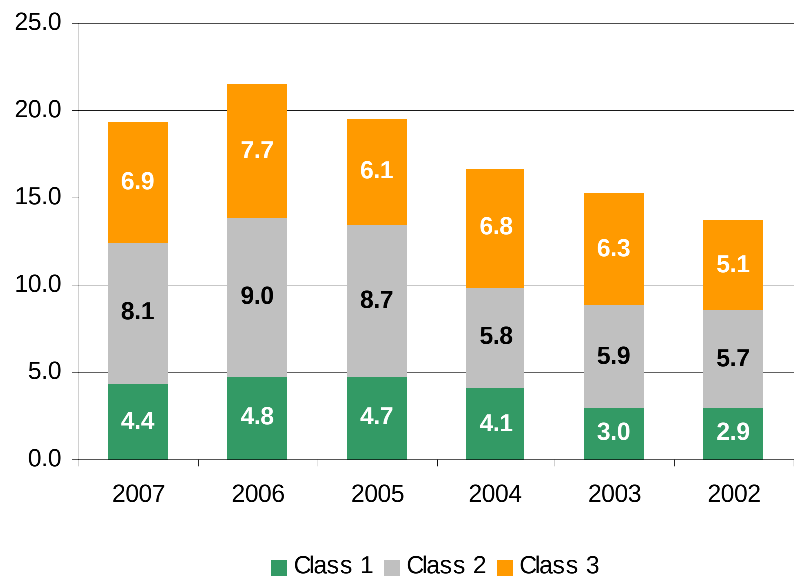
How much business do Bermuda captives write?

Bermuda captives wrote $19.4 billion in gross written premiums (GWP) in 2007, an 11% drop from the $21.5 billion recorded in 2006 (see exhibit 11). Total GWP for 2007 was nearly on par with the 2005 figure of $19.5 billion. Looking at the last six years, premium totals for captive insurers have climbed 42% since totaling $13.7 billion in 2002.

- Class 1 captives composed a little less than one-quarter of Bermuda market at $4.4 billion.
- Class 2 captives showed again the largest market share at $8.1 billion or 42% of all GWP.
- Class 3 captives maintained roughly one-third of all GWP recorded at $6.9 billion in 2007.

Exhibit 11: Gross Written Premiums (2002-2007) by Captive Class in US Billions

Source: Bermuda Monetary Authority



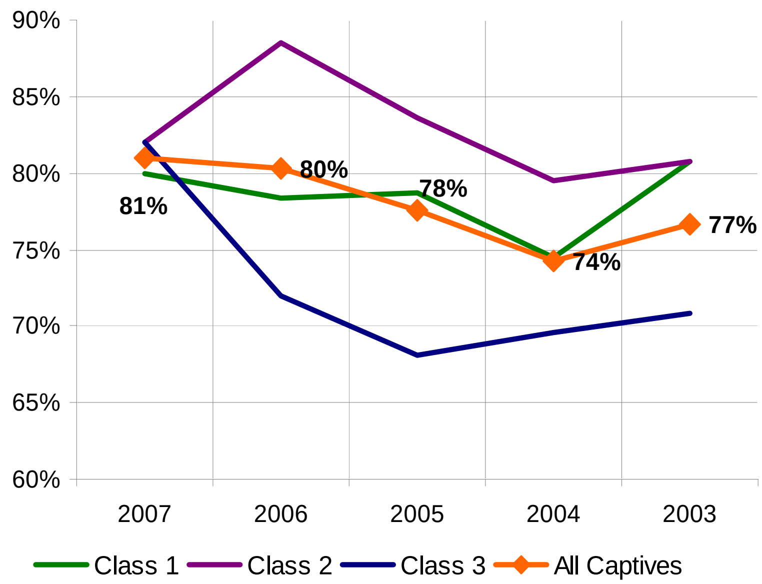
How much risk do Bermuda captives retain?

The Bermuda market has consistently retained three-quarters or more of total GWP, utilizing about one-fifth to one-quarter of total GWP to purchase reinsurance coverage. Exhibit 12 provides retained premium rates for the entire Bermuda captive market and by captive class over the last 5 years. The overall rate of retention has remained stable from 2003 to 2007: 77% at the beginning of the time series - varying little over the time period – and ending at 81% in 2007. Some variation in rates of retention can be monitored between captive classes:

- Class 1 and 2 captives tend to retain close to the market average and above the market, respectively. Class 2 captives have especially maintained a high rate of retention, more than 80% the last three years.
- In contrast, the rates of retention for class 3 captives have fallen below the market average in each year since 2003, with the notable exception of 2007.

Exhibit 12: Retention Rates (2003–2007) for all Captives and by Captive Class

Source: Bermuda Monetary Authority



From what regions do Bermuda captives accept risk?

