



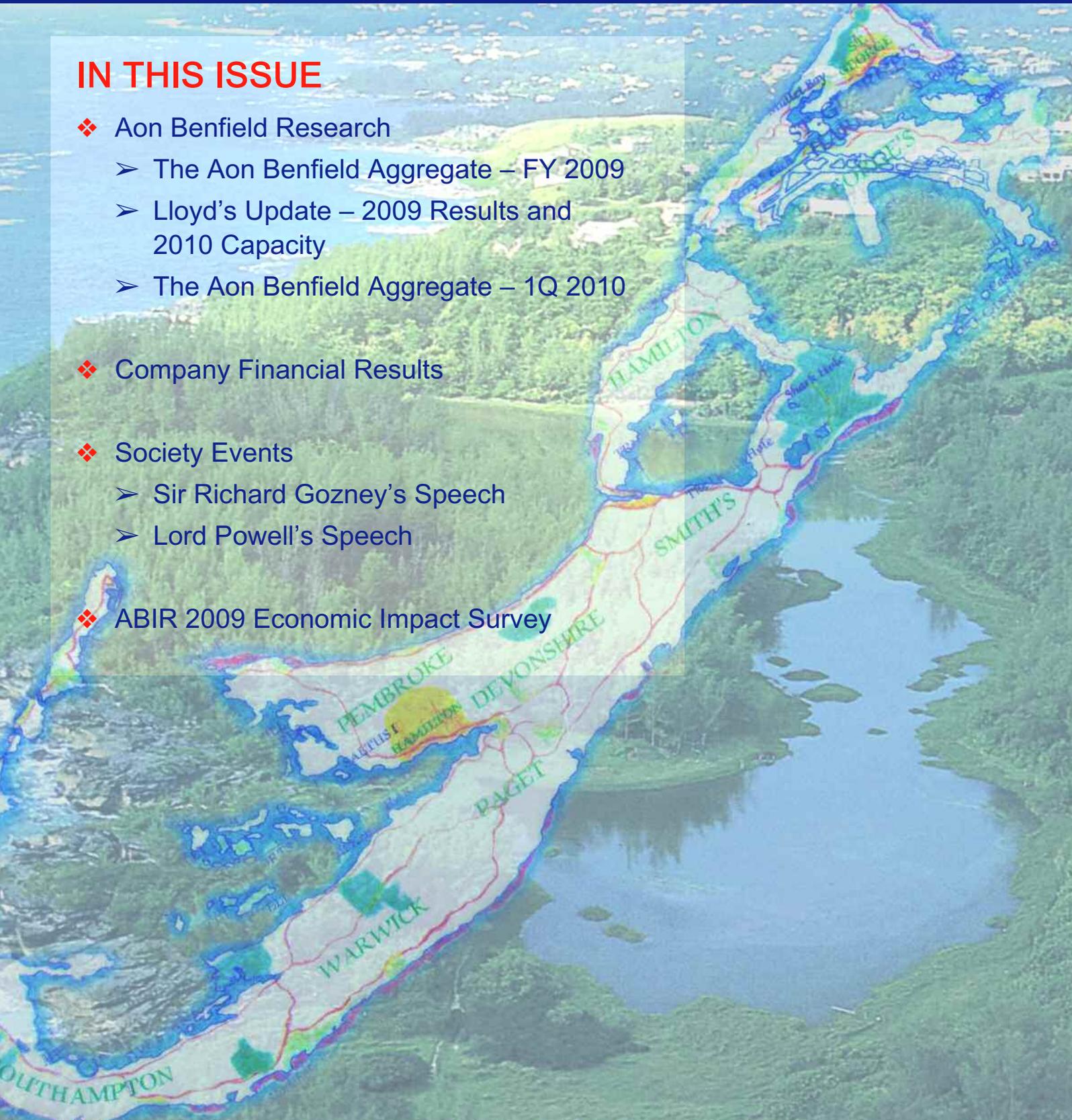
The Bermuda Society

Spring/Summer 2010

Newsletter – Issue 12

IN THIS ISSUE

- ❖ Aon Benfield Research
 - The Aon Benfield Aggregate – FY 2009
 - Lloyd's Update – 2009 Results and 2010 Capacity
 - The Aon Benfield Aggregate – 1Q 2010
- ❖ Company Financial Results
- ❖ Society Events
 - Sir Richard Gozney's Speech
 - Lord Powell's Speech
- ❖ ABIR 2009 Economic Impact Survey





The Aon Benfield Aggregate – FY 2009

Below is a hyperlink to the Aon Benfield Aggregate (ABA) report from Aon Benfield Research for the year 2009.

