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The Aon Benfield Aggregate (ABA) Report – 1Q 2011

The Aon Benfield Aggregate (ABA) report analyses the 2011 first quarter financial position of 28 of the world's leading reinsurers and examines how 2011 catastrophe losses to date have affected their earnings and capital positions.

Aon Benfield Analytics estimates that total global reinsurer capital declined from USD470 billion at December 31, 2010 to USD440 billion at March 31, 2011 – a decline of 6%; the primary driver being the high level of insured catastrophe losses in the quarter. This calculation is a broad measure of capital available for reinsurance and includes both traditional and non-traditional forms of reinsurance capital.

The latest study compiled by the Market Analysis team found that the ABA group of 28 leading reinsurers reported capital totalling USD238.3 billion at the end of the first quarter – a decline of 3.4% or USD8.3 billion from the end of 2010. The main contributory factors were USD4.3 billion of net losses, USD2.5 billion of unrealised investment losses, USD2.0 billion of dividend payments and USD2.0 billion of share buy-backs.

The first quarter combined ratio for the ABA reinsurers rose by 38.3 percentage points to 143.7%, with USD15.1 billion of catastrophe losses representing 57.1% of net premiums earned. This translated into a property and casualty underwriting loss of USD11.5 billion. The total investment return reported by the ABA fell by almost a third to USD9.0 billion – driven by a much lower level of capital gains.

The overall net loss of USD4.3 billion reported by the ABA reinsurers for the first quarter of 2011 represented a negative return on average common equity of 1.8%. This followed a return of 10.4% or USD23.5 billion for the whole of 2010.

Source: Aon Benfield

The Aon Benfield Aggregate (ABA) Report – 1H 2011

Aon Benfield Analytics estimates that global reinsurer capital declined 5% from USD470 billion at December 31, 2010 to USD445 billion at June 30, 2011 – with growth of 1% observed in the second quarter. This calculation is a broad measure of capital available for reinsurance and includes both traditional and non-traditional forms of reinsurance capital.

The latest study compiled by the Market Analysis team found that the 28 ABA companies reported capital totalling USD242.4 billion at June 30, 2011 – a decline of 1.7% or USD4.2 billion since the end of 2010. The main contributory factors were USD1.2 billion of net income, USD0.8 billion of new capital and USD2.4 billion of foreign exchange gains – offset by USD7.1 billion of dividend payments and USD2.5 billion of share buybacks. Half of the capital lost in the first quarter was recovered in the second.

The first half combined ratio for the 28 ABA companies rose by 20.9 percentage points to 120.6%, with USD18.2 billion of catastrophe losses representing 34.1% of net premiums earned. This translated into a property and casualty underwriting loss of USD11.0 billion. The total investment return reported by the ABA fell by 12% to USD18.5 billion – driven by a much lower level of capital gains.

The overall net income of USD1.2 billion reported by the 28 ABA companies for the first half of 2011 represented a return on average common equity of 0.5%. This followed a return of USD23.8 billion – or 10.4% – for the whole of 2010.

Source: Aon Benfield

Aon Benfield's Lloyd's Update – 1H 2011

Lloyd's reported a pre-tax loss of GBP697 million for the first half of 2011 – driven by unprecedented first half catastrophe losses and low investment returns.

At almost GBP2.8 billion (USD4.5 billion), first-half major claims were double the level of the prior year and more than ten times the long-term average.

The underwriting loss stood at GBP1.1 billion – equating to a combined ratio of 113.3% – after GBP470 million of prior year reserve releases.

Despite the high level of catastrophe losses, central assets, members' funds at Lloyd's and solvency coverage are at record levels.

Lloyd's financial strength ratings have been reaffirmed by A. M. Best at 'A' (Excellent), Standard & Poor's at 'A+' (Strong) and Fitch Ratings at 'A+' (Strong).

Based on the limited disclosure to date, there is likely to be a modest overall increase in market capacity for 2012, from the current GBP23.3 billion.

Source: Aon Benfield

The Aon Benfield Aggregate (ABA) Report – 9M 2011

Aon Benfield Analytics estimates that global reinsurers capital declined 4% from USD470 billion at December 31, 2010 to USD450 billion at September 30, 2011 – with growth of 1% observed in both the second and third quarters. This calculation is a broad measure of capital available for reinsurance and includes both traditional and non-traditional forms of reinsurance capital.

The latest study compiled by the Market Analysis team found that the 28 ABA companies reported capital totalling USD245.1 billion at September 30, 2011 – a decline of 0.6% or USD1.5 billion since the end of 2010. ABA capital has thus rebounded to near peak levels since the 3.4% reduction reported in the first quarter. The main contributory factors were USD7.0 billion of net income, USD1.8 billion of new capital and USD1.3 billion of unrealised investment gains – offset by USD8.4 billion of dividend payments and USD3.2 billion of share buybacks.

The nine month combined ratio for the ABA companies rose by 14.3 percentage points to 110.5%, with USD20.7 billion of pre-tax natural catastrophe losses representing 25.0% of net premiums earned. This translated into a property and casualty underwriting loss of USD8.7 billion. The total investment return reported by the ABA fell by 24% to USD24.4 billion – driven by a swing from realised and unrealised capital gains of USD9.4 billion to losses of USD0.4 billion.



Overall, the ABA reported a pre-tax profit of USD8.2 billion for the first nine months of 2011 – a 64% reduction relative to the prior year period. Net income stood at USD7.0 billion – representing a return on average common equity of 2.8% (non-annualised). This followed a return of USD23.8 billion – or 10.4% – for the whole of 2010.

For most ABA companies, direct holdings of sovereign debt issued by Portugal, Italy, Ireland, Greece and Spain were immaterial at September 30, 2011.

Despite the elevated level of catastrophe losses over the last two years, ABA financial strength ratings have remained broadly unchanged – reflecting continued robust capital positions.

Source: Aon Benfield

Bermuda's 2011 Reinsurers

The number of new reinsurers setting up in Bermuda has increased by 50% over the past year with 13 new companies incorporating in December alone.

The recent upsurge in registrations has affirmed the Island's status as a world-class centre for insurance according to the Bermuda Monetary Authority (BMA), while the Association of Bermuda Insurers and Reinsurers (ABIR) said the numbers reflect the Bermuda's strength in attracting new capital to the market.