The majority of the risk assumed by Bermuda captives originated from North America; in 2007, the region accounted for 57% of all the risk taken on board. While still the most significant region in terms of business origin, other regions have captured increasingly larger shares of this metric, the trend of which can be observed in exhibits 13 and 14.

- Risk originating from Europe has taken up a greater share of the business of Bermuda captives since 2004 (8%) – 11% in 2006 and 13% in 2007.

- Global risks (20%) and underlying risk from the Caribbean and South America (7%) also made up increasingly important business locations.

Exhibit 13: % Geographical Distribution of Underlying Risk Insured (2003 – 2007)

Source: Captives Survey

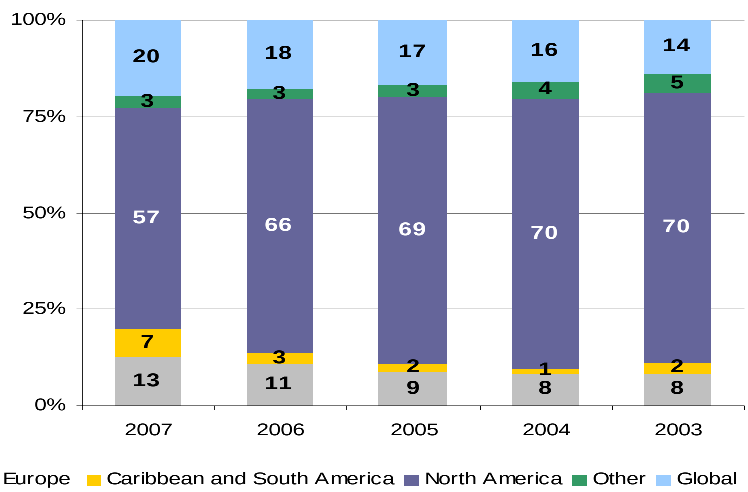


Exhibit 14: % Gross Written Premiums (2003-2007) by Region of Underlying Risk Insured and Captive Class
Source: Captives Survey

	2007			2006			2005			2004			2003		
Region	**1***	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Europe	8	9	22	6	12	11	4	16	3	6	16	3	6	16	3
North America	40	63	59	41	68	79	53	63	90	47	66	88	41	67	87
South America	2	11	6	3	4	1	2	3	1	2	2	--	2	5	--
Asia	2	2	2	2	1	2	3	2	1	3	2	2	2	2	2
Australia and New Zealand	1	--	--	1	--	--	--	--	--	--	--	1	1	--	--
Africa & Middle East	--	1	2	--	--	1	--	1	3	--	1	4	--	--	5
Global	46	15	9	46	14	5	39	15	2	42	13	2	48	10	2

*Key: 1 = Class 1 Captives; 2 = Class 2 Captives; 3 = Class 3 Captives. Reference: -- = less than one percent

To what degree do Bermuda captives write business on a reinsurance basis?

Captive companies enter into reinsurance agreements with other insurers to accept all or a portion of risk associated with certain policies primarily where the original policy must be issued by a carrier licensed in that country or where the coverage requires active insurance services. We refer to business conducted with the commercial insurance market as *assumed business*. Bermuda captives assumed an estimated $6.8 billion in GWP from other insurance carriers in 2007, 35% of all business. Exhibit 15 shows the percentage of GWP assumed over the last 5 years by major region of underlying risk insured.

Exhibit 16 provides Captives Survey data for GWP assumed by all regions of underlying risk and captive class. Figures for regions with relatively small volumes of business (Africa and Middle East, Australia and New Zealand and Asia) are apt to show more volatility over time.

Exhibit 15: % Gross Written Premiums Assumed (2003 – 2007) by Major Region

Source: Captives Survey

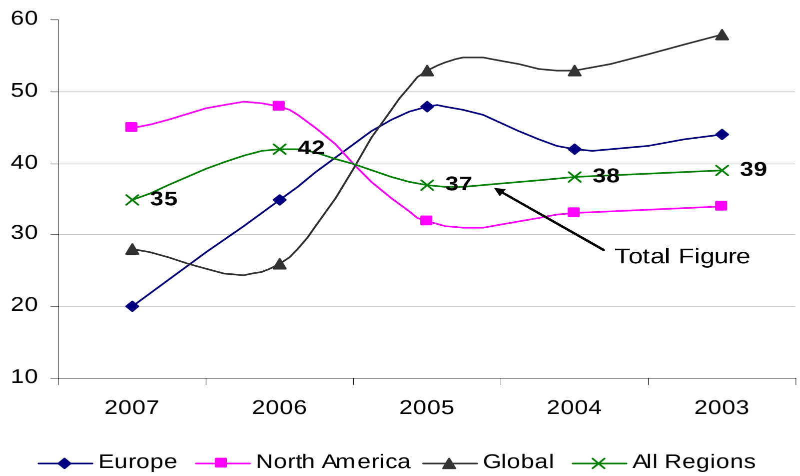


Exhibit 16: % Gross Written Premiums Assumed from Insurance Carriers (2003 – 2007) by Region of Underlying Risk Insured and Captive Class

