

Insurance Bulletin Spring 2021



What a year it has been since our last Insurance Bulletin in March 2020. Although the full impact of Covid-19 on the re/insurance industry remains unclear, the need to retain capital to meet potential losses has contributed to a general hardening of the market after 15 years of soft market conditions characterised by excess capacity, low prices and more relaxed policy terms.

The improved pricing and market outlook of recent months has attracted more capital into the industry to fund deals and growth opportunities. Conyers' market-leading insurance legal practices in Bermuda and Cayman have seen a great deal of activity including incorporation of new insurers, note offerings by existing insurers and M&A activity. We hope you find this review of recent developments in the insurance and reinsurance sectors insightful and informative reading.

Bermuda market

The pandemic and resulting economic fallout did little to dampen insurance M&A activity in 2020, and a robust year for M&A activity is predicted for 2021. M&A deals in the Bermuda market in the past twelve months include White Mountains Insurance Group Ltd's acquisition of Ark Insurance Holdings Ltd, Sirius International Insurance Group's combination with ThirdPoint Reinsurance Ltd to create SiriusPoint Limited, The Carlyle Group's acquisition from AIG of a majority stake in Fortitude Group Holdings, Monument Re's acquisition of GreyCastle Holdings Ltd., and Arch Capital Group Ltd.'s acquisition of Watford Holdings Ltd.

The history of Bermuda's re/insurance sector has shown that a hard market typically results in an influx of capital to the jurisdiction and a number of start-ups. The hardening market of 2020/21 has proved no different. According to PwC, an estimated US\$12-15 billion dollars of new capital flowed into the Bermuda market in 2020 both through investment in new entities and capital raising by existing players (over US\$6.5 billion). New insurance registrations in Bermuda numbered 67 in 2020. The flurry of incorporations includes general business reinsurers such as Conduit Reinsurance Limited, Vantage Risk Ltd and a Bermuda branch of Chaucer Insurance Company. New long-term reinsurers include Ivy Re, Pacific Life Re and Dai-ichi Life Re.

Insurance-linked securities have proven particularly attractive to investors as markets have been disrupted by Covid-19. Bermuda's Special Purpose Insurer regulatory framework and ease of listing on the Bermuda Stock Exchange (BSX) ensure the jurisdiction remains a world leader in ILS. In 2020, 253 new ILS securities were listed on the BSX, up from 155 in 2019, with a combined nominal value of US\$15.77 billion. This represents a growth of 63% year on year. The total number of ILS listed securities on the BSX stood at 590 at the end of 2020, with a combined nominal value of US\$43 billion, representing over 90% of global market cap outstanding.

The catastrophe bond market ended 2020 particularly strongly. There has also been an uptick in interest in sidecars and the collateralised market. Bermuda now offers a Collateralised Insurer class that caters for more complex ILS structures.

The life reinsurance market continues to be a growth area for the jurisdiction; despite this sector being hardest-hit by the pandemic, nine new long-term companies registered in Bermuda in 2020. Long-term insurance and reinsurance assets have risen to over US\$300 billion, overtaking both commercial property & casualty and captive assets.

Bermuda remains the world's largest [captive domicile](#) with 680 active captive licences on its register at the end of 2020, generating approximately US\$40 billion in annual gross written premiums. Twelve new captives registered in 2020.

Cayman Islands market

The Cayman Islands insurance and reinsurance industry remains buoyant with growth in both captives and reinsurance and Conyers remains the leading insurance and reinsurance law firm in the jurisdiction.

Cayman continues to be the leading jurisdiction for healthcare captives representing almost one-third of all healthcare captives globally.

There are 775 licensed insurance entities currently registered in the Cayman Islands and the number of complex group captive and sponsored platform structures using Segregated Portfolio Companies (SPCs) is increasing year on year with 21% of the total class B, C and D insurance companies in 2020 formed as SPCs. Portfolio Insurance Companies (PICs) remain a useful option for facilitating certain structures particularly in the M&A space.

There remains significant momentum on the reinsurance front with reinsurance companies representing approximately 10% of the premiums for the

entire industry and the numbers continue to grow.

This growth is driven by a number of insurance companies redomiciling to Cayman from various jurisdictions, notably Barbados, an increase in the number of Class B(iii) reinsurance licensees and a number of new Class D reinsurance companies, including RBC Reinsurance Company (Cayman) Limited, CIBC Cayman Reinsurance Limited, and F&G Cayman Re Ltd.

A Cayman reinsurance industry group – Cayman International Reinsurance Companies Association (CIRCA) was recently established, with founding members Aureum Re, Barents Re, CIBC Cayman Reinsurance Ltd., Greenlight Re, Knighthead Annuity & Life Assurance Company, Nassau Re (Cayman) Ltd. and United Insurance Company, all of whom are leading reinsurers. This is an important step in the evolution and maturing of the reinsurance industry in the Cayman Islands. Conyers advised CIRCA on a pro-bono basis to establish the organisation as a foundation company and provided the association with bespoke governing documentation and advice.