Among the most notable additions in December were Class 4 re/insurers PaC Re Ltd and Third Point Reinsurance Company Ltd. Special Purpose Insurers (SPI) Upsilon Reinsurance Ltd, Mercury Insurance Company Ltd, Aeolus Re J12 SPI Ltd and Triton Re Ltd also joined the growing list for December, as did Long-Term Class C reinsurer MS Financial Reinsurance Ltd, Class 2 insurer DCS Risk Management Ltd, Class 3A reinsurers Star Re Ltd, Awbury Insurance Ltd, Lion Reinsurance Company Ltd and Rocksound Insurance Ltd, and Class 3B reinsurer AQR Re Ltd, bringing the count to 53 for the year. This compares to 36 registrations in 2010.

Leila Madeiros, Senior Vice-President, Deputy Director and Corporate Secretary of the Association of Bermuda Insurers and Reinsurers (ABIR), said that the latest incorporations indicated Bermuda's continued ability to attract capital in the re/insurance market. "Whilst we are not in a position to know the specific reasons for the high number of incorporations during December, the large number of catastrophe losses incurred in 2011 may be the catalyst for the surge," she said. "Of the \$105 billion in global cat losses in 2011, reinsurers are estimated to have picked up 45% of that total."

A spokesman for the BMA said: "The Bermuda Monetary Authority is very pleased to note a 50% year-on-year increase in insurance registrations – from 36 registrations in 2010 to 54 registrations in 2011."

"We are also pleased to note that the 13 registrations received in December 2011 spanned across the majority of classes in the Bermuda insurance market ranging from captives and Special Purpose Insurers, to insurers in the commercial market. This data indicates the market's continued confidence in Bermuda as a world-class insurance jurisdiction."

In a separate statement released by the Bermuda Stock Exchange (BSX), the Exchange reported that it had surpassed \$3 billion in listed catastrophe bonds and insurance linked securities (ILS) for the first time at the end of 2011 with 25 ILS worth a total of \$3.373 billion.

The BSX said that it had been working hard to promote itself as the top destination for ILS and cat bonds while legislative changes made by the BMA had made the Island a more attractive domicile for such securities.

"We are absolutely delighted with how 2011 has been for the BSX," said Greg Wojciechowski, President and CEO of the BSX. "We set out in 2010 to firstly raise the profile of Bermuda and the exchange, and secondly to attract more ILS to the Island and to list on the exchange. We feel we have achieved a great deal in the last two years."

Of the 25 listed ILS on the BSX four were securitisation programs, 13 were notes issued under these programmes, six were tranches of ILS notes issued as stand-alone securities and two are specialist exchange trade fund classes.

"All of this activity has happened in the space of about two years," said Mr Wojciechowski. "The momentum is driven largely by the BMA's revised regulations, which in late 2009 established a new designation for 'special-purpose insurers' (SPI) as part of its supervisory scheme. This has been a very positive step for SPI's setting up in Bermuda wanting to issue ILS such as catastrophe bonds, and we have been able to offer them the option of listing these ILS on the exchange."

According to the BMA, 23 special-purpose insurers were formed in Bermuda during 2011, with the majority of these formations created specifically to issue catastrophe bonds or create sidecars. In 2010, 10 were formed during the same period.

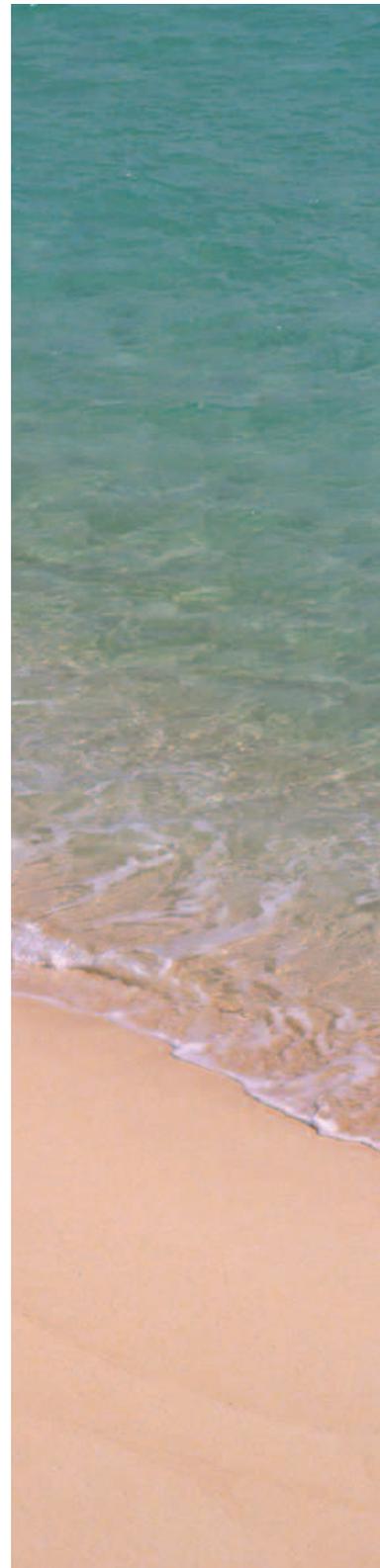
Mr Wojciechowski continued: "Bermuda is the world's third largest reinsurance market and is already home to 1,400 insurance companies with total assets of \$442 billion, and is a natural place for setting up ILS. Many of our reinsurance companies have issued cat bonds or set up special purpose vehicles such as side cars so we have a historical interest and knowledge. At the Exchange, we are looking to support it from a capital markets perspective any way we can. Institutional investors such as pension and endowment funds are interested particularly in ILS because of the low correlation between ILS and capital markets. ILS are a natural hedge to capital markets, and listing on the exchange gives them that bit more security. In Bermuda, we also have a critical mass of insurers and reinsurers, the infrastructure to deal with them, and the rigorous regulation from the Bermuda Monetary Authority and the Bermuda Stock Exchange."

Source: The Royal Gazette

Society Events

Lecture Meetings, Seminars and Receptions

The future programme for Lecture Meetings, Seminars and Receptions is currently being arranged – members will be advised just as soon as firm dates are known.





AGM and Annual Lunch 2012

Arrangements are in hand for the Society's Annual General Meeting for the year 2012 and the Annual Lunch to be held at Guildhall in the City of London on Thursday, 07 June next – members will be sent full details nearer the time.

