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Bermuda captive insurers generate \$174m a year for island's economy, new study finds

Hamilton, Bermuda, September 10, 2017—A new research study conducted by PriceWaterhouseCoopers for the Bermuda Insurance Management Association (BIMA) has found the captive insurance industry contributes an estimated \$174 million every year to the island's economy.

The sector directly employs at least 557 people in Bermuda, the study indicated, and generates minimum fee income of some \$139 million every year. An additional \$35 million is contributed annually by captives to the Bermuda government, regulators, local suppliers and commercial property owners, as well as hotels and other business hospitality vendors.

Results of the survey will be presented at this week's Bermuda Captive Conference, during one of the programme's "Bermuda Shorts" industry updates Tuesday afternoon. The conference kicked off today and runs through Wednesday at Fairmont Southampton.

"We commissioned the survey because we felt it was important to understand our industry's economic impact on Bermuda as the island continues to maintain its position as the world's leading captive domicile," said BIMA President Grainne Richmond.

On a worldwide basis, Bermuda is the largest and longest-established captive domicile, the study confirmed, with a total 776 active licensed captive insurers in 2016, generating \$55.3 billion in annual gross written premiums. The study found that 2016 showed stability on 2015, with registration levels consistent with the overall captive market. New registrants came mainly from the traditional US market, but also included setups from Latin America, a key emerging market.

“The survey underscores the value of our captive market in terms of the number of jobs it creates, as well as the substantial financial contribution it makes to the local economy every year via fees and other spending,” said Richmond. “Our captive insurance managers and service providers may be less visible around Hamilton than Bermuda’s globally recognised commercial reinsurers, but they work diligently behind the scenes to retain and grow this valuable sector.”

Service revenue generated by captive companies totalled \$139 million, in the form of management, legal and corporate secretarial, actuarial, audit, investment management and banking fees. A further \$35 million included \$16.4 million in payroll tax and social insurance contribution; \$315,000 in work-permit fee income; \$5.3 million in annual business fees to the Bermuda Monetary Authority; \$6.74 million in commercial rent; \$3 million in hotel revenue; \$1.8 million in restaurant and food spend; and an estimated \$200,000 per year on local taxis.

Notably, the survey found every new captive formation on the island benefits numerous locally-based stakeholders, including the Registrar of Companies, Bermuda Monetary Authority, insurance management companies, banks, audit and law firms. Those benefits are derived during the entire life of the captive company, Richmond noted.

Ancillary revenue also fuels the island’s business tourism. The study found corporate visitors brought in by the industry contributed 7,100 hotel nights per year; these included directors of companies, audit committee members, overseas-based risk managers, as well as brokers and other onshore service providers. Visits were typically for the purpose of completing corporate governance activities such as annual general meetings, writing new or renewals of business, meeting with service providers and the regulator, as well as meeting with reinsurance companies used by captive insurers.

The annual Captive Conference—Bermuda’s largest industry event—is also a significant economic contributor, with 800-plus attendees accounting for close to 1,000 hotel nights this year. The 2016 conference spent approximately \$860,000, paid to local support services, according to the study.



A breakdown of captive industry employment found most jobs were occupied by accountants, followed by administrative and support staff, lawyers and corporate secretaries, and other roles. Of 557 people directly employed in the industry, 48 percent were Bermudian.

As well as direct spending via captive companies, their employees also made significant economic contributions. Individuals contributed through home rentals and spending at supermarkets and retail stores, for example, plus use of local services such as schools, banks, leisure centres, public transportation and utilities.

“PwC was very proud to work with BIMA on this survey,” said David Gibbons, Partner and Captive Insurance Leader at PwC Bermuda and Chair of Bermuda Captive Conference. “The results highlight the significant impact the captive market has on Bermuda’s economy. The survey also shows the continued importance of the time the private sector and Bermuda Business Development Agency (BDA) have invested in protecting and growing the industry, both in traditional markets (US and Europe) as well as Latin America and Canada.”

BDA’s Jereme Ramsay, Business Development Manager for Risk Solutions, praised BIMA’s membership for taking-on the initiative. “These statistics will help attract further insurers, investors and entrepreneurs to our island, stimulating further economic growth,” he said.

Richmond thanked captive service providers for participating in the study. “By submitting data, they allowed PwC to accurately measure and report the number of professionals and subsidiary entities working to support one of Bermuda’s leading risk-transfer sectors,” she said.

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