Bermuda

Bermuda's insurance market

over **1,200** insurers and reinsurers

over **US\$980 billion** total assets

approximately **US\$240 billion** gross premium

22 Bermuda Insurance Companies listed on global stock exchanges

Conyers has advised all of them in some capacity.

Global ILS issuance **US\$43 billion** of which over

90%

is listed on the **Bermuda Stock Exchange**

Cayman

#1 Domicile for healthcare captives with **33%** of the market

70% Conyers acted for approximately 70% of the market of **new insurance licensees in 2020**

36 new Cayman insurance companies added to the market in 2020 compared to 33 in 2019

33
2019

36
2020

Reinsurance now accounts for

9%

of the overall **Cayman insurance market**

Legal and Regulatory Updates

BERMUDA

Reporting cyber events and cyber risk management

Bermuda's Insurance Act 1978 has been amended to mandate the [reporting of material cyber events](#) by insurers, insurance managers and insurance intermediaries. The Insurance Amendment Act 2020, which became operative on 5 August, comes into force at a time when there are growing numbers of successful cyber attacks internationally and increased vulnerability due to remote working during the Covid-19 pandemic.

In October 2020, the Bermuda Monetary Authority (BMA) issued a [Code of Conduct](#) for the insurance sector on operational cyber risk management. The Code came into force on 1 January 2021 and registered insurance companies are required to comply by 31 December 2021.

ISAC structures for insurance

Conyers advised on the incorporation of the first incorporated segregated accounts company (ISAC) and incorporated segregated account (ISA) under Bermuda's new Incorporated Segregated Accounts Companies Act 2019 (ISAC Act), which became operative in January 2020. Both the ISAC and ISA were registered as insurers. For more information, [click here](#).

In December 2020, the BMA issued Guidance Notes with respect to the application of the ISAC Act, particularly in relation to insurance and hybrid structures. The Guidance Notes state: "ISAC structures present a unique ability to have ISAs writing insurance business, investment fund business and digital asset business (upon obtaining approval from the Minister of Finance) all operating within the same ISAC structure, for example, a platform for the Insurance-Linked Securities (ILS) market to have ISAs writing insurance business and ISAs conducting investment fund business to operate within the same ISAC structure."

Internationally Active Insurance Group concept

In December 2020, as part of its review to update Bermuda's commercial insurance regime, the BMA issued a consultation paper proposing the introduction of an Internationally Active Insurance Group (IAIG) concept to meet the principles and standards of the International Association of Insurance Supervisors' Common Framework.

IAIGs will be subject to additional regulatory requirements and disclosures that will be transposed to Bermuda's framework in due course. Amendments to the Insurance

Act 1978 will be necessary to make provision for insurance groups to comply with specific standards when they meet minimum criteria as an IAIG. These changes are expected to enter into force on 30 June 2021. Learn more [here](#).

CAYMAN

The Cayman Islands Legal Services Act 2020

The Cayman Islands Legal Services Act 2020 was gazetted on 7 January 2021 and is expected to come into force later this year.

The enactment of the LSA will assist in protecting and promoting the reputation of the Cayman Islands as a leading international financial centre, where legal, corporate, and professional services are provided in accordance with international regulatory standards, and in compliance with the jurisdiction's domestic legislation and international obligations in relation to anti-money laundering and terrorist financing.

The LSA now provides a comprehensive legal framework that will ensure that Cayman Islands law is only practised by lawyers that are properly qualified, regulated and accountable. The LSA also seeks to strike a balance between a variety of public policy considerations and regulatory objectives involving the Cayman Islands legal profession. Learn more [here](#).

CIMA Regulatory Policy – Licensing for Class B Insurers

The Cayman Islands Monetary Authority (CIMA) policy, issued in relation to the grant of licenses to Class B insurers pursuant to section 4 of the Insurance Act, provides a definition of "related business" and an outline of the procedure and assessment criteria for licensing Class B insurers (with particular detail in relation to fit and proper criteria and management, business plans, funding and collateral arrangements and compliance arrangements). The policy also specifies procedures for the reclassification of Class B licenses, provides additional guidance for segregated portfolio companies and sets out information concerning record retention and redomiciled entities. Read more [here](#).

CIMA rule on cybersecurity

Entities regulated under the Insurance Act were required to implement cybersecurity measures in proportion to their cyber risk profile by 27 November 2020 following the release of the [Rule](#) and [Statement of Guidance](#) on Cybersecurity for Regulated Entities by the Cayman Islands Monetary Authority on 27 May 2020. Read more [here](#).