Annual Dinner for Members and Guests 2012

The Society's 26th Annual Dinner for Members and Guests will be held in the Livery Hall at The Worshipful Company of Armourers and Brasiers in the City of London on the evening of Wednesday, 21 November next – members will be sent full details nearer the time.

Bermudian Students – Internship Programme

It is the Society's intention to draw upon its wide range of business contacts from within the international business sector, banking and financial services, insurance and reinsurance, and the law and accounting professions – and offer a competitively rated, paid internship programme to Bermudian students currently completing an undergraduate/postgraduate degree in the UK.

It is envisaged the programme will take place over 5-6 weeks in June/July 2012 – this will provide those who qualify for the programme with invaluable experience obtained from a high-quality learning environment.

Interns will be required to arrange their own accommodation for the duration of the programme

Suzanne Stubbins
Secretary
The Bermuda Society

Speech given by Tom Butterfield, Founder and Creative Director, The Masterworks Museum of Bermuda Art at The Bermuda Society's Annual Lunch 2011 held at Guildhall in the City of London on Tuesday, 14 June 2011.

Good Day.

Pablo Picasso said, "Art washes away from the soul the dust of everyday life". Thank you for giving me the opportunity to address The Bermuda Society. It is a great honour to be back at the Guildhall seven years after Masterworks opened the exhibition "Painters in Paradise"- Albeit I am without visuals this time, so you will have to bear with me, close your eyes and imagine...

It is a Sunday in January 1988 at 9 p.m. A pre-taped interview of yours truly is on television, attempting to explain the newly born notion of the Masterworks Collection to the Bermudian public. The telephone rings "Mr. Butterfield..."

At the time, this was the prevailing attitude toward the fine arts in Bermuda, and an indicator of the work we had in front of us. Yes, the Archives, the Bermuda National Trust, the Maritime Museum and the Art Centre at Dockyard existed and their contribution to the national awareness is noted, but none of them were able to present a record of our

collective artistic heritage and consciousness. To be kind, our welcome into this climate was less than salubrious and we were not sure if we had opened an Aladdin's Cave or a Pandora's Box! Recently, my colleague Elise Outerbridge, came across some correspondence from the esteemed artist and visionary behind the Bermuda National Gallery, Hereward Watlington who wrote to Karl Rodgers in 1965, "I have been advised that the Trade Development Board (now the Bermuda Tourism Board) is endeavouring to interest people in coming to Bermuda during the winter months, and for those for whom golf holds no charm, it is necessary to find other interests. A suggestion was made to them that an exhibition of the work of distinguished artists who had worked in Bermuda was thought to be good. Unfortunately, I doubt if the careers of many of them have been followed to know exactly who they were, but there are at least three, your uncle (Ambrose Webster), Charles Hawthorne and Winslow Homer."

The notion of "Cultural Tourism" was incubated, but it would be another twenty years before we grabbed the ball and ran with it. Watlington again alluded to the reason why this idea was difficult to execute in a letter of February 27, 1968, "Recently, whenever exhibitions were mooted, galleries put so many obstacles in the way that they have had to give up." So here it is our "Myth of Sisyphus". Undaunted, we persevered and the idea was realized in 1987 when, with the loan of \$60,000, we returned twelve paintings to the Island which gave shape, form and substance to Bermuda's artistic roots and heritage.

My mother died a year ago, almost to this very day, and in that time, many interesting facts and artifacts unknown to us have surfaced to the delight of the remaining family. She kept all our letters from school (and, with 5 children, that was no mean feat!) – our school reports, newspaper clippings – the whole shebang! So I read the following report card from December 1955:

"Tom has worked well during the term. His reading has improved and is becoming more fluent. His paintings and drawings are carefully executed but needs to be livelier. Tom enjoys all group activities and is a pleasant and most helpful member of the group."

Mary Beattie
Form Mistress

*The Headmistress writes:
"Tom is a promising scholar".*

A promising scholar! Scholarship eluded me completely; "scholarship" went to my older brother in the form of Rhodes. The 60's were to hit me pretty hard – change, demonstration, anti-establishment, counter-culture – the lot. By the time the haze and fog of that period had burnt off, I had graduated with distinction and on to a more constructive and contributing life. However, the seeds for the "Art Guerillas" had been sown.

Returning to Bermuda in 1980, my wish was to continue a free-lance career in art, printmaking and photography. This was not to be. I realized in my first month back on the Island my electricity bill was higher than my combined mortgage, utility and food bills had been in Toronto, so I went into the wine business. By 1984, there was a small shift in Bermuda's cultural awareness which was apparent when I started volunteering for the Heritage Advisory Committee. It was soon clear that the absence of Bermudian self-knowledge and confidence (including that of my own) was



due in large part to the lack of access and assemblage. Although institutions existed to serve the academic or scholar – call it what you want – nothing was available for both locals and visitors to reference something of the Island’s history and culture – not even a mere glimpse. So after the successful run of the exhibition during Heritage month in 1985, the next year we endeavoured to go up a notch and bring back to the Island a treasure of real note. We scored a triumph with nothing less than the American artist Andrew Wyeth’s watercolour, “Royal Palms” painted in 1952 – one of only three of his Bermuda works in existence. As we were keen to focus on the very narrow parameters of “Inspired by Bermuda”, a private individual had loaned us a glorious Ogden Pleissner watercolour of St. Georges and a painting by Renoir. The Renoir never saw daylight. It stayed in the closet. The show had a two-week run and attracted thousands, which confirmed to us that the formula worked and begged the question, “If Winslow Homer, Georgia O’Keeffe and Andrew Wyeth were inspired by the beauty of Bermuda, who else?” It was apparent that the interest in our culture now stretched beyond “Heritage Month” and our compass had been set – although the waters were obviously uncharted. We followed Bermuda’s motto “Quo Fata Ferunt” translated- “Where the fates carry us”.