Source: Captives Survey

	2007			2006			2005			2004			2003		
Region	**1***	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Europe	31	52	1	17	67	1	51	50	28	40	48	19	48	48	18
North America	21	44	55	15	51	56	16	42	29	17	46	31	21	44	29
South America	71	2	19	23	6	71	37	12	83	34	35	66	41	12	57
Asia	7	11	56	14	9	61	41	38	67	50	42	43	67	54	29
Australia and New Zealand	44	67	97	49	0	70	44	22	68	28	13	69	22	11	66
Africa & Middle East	0	9	70	0	3	69	92	20	84	94	25	87	95	29	91
Global	30	28	20	27	24	27	75	26	10	70	21	8	77	20	10

*Key: 1 = Class 1 Captives; 2 = Class 2 Captives; 3 = Class 3 Captives

What types of business do Bermuda captives write?

Bermuda captives wrote an estimated $11.0 billion in casualty business in 2007, accounting for a majority (57%) of all business written. Property business totaled $8.0 billion (41%) and financial and all other lines of business tallied almost $400 million (2%).

Exhibit 17 provides the percentage splits by kind of business written for each captive class in 2007. Class 1 and 2 captives follow a similar alignment observed for the total market – a significant majority written in casualty and about one-third in property business. Conversely, Class 3 captives wrote most of their businesses in property, as they are not limited to the provision of property coverage for only a parent company or company group.

Looking more closely into what lines of business comprised the property and casualty coverage, Exhibits 18 and 19 consider the 5 largest lines of business in each coverage category by captive class.

- Within property coverage (see exhibit 18) the most significant lines of business were: property damage and business interruption, all risk to equipment, marine hull and cargo, aviation hull and cargo, and product warranty.
- Within casualty coverage (see exhibit 19) the most significant lines of business were: general liability, workers compensation, products liability, auto liability and medical malpractice.
- See Appendix II for a full percentage breakdown by line of business.

Exhibit 17: Kind of Business Written (2007) by Captive Class

Source: Captives Survey

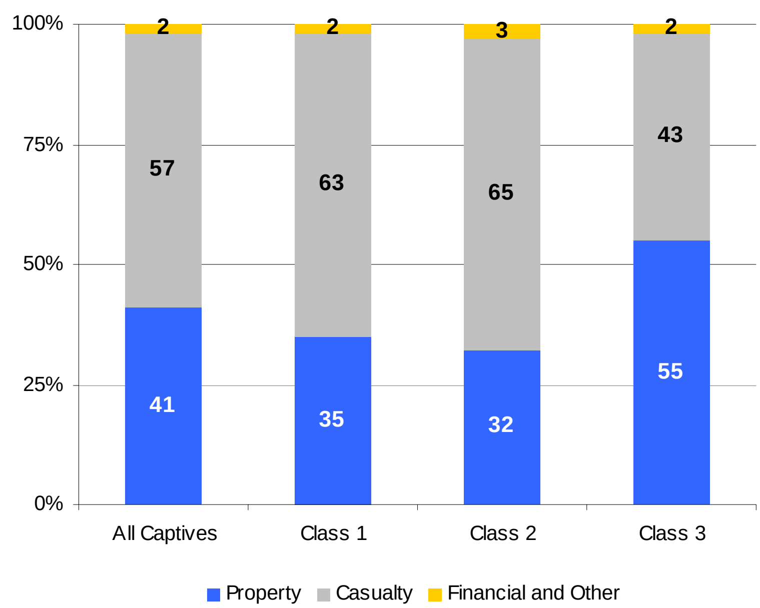


Exhibit 18: Top 5 Property Lines of Business by Captive Class % written (2007)

