



# Life / Long-term structures in Bermuda



# Overview



## 01

Bermuda has seen, and continues to see, growth in new long term structures forming and is now the largest sector in Bermuda, both on AUM and number of licensed insurers (Class E vs Class 4).

## 02

Many different structures are being set up, most notably reinsurance vehicles set up by international life companies and collaboration between asset managers and global life companies.

## 03

There exist opportunities to access different asset classes, gain access to a long term 'float' and potentially structure a return from the liabilities and/or seek third party capital to support the business.

## 04

This document outlines some benefits stakeholders will see in establishing a Bermuda entity:

- Industry
- Regulator
- Financial
- Geography
- People

# Industry

The life industry in Bermuda is both established and fast growing



## Leading Global Centre

- Bermuda is a leading global centre for life insurance and reinsurance, and has a rich history and reputation for supporting the industry with its sophisticated regulatory and legal environment.
- Bermuda has a vast track record of successful financial institutions over many years.



## Large and growing life insurance sector

- The life sector is now the largest insurance sector by assets in Bermuda, with over \$500bn+ in assets under management.
- New life entity registrations have seen record growth figures over the last few years.



## BILTIR

- The industry is supported by The Bermuda International Long Term Insurers and Reinsurers (BILTIR) Association, whose primary focus is to act as an advocate for Bermuda's life and annuity industry for public policy that supports the industry marketplace, including regulatory requirements, other Bermuda Monetary Authority or Bermuda government issues, and tax matters with various jurisdictions.

# Regulator

The Bermuda regulator is quick and flexible, but also robust



## Speed

- The Bermuda Monetary Authority (BMA) is pragmatic and approachable.
- Licensing is a straight forward and efficient process, enabling speed to market as a competitive advantage compared to other regulatory jurisdictions.



## Solvency II equivalence

- Solvency II equivalence validates Bermuda's regulatory regime for commercial insurers and demonstrates the quality of the BMA as a regulator.
- Enables European groups to insure or reinsure risks into Bermuda without punitive capital charges or collateral requirements.
- Qualified Jurisdiction status and Reciprocal Jurisdiction status with National Association of Insurance Commissioners.



## Flexibility

- The BMA is open for dialogue with the industry and is willing to engage in all matters.
- The BMA encourages utilisation of Section 6D, where this section enables the re/insurers to identify unique aspects of their business and apply more relevant and bespoke capital treatment on these.

# Financial

Capital efficiency can be obtained, making RoE's easier to achieve



## Capital efficiency

- Bermuda can be attractive from a capital efficiency perspective.
- There are various areas where the interest rate risk, equity risk, and credit risk can result in higher capital efficiency.
- The use of fair values in the Economic Balance Sheet, together with the discount rates potentially reflecting the invested asset portfolio, could lead to a more reflective, enhanced, balance sheet position.



## Diversification

- Dual license holders are able to mix long-term and short-term business in a single legal entity, with diversification being realised at the legal entity level, leading to increased fungibility or capital across the group.



## Rewarded for good management

- Good Asset Liability Management will result in higher ALM Credit factor, reducing the overall capital requirement.
- Robust Operational Risk Management is rewarded, with the Operational Risk Charge ranging from 1% to 20%.
- Currency risk is lower if, for each foreign currency, assets are greater than liabilities.

# Geography

Bermuda has evolved with both US and European standards



## Location

- Established international insurance industry which operates on a cross-border basis.
- English-speaking country.
- Close cultural ties to the US and the UK.
- Physical proximity to US with direct flights to East Coast.
- Direct flights to UK and no time zone issues.



## Reporting

- The industry and Regulator is well versed in FRS and US GAAP, including IFRS17 and LDTI.



## Legal

- Highly respected jurisdiction by US and European governments, regulators and business relationships.
- Common law jurisdiction.
- Politically stable environment.

# People

**Bermuda has a deep pool of high skilled and experienced individuals**



## Expertise

- Bermuda benefits from a strong and growing talent pool within the life insurance and reinsurance market.
- There are now more than 500 Bermuda-based staff working in the sector, providing a deep talent pool of experienced executives, directors and a highly educated workforce for establishing and supporting operations.



## Infrastructure

- Well developed infrastructure and highly skilled professionals, such as insurance managers and service providers, on the island ensures that operations and transactions can be established quickly and to a high standard.



## Innovation

- The combination of in-house and third-party expertise is enabling Bermuda life companies to develop innovative, flexible and efficient solutions stretching from bespoke risk coverage to run-off portfolio management.
- This expertise is also enabling structures to evolve, which includes adapting to the changes in tax arrangements for reinsuring onshore affiliates.

# Who we are

## Get in touch with us



**Mark Allitt,**  
Managing  
Director and  
Sector Lead,  
Insurance

Mark leads the Insurance Consulting and Deal Advisory practice for KPMG in Bermuda. He has extensive experience in the insurance industry gained over the past 18 years, of which the last 12 years he has been based in Bermuda. Mark has worked on insurance and reinsurance engagements in over 56 countries during his career and as a result has an extensive and broad spanning network of contacts, together with a good understanding of the operational and risk environments around the world.

### Connect with Mark:

T: 1 441 331 5106  
E: [markallitt@kpmg.bm](mailto:markallitt@kpmg.bm)



**Himad Zafar,**  
Managing  
Director, Life  
Audit

Himad is a Managing Director within the Insurance Audit Practice for KPMG in Bermuda. Himad joined the KPMG insurance group in 2006. He has more than 13 years of experience in the reinsurance industry and more than 10 years of experience leading audits of SEC registrants.

### Connect with Himad:

T: 1 441 331 5099  
E: [himadzafar@kpmg.bm](mailto:himadzafar@kpmg.bm)



**Anam Khan,**  
Director and  
Management  
Consultancy  
Lead

Anam is the Lead for the Management Consulting practice of KPMG in Bermuda. She is a qualified actuary and has 12 years' of experience in the insurance sector. Anam manages the set-up of new insurers in Bermuda, the work of which includes developing the business plan and licensing application, negotiations with the BMA, and coordinating with other service providers to launch the company. She also supports capital raising efforts of new companies in Bermuda. Anam also leads KPMG's annual Bermuda Solvency Capital Requirement training programme.

### Connect with Anam:

T: 1 441 294 2662  
E: [anamkhan@kpmg.bm](mailto:anamkhan@kpmg.bm)



**Steffin du  
Preez,**  
Senior Manager,  
Life Advisory  
Lead

Steffin is a qualified actuary and leads the Life Advisory (actuarial) team for KPMG in Bermuda, having joined in November 2020. Prior to this he spent 10+ years in the South African life industry, working on a range of corporate actuarial functions such as capital, reserving, embedded value reporting, ALM structures, balance sheet management, and IFRS17 implementation. Steffin is also a Practising Certificate holder in South Africa, similar to the Appointed Actuary designation in Bermuda.

### Connect with Steffin:

T: 1 441 535 0369  
E: [steffindupreez@kpmg.bm](mailto:steffindupreez@kpmg.bm)



[kpmg.com/socialmedia](https://kpmg.com/socialmedia)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG, a group of Bermuda limited liability companies and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name, logo are registered trademarks or trademarks of KPMG International.