For decades, Bermuda’s traditions, history, folklore or culture lay in the empirical evidence of the things that they could see, whether it was in the form of a gombey, a fitted dinghy or our unique architecture. The National Trust, The Maritime Museum and the Bermuda Historical Society as well as our beaches, golf courses and even rum added to our vast pride. So whether it was a cross or an astrolabe from the ocean floor or silver and cedar made by local artisans and craftsmen – at the time they were thought of as our greatest treasures and cultural assets. All that would begin to change commencing in the summer of 1987, a journey whose story is still evolving today. Bermuda, an environment of business and banking, was therefore not so willing to support an idea based on emotion, passion and “what ifs”. With accountants, analysts, and actuaries outnumbering artists, there was no room for uncertainty. Predicting any outcomes of our activities and energies was impossible. It was all vision, obscured by the unknown. Our notion was the antithesis of the climate. It would be almost impossible to imagine twenty five years ago that the Masterworks Museum would be honoured as “Best Activity and Attraction” for visitors as it was recently – not diving schools, golf courses, tennis courts or catamarans with Calypso music – a MUSEUM gets best activity! Perhaps it is because – as one supporter so keenly observed – “The (Masterworks) Collection represents a repository looking forward, not backward.” By the very nature of its makeup, the Collection is unique and wholly representative of our traditions and environment. Today, Bermudians and visitors are safe in the knowledge that we no longer just write about the visits of great artists, but continue to add to the cultural wealth of the future through acquisitions of excellence, including a series of charcoal drawings of Bermuda shells by Henry Moore which the Henry Moore Foundation have put on permanent loan to the Museum. We were becoming part of the art world and we did not want to offend the “powers that be” (which we did) as we wanted to stay at the party. From time to time, we did think of ourselves as “Art Guerrillas” and ruffle the feathers of the establishment now and then, but our intent was to open up new possibilities for all.

Ross Sterling Turner’s watercolour, “Fairylands”, one of the first twelve works in the collection, dating from 1885. This

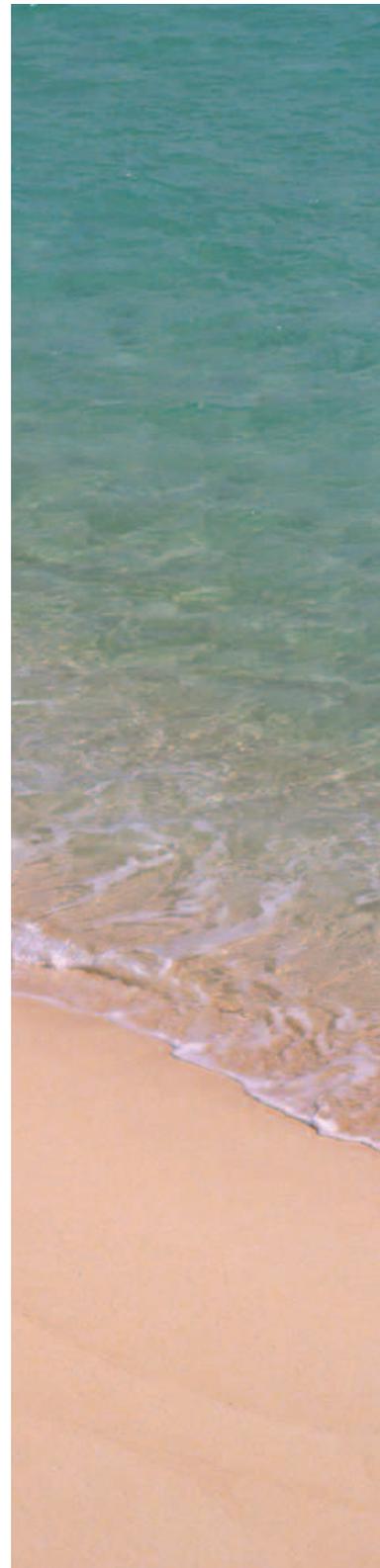
was the year the “S.S. Trinidad” first brought visitors to the Island and the doors to tourism officially opened. Many in the academic and commercial circles had long known of the visits of Winslow Homer and Georgia O’Keeffe to Bermuda. The fact that O’Keeffe was married to Alfred Steiglitz, the great American photographer and mentor to American Modernism, made us ‘Trip the Light Fandango’ when we realized through his Gallery 291, he had encouraged the likes of Marsden Hartley, Charles Demuth, Karl Struss, cubist Albert Gleizes and Carl Sprinchorn to find inspiration on the island, and as a result, some great additions to the Collection. Other prominent literary visitors, such as Eugene O’Neill, Charlie Chaplin, Mark Twain and Rudyard Kipling, added to overall cultural aura of Bermuda. Despite a woeful lack of funds and a sense from some sectors of the community to do something more permanent was unthinkable, stubborn determination drove us to continue to “connect the dots” and push the rock up hill. A fascinating picture was emerging.

THE MASTERWORKS MISSION STATEMENT:

THROUGH THE MEDIUM OF VISUAL ARTS TO AWAKEN AND NURTURE A SENSE OF THE UNIQUE CHARACTER OF BERMUDA, ITS HISTORY AND ITS CULTURE

THROUGH DISPLAYING THE MASTERWORKS COLLECTION AND THROUGH OFFERING EDUCATIONAL PROGRAMMES TO THE COMMUNITY AT LARGE, TO ATTRACT AND INSPIRE ARTISTS FROM ABROAD AND, AT THE SAME TIME, TO ENCOURAGE BERMUDIANS OF ALL AGES, AMATEUR AND PROFESSIONAL, TO DEVELOP THEIR CREATIVE AND ARTISTIC TALENT IN ORDER THAT THEY MAY CONTRIBUTE TO THE GENERAL BENEFIT OF BERMUDA.

Armed with the Mission Statement, there was no avenue we would not pursue if we felt the end result would enhance Masterworks and the ever-growing menu of activities that were developing in conjunction with the collection. One night that really saved our sense and sensibility was producing a Telethon to repatriate three portraits of working class Bermudians by Ambrose Webster. The evening was a resounding success – in two hours we had raised \$50,000 from a population numbering just about the same and we were then a mere seven years old. Three years ago, we finally realised our dream and opened a “state of the art” museum, which has seen tens of thousands enter through its doors. Add to that, in the course of a year, we welcome thousands of students who participate in summer classes, half term breaks, Christmas and Easter breaks, “Arts for All” and “Super Saturday”. The Museum is now a viable entity on the cultural landscape. We have made every effort to make both the Museum and its collection available, approachable and accessible. We have long held the view that we are in the Education, Entertainment and Hospitality business- without any apology. As Marshall McLuhan said, “Anyone who tries to make a distinction between education and entertainment does not know the first thing about either.” It’s a “hands on” approach – there are limits to being precious and we hope never to be accused of that! We encourage parents, children and visitors to make the Museum home and we hope to fortify the idea that the treasures and Museum belong to all. To be realistic, these are difficult times and the irony is not lost that the arts usually get the first cut when the economy flounders. Perhaps it is the easiest, as the din of protest coming from the museum





world seems to be the quietest. In our 24-year history, the financial help from the Government has barely registered on the Richter scale, although we are eternally grateful for the “gift” at a Peppercorn Rent (\$1.00 per year) of the unbelievably beautiful piece of land in the middle of the Botanical Gardens. This was a most generous gift. We have had some help from Tourism with the traveling exhibition and recently have partnered with them to attract visitors into the Museum through open house activities.