Source: Captives Survey

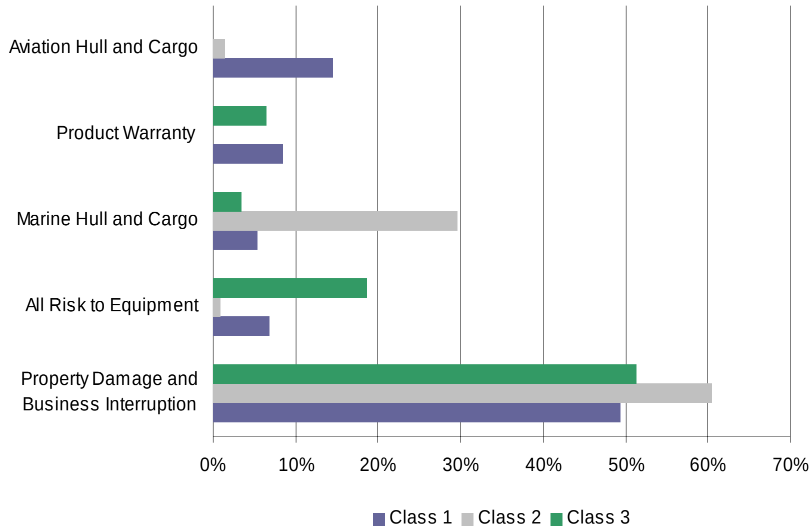
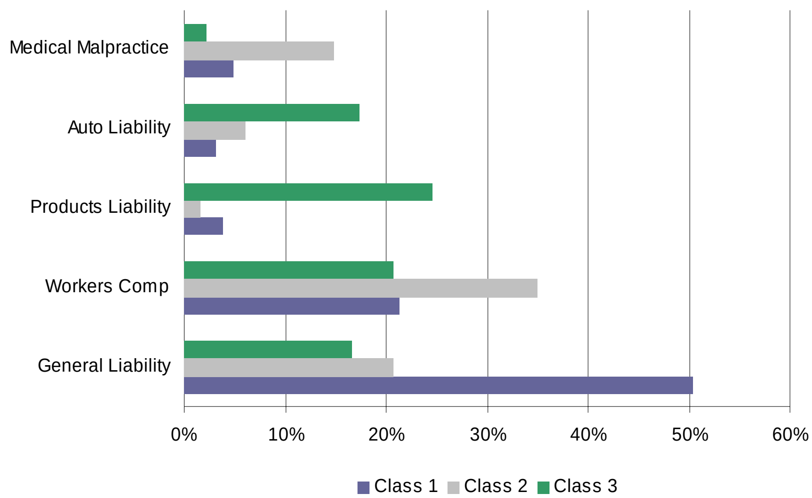


Exhibit 19: Top 5 Casualty Lines of Business by Captive Class % written (2007)

Source: Captives Survey



Bermuda captives profitability

In 2007 the combined ratio stood at a five-year low of 78% for Bermuda captives (see exhibit 20). The loss ratio also reflected a low for the period at 65%. The expense ratio of 13% for all captives should be noted against the lower operating costs of Class 1 and 2 captives compared to Class 3 captives, with typically larger operational considerations. These differences can be observed in Exhibit 21 where ratios for the period 2003-2007 are presented for each captive class.

In contrast, the 2007 IAIS survey of reinsurers revealed that the commercial market had a combined ratio of 87%, made up of a 28% expense ratio and a relatively low – given the largely stable catastrophe environment in 2007 – loss ratio of 59%.[5]

Exhibit 20: Combined Ratio for All Captives and by Captive Class (2003-2007)

Source: Captives Survey

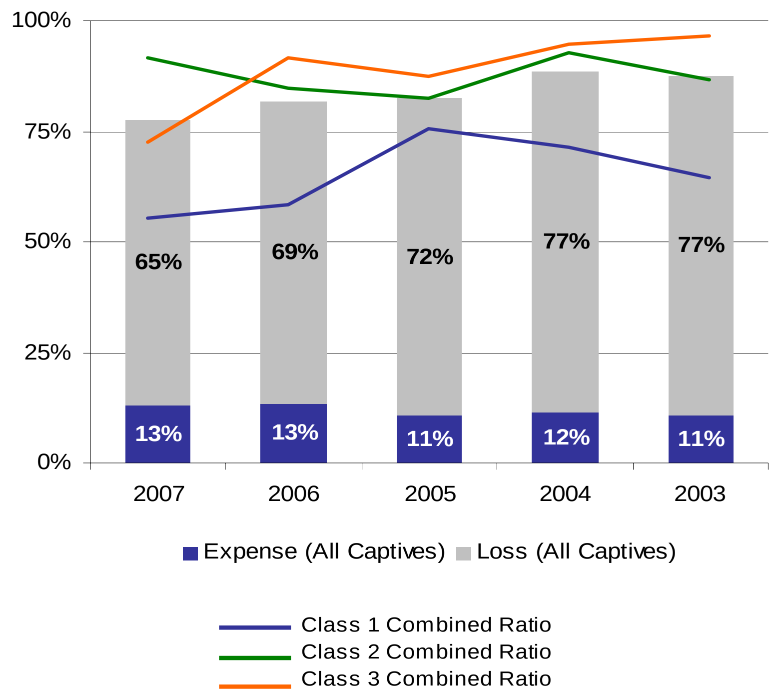


Exhibit 21: Combined, Loss and Expense Ratios (2003 – 2007) by Captive Class
Source: Captives Survey

	2007			2006			2005			2004			2003		
Ratio	**1***	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
Combined	56	92	73	59	85	92	76	83	88	72	93	95	65	87	97
Loss	48	84	52	50	78	69	69	74	71	65	84	78	55	79	85
Expense	8	8	21	8	8	23	7	9	17	7	9	17	10	8	13
*Key: 1 = Class 1 Captives; 2 = Class 2 Captives; 3 = Class 3 Captives															

[5] International Association of Insurance Supervisors, *Global Reinsurance Market Report, edition 2008*.