Recent Transaction Highlights

(since March 2020)

BERMUDA:

- Advised special purpose insurer, **FloodSmart Re Ltd.** on its new US\$575 million catastrophe bond issuance of US\$450 million Series 2021-1 Class A Notes and US\$125 million Series 2021-1 Class B Notes which were listed on the Bermuda Stock Exchange ([Alexandra Macdonald](#), Director, and [Katie Martin](#) and [Aleisha Hollis](#), Associates)
- Advised **Sirius International Insurance Group** on its US\$788 million combination with ThirdPoint Reinsurance Ltd. to create a new Bermuda-based company called SiriusPoint Limited ([Chris Garrod](#) and [Jacqueline King](#), Directors)
- Advised **Mosaic Insurance Holdings Limited** in connection with Golden Gate Capital's investment in the launch of Mosaic's global specialty insurance platform ([Sophia Greaves](#), Director and [Jessica Harris](#), Associate)
- Advised **Conduit Holdings Limited** on its incorporation, licensing as a new Class 4 insurer and US\$1.1 billion initial public offering and listing on the main market of the London Stock Exchange ([Charles Collis](#) and [Jacqueline King](#), Directors)
- Advised **Dai-ichi Life Holdings, Inc.** in connection with the establishment of a new Class C affiliated reinsurer. The Dai-ichi Life Group is a global insurance group with total assets of 62,804 billion yen (US\$575 billion), as at 30 September 2020 ([Sophia Greaves](#), Director and [Jessica Harris](#), Associate)
- Advised **London Life International Reinsurance Corporation** (now Canada Life International Reinsurance Corporation Limited) on its discontinuance from Barbados to Bermuda and its registration as a commercial insurer in Bermuda ([Sophia Greaves](#), Director and [Jessica Harris](#), Associate)
- Advising **Watford Holdings Ltd.** on its pending US\$700 million acquisition by Arch Capital Group Ltd. ([Charles Collis](#) and [Jacqueline King](#), Directors)
- Advised **White Mountains Insurance Group, Ltd.** on its acquisition of Ark Insurance Holdings Ltd. White Mountains contributed US\$605 million of equity capital to Ark and purchased US\$41 million of shares from existing owners ([Chris Garrod](#) and [Jacqueline King](#), Directors)

- Advised **The Carlyle Group** on its US\$500 million acquisition from AIG of a 71.5% stake in Fortitude Group Holdings, which holds the Bermuda registered Class 4 and Class E insurer, Fortitude Reinsurance Company Ltd. ([Charles Collis](#) and [Jacqueline King](#), Directors)
- Advised **TigerRisk Partners LLC** in connection with its partnership with private equity firm Flexpoint Ford, LLC. ([Chiara Nannini](#), Director)
- Advised **PartnerRe Ltd.** on its US\$500 million notes issuance (Directors [Chiara Nannini](#) and [Jennifer Panchaud](#), Directors)
- Advised **GreyCastle Holdings Ltd.** and its shareholders on its US\$475 million sale to Monument Re Limited ([Chiara Nannini](#), Director, and [Alexis Haynes](#), Associate)

CAYMAN ISLANDS:

- Acted for **Ivy Re Limited** in connection with the establishment of Ivy Co-Investment Vehicle LLC, sponsored by Global Atlantic Financial Group Limited designed to co-invest approximately US\$1 billion with Global Atlantic and its subsidiaries in qualifying reinsurance transactions ([Derek Stenson](#), Partner, [Jarladh Travers](#), SVP Conyers Services, and Associates [Philippa Gilkes](#), [Michael O'Connor](#) and [Rory O'Connor](#))
- Advised **Oxford Risk Management Group** on the formation, structure and related regulation of two complex heterogeneous group captive portfolio insurance companies ([Rob Humphries](#), Counsel, and [Paul Scrivener](#), Consultant)
- Advised **RBC** on the establishment of a new Class D licensed reinsurer in the Cayman Islands ([Derek Stenson](#), Partner, and [Philippa Gilkes](#), Associate)
- Advised **Specialty Insurance Company SPC** and Barbados cell insurance company, Storsmart Insurance Company IC, on the redomestication of the Barbados cell company to Cayman to be registered as a Portfolio Insurance Company under a newly created cell of Specialty Insurance Company SPC ([Rob Humphries](#), Counsel)
- Acted for **Premia Holdings Ltd.** on the establishment of Elevation Re (SPC) Ltd., a collateralised reinsurance sidecar structure capitalised with more than US\$265 million by third-party investors ([Derek Stenson](#), Partner and [Philippa Gilkes](#), Associate)

Chambers Global



Insurance
BAND 1
Bermuda

Legal 500



Insurance & Reinsurance
TIER 1
Bermuda and Cayman

IFLR1000



WWL Awards



Who's Who Legal
BERMUDA LAW FIRM
OF THE YEAR

Contacts

Bermuda

Charles G.R. Collis
Director,
Head of Bermuda Insurance Practice
charles.collis@conyers.com
+1 441 299 4918

Chris Garrod
Director
chris.garrod@conyers.com
+1 441 299 4923

Sophia Greaves
Director
sophia.greaves@conyers.com
+1 441 294 5929

Jacqueline King
Director
jacqueline.king@conyers.com
+1 441 279 5327

Chiara Nannini
Director
chiara.nannini@conyers.com
+1 441 298 7859

Alexandra Macdonald
Director
alexandra.macdonald@conyers.com
+1 441 278 8053

Cayman

Derek Stenson
Partner,
Head of Cayman Insurance Practice
derek.stenson@conyers.com
+1 345 814 7392

Rob Humphries
Counsel
rob.humphries@conyers.com
+1 345 814 7793

Paul Scrivener
Independent Consultant
paul.scrivener@conyers.com
+44 7393 932337