The words “serendipity” and “collecting” have a certain synergy – but add to that a lot of passion and total optimism and you get the final product. The story of how the Masterworks Collection was assembled was certainly that! The wise advice of my aforementioned mother in regard to our first acquisitions (A.K.A. the “Twelve Apostles”) was a case in point. We had the choice of using our newly borrowed funds to buy one pencil drawing by Georgia O’Keeffe called “The Banyan Tree” or twelve works by lesser known – but equally compelling – artists. Mum said, “Go with the group – it will give you more to hang your hat on... and you will probably get the other one anyway.” And you know what? She was right, because in 1992 I ran my third London Marathon to raise the funds for the O’Keeffe (along with a legacy gift left in memory of a dear friend, Wendy Wilkinson, who died at an untimely young age) and we now had a work by one of the artistic icons of the twentieth century as well. But it was later that year that we really became a force to be reckoned with. A local family trust purchased one of the most outstanding Bermuda watercolours by Winslow Homer “Inland Water” and it was given to Masterworks on long-term loan. Now we were in the big league, and people sat up and paid attention to the little upstart, Masterworks.

It seemed as if each day, each month, brought an exciting challenge – we never knew when a wonderful work of art would turn up and then how we would manage to pay for it – we have no endowment fund and banks don’t give lines of credit for art work! In the middle of the Capital Campaign to build the Museum, yet another Winslow Homer watercolour showed up for sale called “Opposite Ireland Island”. I had VOWED that I would not even entertain the notion of trying to buy ANY art until after the building was completed, but this was just too tempting to resist. Being blessed with a small group of patrons who support the purchase of artwork (don’t ask them for money for “bricks and mortar”!) we were able to make this important addition. Another collecting highlight was in 2006, when a work by Marsden Hartley, the quirky genius of American Modernism, caught our eye. We already had one work by Hartley, “Sunken Treasure” from a later period. This particular work, “Movement Bermuda, 1917” was done when he came to Bermuda with fellow artist Charles Demuth and was then joined by Albert Gleizes; their work in Bermuda literally changed the course of American painting. “Movement” was noted by a curator at the Smithsonian Institute at the time of the auction as “one of the most important American paintings ever done.” If you have ever participated in the auction process at either Christies or Sotheby’s, you know what a hair-raising experience it can be. You can bet our little hearts were racing as we listened over the phone while our more intrepid colleagues proceeded with the bidding and when the hammer went down, it was ours... for \$900,000 – again a huge thanks to some truly generous donors who knew how important this painting would be to the collection.

In conclusion, on the eve of our 25th birthday next year, I

would like to highlight 25 important milestones from the past quarter century:

- 1987 – The purchase of the first 12 paintings;
 - 1988 – Establishing a Board of Trustees and being given our first home at 47 Front Street;
 - 1992 – Return of Homer’s watercolour “Inland Water”;
 - 1993 – Start of our 1st educational initiative-“Artists Encounters”;
 - 1994 – The Georgia O’Keeffe exhibition;
 - 1994 – The first Masterworks “coffee table” book;
 - 1995 – First Edinburgh to London Charity bike ride;
 - 1995 – ZBM telethon to raise \$50,000 for Webster portraits;
 - 1997 – First Artist-in-Residence at Dockyard;
 - 2000 – Purchase of “Crusade” by Malcolm Morley (winner of the 1st Turner Prize);
 - 2000 – “A twofer” – the return of Gleizes “Juliette” and Hartley’s “Sunken Treasure” in one go;
 - 2000 – 2008 – Travelling the collection to Toronto, New York, Boston. London and Philadelphia;
 - 2001 – Being given a 42 year lease by Government;
 - 2003 – Receiving the patronage of H.R.H. Prince Charles;
 - 2004 – Returning Homer’s “Opposite Ireland Island”;
 - 2004 – Commencement of building the museum;
 - 2007 – Roof wetting ceremony with Michael Douglas;
 - 2008 – March – The Masterworks Museum of Bermuda Art officially opens in the Botanical gardens;
 - 2008 – The first Charman prize;
 - 2009 – Being part of the 400th anniversary with Jamestown;
 - Opening of Homer’s Café;
 - The visit of H.R.H the Duchess of Gloucester for the opening of the exhibition “Floral Lane”;
 - 2011 – V.I.P. award for best activity and attraction;
 - 2011 – Talking to the Bermuda Society today!
- Being blessed with a dedicated staff.

It has been such a pleasure to have been invited here today and I would like to leave you with this thought from Albert Camus from “The Artist and his Time”:

“SOME WILL SAY THAT THIS HOPE LIES IN A NATION; OTHERS, IN A MAN. I BELIEVE RATHER THAT IT IS AWAKENED, REVIVED, NOURISHED BY MILLIONS OF SOLITARY INDIVIDUALS WHOSE NEEDS AND WORKS EVERY DAY NEGATE FRONTIERS AND THE CRUEST IMPLICATIONS OF HISTORY. AS A RESULT, THERE SHINES FORTH FLEETINGLY THE EVER-THREATENED TRUTH THAT EACH AND EVERY MAN, ON THE FOUNDATION OF HIS OWN SUFFERINGS AND JOYS, BUILDS FOR ALL.”

Tom Butterfield
Founder and Creative Director
The Masterworks Museum of Bermuda Art



Synopsis of an address given by Richard Davison at a Lunch and Lecture Meeting held at Guildhall in the City of London on Thursday, 29 September 2011.

The name Davison has been synonymous with elite level equestrian sport in Great Britain for many years – Richard is the current British Olympic Dressage team captain and World Class Performance Manager. He is a triple Olympian and has amassed multiple awards and successes. He is aiming his top ride Artemis at London 2012.