Appendix I – Combined Balance Sheets

All Captives (weighted) – Balance Sheet % Composition

Assets Category	2007	2006	2005	2004	2003	Liability Category	2007	2006	2005	2004	2003
Cash	24	21	20	22	20	Unearned Premiums	7	9	9	8	8
Quoted Investments	45	49	44	43	44	Loss and Loss Expenses Provisions	41	42	40	36	35
Unquoted Investments	4	3	4	4	4	Re/Insurance balances payable	3	3	4	3	4
Investment in Affiliates	17	16	20	19	19	Amt. Due to Affiliates	1	1	8	15	15
Premiums Receivables	5	5	5	5	6	Statutory Capital and Surplus	44	40	35	33	33
Other Assets	6	6	7	8	8	Other Liabilities	5	5	4	4	5

Class 1 (not weighted) – Balance Sheet % Composition

Assets Category	2007	2006	2005	2004	2003	Liability Category	2007	2006	2005	2004	2003
Cash	31	33	35	37	36	Unearned Premiums	6	6	6	6	7
Quoted Investments	34	31	25	25	24	Loss and Loss Expenses Provisions	31	32	38	35	33
Of which:						Re/Insurance balances payable	3	3	5	5	4
(a) Bonds and Debentures	85	8	90	87	85	Amt. Due to Affiliates	2	2	2	2	2
(b) Equities	10	10	8	9	12	Statutory Capital and Surplus	57	56	47	49	52
(c) All Other	5	7	3	4	3	Other Liabilities	1	1	2	2	3
Unquoted Investments	1	1	0	0	0						
Investment in Affiliates	24	24	27	25	26						
Premiums Receivables	6	5	6	8	9						
Other Assets	4	5	6	5	6						

Class 2 (not weighted) – Balance Sheet % Composition											
Assets Category	2007	2006	2005	2004	2003	Liability Category	2007	2006	2005	2004	2003
Cash	20	18	14	22	18	Unearned Premiums	6	10	7	6	7
Quoted Investments	52	55	55	49	52	Loss and Loss Expenses Provisions	50	48	41	35	35
Of which:						Re/Insurance balances payable	2	3	3	2	2
(a) Bonds and Debentures	67	65	79	81	84	Amt. Due to Affiliates	1	1	13	28	27
(b) Equities	18	22	17	15	11	Statutory Capital and Surplus	37	35	32	27	28
(c) All Other	15	13	4	3	5	Other Liabilities	4	4	3	2	2
Unquoted Investments	5	4	2	2	2						
Investment in Affiliates	12	14	20	18	18						
Premiums Receivables	4	4	4	3	4						
Other Assets	6	5	5	6	6						

Class 3 (not weighted) – Balance Sheet % Composition											
Assets Category	2007	2006	2005	2004	2003	Liability Category	2007	2006	2005	2004	2003
Cash	25	18	16	10	11	Unearned Premiums	6	10	7	6	7
Quoted Investments	39	50	39	46	47	Loss and Loss Expenses Provisions	50	48	41	35	35
Of which:						Re/Insurance balances payable	2	3	3	2	2
(a) Bonds and Debentures	88	81	75	74	67	Amt. Due to Affiliates	1	1	13	28	27
(b) Equities	5	11	14	11	12	Statutory Capital and Surplus	37	35	32	27	28
(c) All Other	7	8	11	15	21	Other Liabilities	4	4	3	2	2
Unquoted Investments	2	2	12	11	10						
Investment in Affiliates	19	14	14	15	13						
Premiums Receivables	6	6	6	7	7						
Other Assets	9	10	12	13	13						

Appendix II – Line of Business Data for 2007

Total Business (2007)				
	All Captives (Weighted)	By Captive Class (not weighted)		
		Class 1	Class 2	Class 3
Property Business	40.71	34.81	31.95	54.66
Casualty Business	56.88	62.95	65.27	43.26
Financial Business	2.41	2.25	2.78	2.08
Total Business	100	100	100	100