Richard gave an interesting insight into the life of an Olympian – based on the following ten points about competing as an equestrian in the Olympics:

- 1) Selection – is very close to the Games; about four weeks beforehand. Controlled by the British Olympic Committee (BOA).
- 2) Kitting out – all competitors are required to wear all BOA sponsored clothing; no other clothing allowed, or logos. Get comprehensive clothing range – everything!
- 3) Competitors live in the Olympic Village – fun but can be noisy – competitors get a real Olympic buzz and appreciate the vastness of the range of sports and athletes. Security is very high.
- 4) Olympic bubble – unlike any other time of your life you don't have to think about anything else – just you and your sport; everything else is provided for you, or just happens.
- 5) Horse park – horses fly normally but the London Games will be very easy for the home team – home advantage of short and easy journey. Horses stabled in tents, raised off ground so no risk of contamination, wheely-bins are used for muck!
Grooms – live in a smart hotel adjacent to horse park.
Very unusual for horse park to be in the heart of the Olympic city, they are normally some 40 minutes away.
- 6) Press/media – always lot of media looking for snippets to fill extra pages.
- 7) Talent – I don't believe the Olympics are full of the most talented athletes in the world; instead they are full of partly talented, partly attitude, partly technical skill – hard to say the percentages but competitors need lots of grit and determination and the absence of bad luck (don't rely on luck).
- 8) Focus – long build up, excitement of selection and then it's finally upon you. Need to plan for these different phases so you're focused and peaking at the right time.
- 9) Opening Ceremony – very, *very* inspirational; like going into battle!
- 10) Responsibility as an Olympian – to inspire and motivate others. Believe in yourself and follow your dream, but don't be a dreamer.

Richard then responded to a range of questions from a very appreciative audience of Society members and guests.

Richard Davison,
Equestrian

Keynote speech given by Jeremy Cox, Chief Executive Officer of The Bermuda Monetary Authority at The Bermuda Society's 25th Annual Dinner for Members and Guests held at the House of Lords on Wednesday, 23 November 2011.

The event was hosted by Baroness Sharples of Chawton in the absence of The Rt. Hon. The Lord Waddington, GCVO, QC.

Thank you and good evening everyone. It is indeed a privilege to be with you tonight and I mean that in more ways than one. To be addressing the Bermuda Society and to be doing it in such a setting as this couldn't be better. It's an entirely appropriate backdrop for what I want to say to you this evening. I'm going to be talking mostly about the threats and opportunities of regulatory change and it strikes me that the House of Lords knows a thing or two about that, having not long ago been the subject of intense debate concerning the reform of Parliament's Upper House.

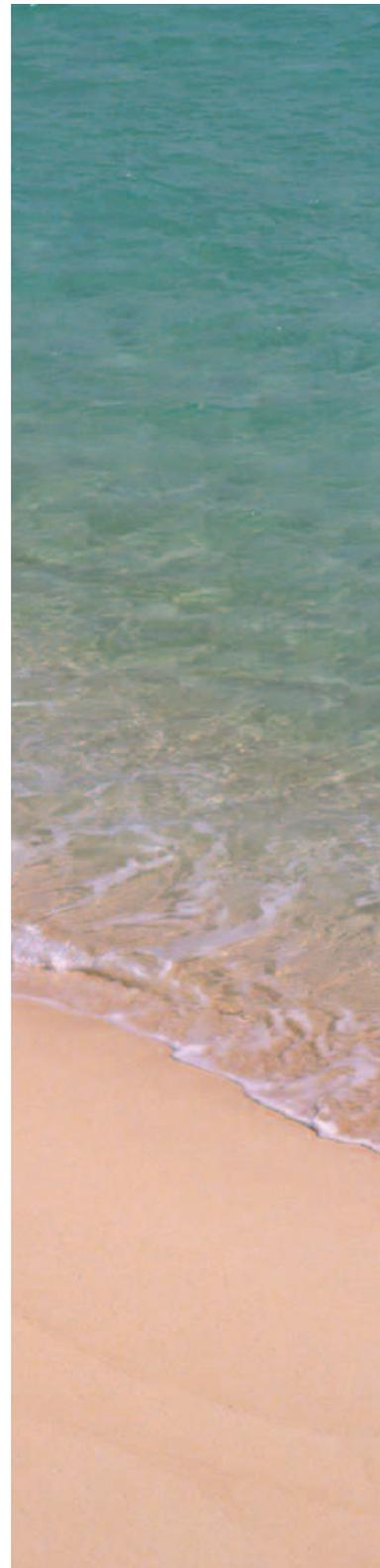
Another area of common ground between regulators like me and law-makers like those who sit in the House of Lords, is that there are times when we can be the target of sometimes scathing criticism. Now, of course politicians in general can be quite scathing when they want to be, and you'll appreciate I have to tread carefully here, but the UK's brand is particularly venomous.

For example, former Prime Minister Clement Attlee, likened Britain's Upper House to a glass of champagne that has stood for five days. Then we have former Cabinet Minister and Labour Party MP Tony Benn who once famously described this House of Lords as the British Outer Mongolia for retired politicians.

While I would encourage all aspiring critics to raise their game to the same level of venomous eloquence as these two gentlemen, I seriously hope that you will not think my remarks tonight to be flat like the champagne or remote and barren like Outer Mongolia.

Of course criticism, deserved or otherwise, usually goes with the territory. With that perspective in mind, you could be forgiven for thinking that the only territory the Bermuda Monetary Authority is focused on, is the 21 square miles that make up its home turf. While the Authority is indeed charged with regulating and supervising the entire financial services sector of our economy, a large part of our focus of late has been overseas. That this focus was largely on Europe, and almost exclusively on the insurance industry, should come as no surprise, at least not to those of you who know what makes our economy tick and who have also been keeping tabs on the progress of Solvency II. As most of you know, the Solvency II Directive seeks to codify and harmonise minimum standards for EU insurance regulation, setting capital requirements, governance rules and disclosure provisions for the insurance industry. Indeed, the bulk of my remarks tonight relate to this industry. That's not to ignore the rest of our financial services, but insurance has for some time been the biggest single sector of our international business market.

In recognition of this, the Authority has fast-tracked enhancements to its insurance regulatory regime. These are designed to enable Bermuda's internationally active





insurance companies to continue to do business in Europe on an equal footing with their EU competitors when Solvency II comes into force in 2014. As one of the world's leading insurance centres, Bermuda made a great start on the journey to Solvency II equivalence by being included among the first wave of 3rd country assessments. While our assessment is still a work in progress, it is clear that the road to equivalence will be long, winding and a little like the BA flight that we came in on this week: occasionally bumpy, prone to delays and subject to unexpected headwinds.

Why bumpy? Well, for starters, not everyone in the insurance world welcomes the idea of applying potentially tougher regulations to an industry that performed exceptionally well during the financial crisis. Exceptionally well, that is, compared to the banking sector. Equally, there are elements of the Bermuda insurance market, particularly among the non-commercial companies, in other words the captive insurance community, which argue that they are perfectly adequately capitalised for the risks they assume and which have no particular desire to conduct business with or in the EU.

But the bumps are not just being felt in Bermuda. I have no doubt that the European Solvency II assessors have also had to come to terms with their fair share of challenges in attempting to understand the Bermuda market, which is very clearly not the same as Europe's.

With an unusual blend of large commercial insurers and reinsurers at one end of our market and the world's biggest collection of captive insurance entities at the other, Bermuda's multi-billion-dollar, predominantly wholesale risk industry, is truly unique. Hardly surprising really, considering that it came about as a result of successive waves of risk management innovation and capital formation. In other words, a powerful combination of human capital and financial capital.

But therein lies a major challenge, not just for the Bermuda Monetary Authority, but for any regulator tasked with preserving the winning characteristics and effectiveness of a market. What steps should we take to ensure that our value proposition continues to attract business, while at the same time helping the market prepare for what could be a paradigm shift in the future? Expressed less delicately: How can we have our cake and eat it too? Or: How can we secure equivalence with Solvency II without frightening the life out of our international business sector?

The key, I think, is to be able to step back and understand the different drivers of change and the broad implications and consequences, intended or otherwise, of the global regulatory environment in which the Authority operates. At the same time, it is important to take a good long look in the mirror and remember just what differentiates the perspective of a Bermudian regulator from that of a non-Bermudian regulator.

I have an interesting and completely fictitious story to tell you that illustrates that difference but, with your indulgence, I'll save it for the end of my talk.

Let me first say something about the nature of change and the characteristics of insurance reform.

Clearly, in some circumstances, change can be forced on you. Take for example the controversial banking changes brought about by the financial crisis. A burning platform if ever there was one. The new Basel 3 rules will have the effect of increasing the amount of core equity that large

banks hold as a proportion of their assets, thus making it less likely they will fail in the event of another crisis. However, there is a fear that the price of this increased level of safety will be a significant impairment to profits. Many in the insurance industry are concerned that this overly conservative approach to solvency will spill over into their sector. So, in the context of the threats and opportunities I said I wanted to explore tonight, my question is: Will regulatory reform help or hinder capital management in the insurance industry? And the follow up to that: Is this really an opportunity to right size capital in relation to the risks being assumed? Or is insurance reform merely a box ticking exercise designed to force companies to put up more capital than is needed in order to convince everyone that they can survive future upheavals?

To understand the issues behind these questions we need to understand the factors that have shaped them. Clearly, by far one of the biggest casualties of the crisis that unfolded two-and-a-half years ago is the deliciously tempting fiction that financial markets are somehow inherently self-correcting. Of course, we all now know that they are not and that they cannot be left to their own devices. Trust has effectively been dealt a mortal blow. It is against this background that governments and regulators have come under increased pressure to involve themselves ever more deeply in the affairs of the business world. Indeed, after a period of effective deregulation, it seems as though the financial services industry is entering a new age of re-regulation.

Are we right to be tackling these challenges by attempting to regulate our way around them, effectively trying to protect society from whatever too-big-to-fail nasties lie in wait?

Former US Federal Reserve chairman Alan Greenspan has an interesting take on this. He questions the belief that governments should guarantee their populations against every conceivable risk. He is highly critical of what he describes as regulatory policy skewed towards maximizing short-term bail-out assistance at the expense of long-term prosperity. Writing in the Financial Times newspaper earlier this year, Mr. Greenspan argued that such a policy requires the building up of a buffer of idle resources that are not otherwise engaged in the production of goods and services. These resources are employed, he says, only if and when the feared low-probability crisis actually emerges. This bias leads to an excess of what he calls frozen reserves at the expense of our standards of living. And he says it raises the question of what process is to be adopted to determine how much of society's output should be devoted to fending off the impact of 1-in-50 or 1-in-100 year crises.

Is Mr. Greenspan right to be concerned? Are we becoming overly protectionist?

Interestingly, according to Joe Plumeri, Chief Executive Officer of the insurance broking group Willis, regulation itself constitutes a potentially serious challenge to the availability of large-limit insurance programmes. In a speech delivered recently in Munich, he warned that the world is getting riskier and that Solvency II may actually mean that if insurers are forced to increase reserves, they could become more selective about the risks they are prepared to insure.

So what *is* the answer? Are we regulators becoming largely irrelevant to what's happening in our markets, are we busy re-arranging the deck chairs on the Titanic, oblivious to the real threats?



Let me be clear: the main purpose of insurance regulation is to protect the interests of policyholders. At the same time, it is important to realize that while increased capital requirements can create the *impression* that policyholders are benefiting from enhanced protection, it is entirely possible that these requirements could cause distortions that actually damage policyholders' interests.

Our view, the Bermuda Monetary Authority's view, is that adopting a templated, one-size-fits-all approach to this is not going to work, though it may look like a painless solution at first. In this context, Bermuda has been very clear that while it seeks equivalence under the Solvency II directive for its large internationally-active insurers and reinsurers, this must be a practical form of equivalence. It must be one that is appropriate and relevant and which works not just for Brussels but also for the entire Bermuda market. Becoming equivalent, after all, does not mean becoming identical.

Ultimately, of course, policyholders are responsible for choosing the insurance company with which they wish to do business. That's a given. The regulator's challenge is to strike the right balance, not to be overly stringent and prescriptive and effectively stifle competition. Excessive caution is arguably as bad as inadequate supervision.

Innovation and competition are critical. Innovation is very clearly the driver of growth and the main factor behind the recent surge of applications for our Special Purpose Insurer licences. These have literally taken off this year in our market. Competition is evident throughout our industry, it is evident among the jurisdictions themselves and it is evident among the financial services entities and the legal, banking and accounting professionals who service them.