Total Property Business (2007) = 100%					
	Line of Business	All Captives (Weighted)	By Captive Class (not weighted)		
			Class 1	Class 2	Class 3
Property	Property Damage and Business Interruption	56.91	9.34	15.29	32.09
	Auto P D	1.78	0.49	0.15	1.26
	Marine Hull and Cargo	12.48	1.01	7.46	2.11
	Aviation Hull and Cargo	3.28	2.75	0.35	0.01
	Offshore Energy Physical Damage	1.45	0.60	0.65	-
	Terrorism (per risk)	0.13	0.11	-	0.02
	PropCat Wind	2.28	-	-	2.65
	PropCat Earthquake	0.16	-	0.01	0.17
	PropCat Terrorism	1.23	0.77	-	0.50
	Other Property	0.26	-	-	0.30
	All Risk to equipment	11.61	1.28	0.22	11.65
	Product Warranty	5.18	1.59	0.04	4.07
	Credit Risk	1.49	0.22	0.35	0.95
	Crime and Fraud	0.03	0.03	-	-
	All risk to Builders and contractors	1.32	0.71	0.43	0.04
	Environmental Risk	0.29	-	0.22	0.01
	Agriculture	0.13	-	0.10	-
	Total Property	100	18.92	25.26	55.82
Total Casualty Business (2007) = 100%					
Casualty	General Liability	27.08	13.26	8.25	5.65
	Auto Liability	8.38	0.82	2.42	5.87
	Workers Comp	27.69	5.63	13.88	7.05
	Umbrella	1.85	1.03	0.06	1.00
	Medical Malpractice	8.85	1.27	5.86	0.75
	Professional Liability (other)	7.75	1.56	4.77	0.66
	Products Liability	8.48	1.02	0.67	8.37
	Other Casualty	0.63	0.01	0.51	0.01
	General Business: Marine Liability	3.11	0.07	1.78	1.14
	Other - Aviation Liability	3.07	0.86	0.17	2.55
	Other - Offshore Energy Liability	0.88	0.38	0.11	0.48
	Other - Life (General)	0.62	0.36	0.06	0.25
	Other - A&H (General)	0.93	0.05	0.60	0.20
	Personal Accident/Travel	0.68	-	0.56	0.01
	Total Casualty	100	**26.32**	**39.70**	**33.98**

All Property and Casualty Business (2007) = 100%					
	Line of Business	All Captives (Weighted)	By Captive Class (not weighted)		
			Class 1	Class 2	Class 3
Property	Property Damage and Business Interruption	23.74	4.06	6.65	13.95
	Auto P D	0.74	0.21	0.07	0.55
	Marine Hull and Cargo	5.21	0.44	3.24	0.92
	Aviation Hull and Cargo	1.37	1.20	0.15	0.01
	Offshore Energy Physical Damage	0.61	0.26	0.28	-
	Terrorism (per risk)	0.05	0.05	-	0.01
	PropCat Wind	0.95	-	-	1.15
	PropCat Earthquake	0.07	-	-	0.07
	PropCat Terrorism	0.51	0.34	-	0.22
	Other Property	0.11	-	-	0.13
	All Risk to equipment	4.84	0.56	0.09	5.06
	Product Warranty	2.16	0.69	0.02	1.77
	Credit Risk	0.62	0.10	0.15	0.41
	Crime and Fraud	0.01	0.01	-	-
	All risk to Builders and contractors	0.55	0.31	0.19	0.02
	Environmental Risk	0.12	-	0.10	-
	Agriculture	0.05	-	0.04	-
	Total Property	41.72	8.23	10.98	24.27
Casualty	General Liability	15.78	7.50	4.66	3.19
	Auto Liability	4.88	0.46	1.37	3.32
	Workers Comp	16.14	3.18	7.84	3.99
	Umbrella	1.08	0.58	0.03	0.57
	Medical Malpractice	5.16	0.72	3.31	0.42
	Professional Liability (other)	4.52	0.88	2.69	0.37
	Products Liability	4.94	0.58	0.38	4.73
	Other Casualty	0.37	0.01	0.29	0.00
	General Business: Marine Liability	1.81	0.04	1.01	0.64
	Other - Aviation Liability	1.79	0.49	0.10	1.44
	Other - Offshore Energy Liability	0.51	0.21	0.06	0.27
	Other - Life (General)	0.36	0.20	0.04	0.14
	Other - A&H (General)	0.54	0.03	0.34	0.11
	Personal Accident/Travel	0.40	-	0.32	-
	Total Casualty	58.28	14.88	22.44	19.21
	Total Property and Casualty	100	23.10	33.42	43.48

Property Business (2007) Percentage share of Direct and Assumed Business				
	All Captives (Weighted)	By Captive Class (not weighted)		
		Class 1	Class 2	Class 3
Direct Business	57.81	66.67	69.74	46.10
Assumed Business	42.19	33.33	30.26	53.90
Total Business	100	100	100	100

Property Business (2007) Percentage share of Direct and Assumed Business by Line of Business					
	Line of Property Business	All Captives (Weighted)	By Captive Class (not weighted)		
			Class 1	Class 2	Class 3
Direct Business	Property Damage and Business Interruption	65.55	43.12	89.11	56.46
	Auto P D	49.21	133.02	2.04	18.97
	Marine Hull and Cargo	43.38	37.34	39.00	70.13
	Aviation Hull and Cargo	90.09	98.05	39.66	100
	Offshore Energy Physical Damage	72.32	84.78	63.12	-
	Terrorism (per risk)	4.01	4.49	-	-
	PropCat Wind	77.53	-	-	77.53
	PropCat Earthquake	94.12	-	100	93.61
	PropCat Terrorism	89.91	84.75	-	100
	Other Property	-	-	-	-
	All Risk to equipment	18.86	91.62	51.48	8.37
	Product Warranty	58.97	100	100	39.15
	Credit Risk	61.99	93.96	44.03	62.97
	Crime and Fraud	77.20	77.47	-	61.90
	All risk to Builders and contractors	53.63	97.18	-	1.70
	Environmental Risk	97.56	100	100	-
	Agriculture	-	-	-	-
Assumed Business	Property Damage and Business Interruption	34.45	56.88	10.89	43.54
	Auto P D	50.79	-33.02	97.96	81.03
	Marine Hull and Cargo	56.62	62.66	61.00	29.87
	Aviation Hull and Cargo	9.91	1.95	60.34	-
	Offshore Energy Physical Damage	27.68	15.22	36.88	-
	Terrorism (per risk)	95.99	95.51	-	100
	PropCat Wind	22.47	-	-	22.47
	PropCat Earthquake	5.88	-	-	6.39
	PropCat Terrorism	10.09	15.25	100	-
	Other Property	100.00	-	-	100
	All Risk to equipment	81.14	8.38	48.52	91.63
	Product Warranty	41.03	-	-	60.85
	Credit Risk	38.01	6.04	55.97	37.03
	Crime and Fraud	22.80	22.53	-	38.10
	All risk to Builders and contractors	46.37	2.82	100	98.30
	Environmental Risk	2.44	-	-	100
	Agriculture	100	100	100	-

Casualty Business (2007) Percentage share of Direct and Assumed Business				
	All Captives (Weighted)	By Captive Class (not weighted)		
		Class 1	Class 2	Class 3
Direct Business	69.61	78.40	59.19	79.80
Assumed Business	30.39	21.60	40.81	20.20
Total Business	100	100	100	100

Casualty Business (2007) Percentage share of Direct and Assumed Business by Line of Business					
	Line of Property Business	All Captives (Weighted)	By Captive Class (not weighted)		
			Class 1	Class 2	Class 3
Direct Business	General Liability	64.40	75.65	57.01	49.11
	Auto Liability	53.17	92.96	16.86	69.03
	Workers Comp	80.47	76.13	79.69	86.92
	Umbrella	74.46	92.90	99.15	49.87
	Medical Malpractice	34.37	96.96	18.37	96.18
	Professional Liability (other)	63.23	92.09	55.45	66.16
	Products Liability	91.78	85.25	31.28	100
	Other Casualty	81.34	100	81.52	0.00
	General Business: Marine Liability	84.55	98.50	88.93	73.24
	Other - Aviation Liability	81.07	29.36	100	100
	Other - Offshore Energy Liability	98.87	100	92.59	100
	Other - Life (General)	57.11	83.73	13.88	27.98
	Other - A&H (General)	86.24	100	82.41	100
	Personal Accident/Travel	99.08	-	100	3.15
Assumed Business	General Liability	35.60	24.35	42.99	50.89
	Auto Liability	46.83	7.04	83.14	30.97
	Workers Comp	19.53	23.87	20.31	13.08
	Umbrella	25.54	7.10	0.85	50.13
	Medical Malpractice	65.63	3.04	81.63	3.82
	Professional Liability (other)	36.77	7.91	44.55	33.84
	Products Liability	8.22	14.75	68.72	-
	Other Casualty	18.66	-	18.48	100
	General Business: Marine Liability	15.45	1.50	11.07	26.76
	Other - Aviation Liability	18.93	70.64	-	-
	Other - Offshore Energy Liability	1.13	-	7.41	-
	Other - Life (General)	42.89	16.27	86.12	72.02
	Other - A&H (General)	13.76	-	17.59	-
	Personal Accident/Travel	0.92	-	-	96.85