So what does Bermuda have to do to win, or should I say, continue to win? Well, for starters, it must continue to provide a business-friendly, stable environment. No Greek-referendum-style surprises. No question marks over our sovereign debt position, which by the way was recently praised by UK Minister for Overseas Territories Henry Bellingham. No uncertainty with ratings, and here it is worth noting that Fitch last week affirmed Bermuda's AA+ credit rating.

We must be adaptive and constantly vigilant. We must be always aware that what we offer is being assessed and compared to what others are offering. Take, for example, the message from those jurisdictions that are *not* seeking equivalence under Solvency II and how they are attempting to position their strategy as offering an advantage over ours. Given the lingering reaction to the financial crisis, massive turmoil in the debt markets and continuing fears about economic contagion, I'm not sure whether that proposition supports the stable environment I mentioned a moment ago.

Bermuda must remember that it is a service-based economy. It manufactures nothing. What I'm saying is that a business-critical reputation for service excellence and an enabling culture that underpins it must, therefore, be at the core of Bermuda's brand. That may not be a message that comes easily to many regulators. But then, not many regulators carry the same level of national responsibilities as those carried by the Bermuda Monetary Authority.

Ladies and gentlemen, I hope I've given you a sense of the challenges and opportunities facing Bermuda's financial services industry in general, and its regulator in particular.

In closing, I will tell you the story I promised earlier...

Once upon a time, there was a very competitive Bermudian regulator and a regulator from... mmm... let's just say from another jurisdiction.

After attending a stunningly boring financial services conference, in other words nothing at all like the stimulating atmosphere we have been enjoying here tonight, the regulators decided to go for a gentle stroll in the nearby woods. The birds were singing... the sun was shining... it was a beautiful day and they were feeling relaxed. But not for long!

As they walked through the woods, they caught sight of a man-eating tiger. The tiger was stalking them. As the regulators broke into a run, the tiger gave a loud roar and began to chase them. It quickly became clear that the animal would soon catch up with them. But as the regulators rounded a corner in the path, the Bermudian regulator stopped, reached into his backpack and pulled out a pair of running shoes.

"What are you doing?" screamed the other regulator. "Don't you know you can't outrun a tiger?"

"I know that," replied the Bermudian. "I just have to outrun you!"

And the moral of my story? Never under-estimate a nation of ingenious survivors. Tigers can *sometimes* be scary. But Bermudians are *always* resourceful.

My thanks to the Bermuda Society for the opportunity to talk to you tonight. I have enjoyed spending time with you and hope the Society continues to fly the flag for our wonderful Island home for many years to come.

Tomorrow is Thanksgiving Day, so on behalf of the Bermuda Monetary Authority, let me wish all the Americans with us this evening – a very Happy Thanksgiving. And may I also offer you all our best wishes for Christmas and the New Year. Thank you and goodnight.

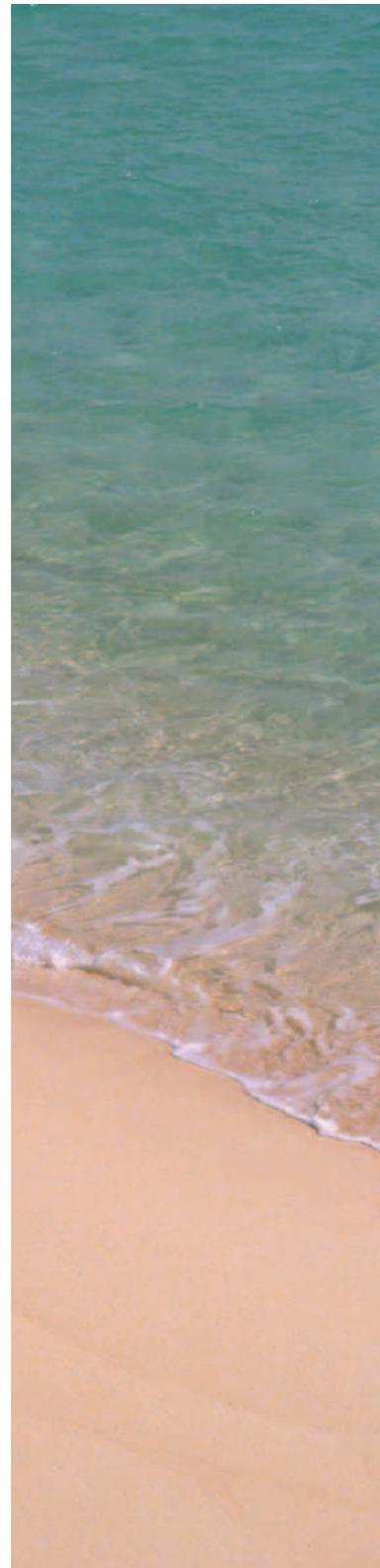
Jeremy Cox
Chief Executive Officer
The Bermuda Monetary Authority

Bermuda National Trust in London

Twinning of Verdmont with Fenton House – Arrangements have now been finalised with the National Trust of England, Wales & Northern Ireland for the Twinning of Verdmont, the jewel of the Bermuda National Trust, with Fenton House in Hampstead London, a fine Georgian house of the same period. We believe that this is the first time such a Twinning has been arranged between houses. The aim is to promote visits, increase awareness of the activities of both organizations and, most importantly, to exchange staff from both properties to enhance their experience and skills. The official launch will be in London and Bermuda in May 2012.

New guide to Verdmont – The UK Friends are sponsoring the new guide to Verdmont. This comprehensive book covers the history, architecture and collections of the house. It will form a part of the Twinning activities and will be on sale both in Bermuda and at Fenton House in London.

If you are interested in learning more about the activities of the Bermuda National Trust or the UK Friends of the Trust, please contact Michael Whittall on whitsec@aol.com or visit the BNT website at www.bnt.bm



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Bermuda Sloop Foundation

More information on the Foundation's work and the Spirit of Bermuda can be found at:
www.bermudasloop.org

The Bermuda Society

The Bermuda Society was formed in 1987 with a view to forging close links between Bermuda and Britain in the areas of finance, commerce and economics. The Society has strong ties with both Houses of the British Parliament and the Commonwealth Parliamentary Association, with figures in the City of London, in tourism, air transportation, the professions, insurance, reinsurance and banking as well as other opinion formers who have Bermuda's interests and good name at heart.

The Society has become a focal point for those interested in Bermuda. Lunchtime and dinner meetings addressed by interesting guest speakers take place throughout the year.

For more information on the Society and details of application for membership, please contact:

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