Appendix III – Captive Formations by Domicile

	Worldwide Insurance Captives Formation (1997 – 2007)* – Table 1 of 2								
	Domicile	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
1	Bermuda	1149	1127	1111	1086	1053	1009	961	926
2	Cayman Islands	765	740	733	694	644	600	542	514
3	Vermont	567	563	542	524	507	443	387	361
4	British Virgin Islands	409	400	383	350	307	282	262	238
5	Guernsey	368	381	382	410	383	382	369	358
6	Barbados	256	235	301	257	248	239	232	228
7	Luxembourg	210	208	208	219	216	213	233	231
8	Turks & Caicos Islands	173	169	166	164	159	143	134	120
9	Hawaii	163	160	158	141	122	101	87	74
10	South Carolina	158	146	122	114	67	27	13	2
11	Isle of Man	155	161	165	175	173	167	159	162
12	Dublin	131	154	207	214	205	181	181	183
13	Nevada	115	95	58	38	19	7	3	3
14	Arizona	108	83	53	39	18	4	N/A	N/A
15	Utah	92	30	15	2	2	N/A	N/A	N/A
16	District of Columbia	77	70	59	40	20	6	2	0
17	Singapore	62	60	60	57	49	51	49	51
18	Switzerland	48	48	48	50	34	37	30	22
19	New York	44	39	33	28	18	4	2	2
20	Kentucky	31	10	6	5	N/A	N/A	N/A	N/A
21	Labuan	31	26	28	21	21	21	18	9
22	Montana	30	21	13	10	9	5	1	N/A
23	Bahamas	28	26	22	19	18	18	31	31
24	British Columbia	19	18	15	13	12	16	15	15
25	Gibraltar	19	14	14	12	12	14	10	10
26	Netherlands Antilles	15	17	16	18	16	16	18	18
27	Georgia	14	17	15	14	16	17	16	14
28	Jersey	13	15	15	13	15	19	19	18
29	Mauritius	13	13	13	13	13	11	12	11
30	Delaware	10	6	5	5	4	3	3	3
31	Colorado	6	8	9	10	11	11	10	11
32	US Virgin Islands	6	6	9	7	7	12	10	9
33	Malta	5	5	4	1	1	1	1	1
34	Panama	4	4	4	3	8	2	2	2
35	Tennessee	3	3	3	4	4	4	5	6
36	Alabama	2	1	0	0	0	0	0	0
37	Hong Kong	2	2	2	2	2	2	2	2
38	Illinois	2	3	3	3	3	3	3	5
39	Missouri	2	0	0	N/A	N/A	N/A	N/A	N/A
40	Arkansas	1	1	1	1	1	1	0	N/A
41	Guam	1	1	1	2	1	1	2	1
42	Kansas	1	1	1	1	N/A	N/A	N/A	N/A
43	Oklahoma	1	1	1	0	N/A	N/A	N/A	N/A
44	South Dakota	1	1	1	1	1	1	0	0
45	Maine	0	0	0	0	0	1	1	1
46	Puerto Rico	0	0	1	0	N/A	N/A	N/A	N/A
47	Rhode Island	0	0	0	0	1	1	2	2
48	Llyod's (UK)	N/D	N/D	N/D	N/D	N/D	N/D	0	1
	Total	**5310**	**5089**	**5006**	**4780**	**4420**	**4076**	**3827**	**3645**

Table 2 of 2				
	Domicile	**1999**	**1998**	**1997**
1	Bermuda	883	854	807
2	Cayman Islands	495	485	449
3	Vermont	357	334	305
4	British Virgin Islands	191	81	72
5	Guernsey	364	349	339
6	Barbados	220	221	210
7	Luxembourg	222	220	220
8	Turks & Caicos Islands	129	76	68
9	Hawaii	59	54	52
10	South Carolina	N/A	N/A	N/A
11	Isle of Man	169	171	167
12	Dublin	166	153	142
13	Nevada	0	N/A	N/A
14	Arizona	N/A	N/A	N/A
15	Utah	N/A	N/A	N/A
16	District of Columbia	N/A	N/A	N/A
17	Singapore	52	51	52
18	Switzerland	19	14	14
19	New York	2	2	2
20	Kentucky	N/A	N/A	N/A
21	Labuan	7	3	2
22	Montana	N/A	N/A	N/A
23	Bahamas	30	29	29
24	British Columbia	16	16	16
25	Gibraltar	8	10	8
26	Netherlands Antilles	18	16	17
27	Georgia	15	15	14
28	Jersey	17	14	13
29	Mauritius	8	N/D	N/D
30	Delaware	3	5	6
31	Colorado	12	13	16
32	US Virgin Islands	9	7	7
33	Malta	3	2	0
34	Panama	2	2	1
35	Tennessee	9	9	9
36	Alabama	0	0	0
37	Hong Kong	1	0	0
38	Illinois	5	5	5
39	Missouri	N/A	N/A	N/A
40	Arkansas	N/A	N/A	N/A
41	Guam	1	1	1
42	Kansas	N/A	N/A	N/A
43	Oklahoma	N/A	N/A	N/A
44	South Dakota	0	0	0
45	Maine	1	1	0
46	Puerto Rico	N/A	N/A	N/A
47	Rhode Island	2	1	0
48	Llyod's (UK)	1	1	0
	Total	**3496**	**3215**	**3043**

* Sources:
(a) For Bermuda data: The Bermuda Monetary Authority.
(b) For world data: Business Insurance, *Directory of World Captive Domiciles*.

References:
N/A = Captive formation not available
N/D = No data available