Shareholders' funds (SHF) for the Aon Benfield Aggregate rebounded strongly during 2009, rising by 28% to return to pre-credit crisis levels. The remarkable recovery in SHF during the year was due to relatively low catastrophe loss burden, complemented by higher investment returns as financial markets rebounded. The capital surplus triggered a resumption of share repurchases in the fourth quarter, a trend which has continued into 2010. The growth in SHF is a reversal of the results of 2008 when the major reinsurers experienced a 19% reduction in capital in a year characterised by large claims resulting from catastrophes such as Hurricane Ike, and heavy investment losses due to the global financial market.

http://www.aon.com/attachments/reinsurance/201004_ab_research_aba_fy2009.pdf

Source: Aon Benfield Research

Lloyd's Update – 2009 Results and 2010 Capacity

Below is a hyperlink to the latest Lloyd's Update from Aon Benfield Research.

Lloyd's pro forma capital increased by 28% in 2009 rising to GBP18.2bn. Market estimates suggest that 01 January 2010 stamp capacity increased by 30% largely due to the need to allow for the significant foreign exchange movements in 2008/9. Gross premiums written increased by 22%, or 8% in local currency terms, to GBP22bn. Reinsurance premiums accounted for 36% of the total, at GBP8bn. Pro forma pre-tax profits doubled to GBP3.9bn reflecting in part a benign year for natural catastrophes and an 85% increase in the investment return.

http://www.aon.com/attachments/reinsurance/201004_ab_research_lloyds_results_and_capacity.pdf

Source: Aon Benfield Research

The Aon Benfield Aggregate – 1Q2010

Below is a hyperlink to the Aon Benfield Aggregate (ABA) report from Aon Benfield Research which outlines the first quarter 2010 financial results of thirty leading reinsurance groups.

The pre-tax profit tripled to USD6.2bn. Substantial realised gains helped improve investment performance which more than offset underwriting losses. Excluding capital gains, operating income mirrored the weaker underwriting performance and fell from USD8.0bn to USD1.1bn. Strong investment performance ensured that underwriting losses were an earnings event, as underlying aggregate capital remained intact.

http://www.aon.com/attachments/reinsurance/201006_ab_research_aba_1Q_2010.pdf

Source: Aon Benfield Research

Company Financial Results

4Q2009

February 3, 2010

Royal Gazette

ACE Ltd has posted a record profit for 4Q2009 of \$953 million, on improved investment results and higher premium revenue. Gross premiums written were \$4.5bn compared to \$4.3bn for 4Q2008.

February 8, 2010

Royal Gazette

AXIS Capital Holdings Ltd

Net income – \$282 million, compared to \$131 million.

Gross premiums written – \$574 million, compared to \$526.8 million.

XL Capital Ltd

Net income – Loss of \$40.3 million, compared to Loss of \$1.43bn.

Gross premiums written \$1.15bn, compared to \$1.18bn.

RenRe Holdings Ltd

Net income – \$211.8 million, compared to Loss of \$55.2 million.

Gross premiums written: \$73 million, compared to \$161.6 million.

Max Capital Group

Net income – \$62.6 million, compared to Loss of \$94.1 million.

Gross premiums written \$287.3 million, compared to \$372.1 million.

PartnerRe Ltd

Net income – \$354.4 million, compared to \$95.3 million.

Net premiums written – \$904.4 million, compared to \$752.4 million.

Catlin

Net income – \$603 million, compared to Loss of \$13 million.

Gross premiums written: \$3.7bn, compared to \$3.4bn.

Allied World Assurance Company Holdings Ltd

Net income – \$161.3 million, compared to \$19.9 million.

Gross premiums written – \$322.1 million, compared to \$310.9 million.

February 18, 2010

Royal Gazette

Flagstone Reinsurance Holdings Ltd

Net income – \$71.5 million, compared to Loss of \$75.6 million.

Gross premiums written – \$123.7 million, compared to \$95.2 million.

Montpelier Re Holdings Ltd

Net income – \$104.7 million, compared to Loss of \$47.7 million.

Gross premiums written – \$79.1 million, compared to \$72.6 million.

Arch Capital Group

Net income – \$284.7 million, compared to Loss of \$143 million.



Gross premiums written – \$718.7 million, compared to \$825.5 million.

Endurance Specialty Holdings Ltd

Net income – \$154.8 million, compared to \$16.9 million.

Gross premiums written – \$209.4 million, compared to \$235.6 million.

Platinum Underwriters Holdings

Net income – \$90.8 million, compared to \$64.0 million.

Net premiums written – \$200.8 million, compared to \$237.3 million.

Validus Holdings Ltd

Net income – \$165.8 million, compared to \$37.0 million.

Gross premiums written – \$255.3 million, compared to \$191.7 million.

February 22, 2010

Royal Gazette

A year of profit

The Bermuda Insurance Market experienced a dramatic swing back to profit in 2009. A group of 17 US-listed property and casualty insurance and reinsurance companies who are either based on the island or who have major operations here (e.g. ACE Ltd), achieved collective net income of \$11.7bn in 2009. By comparison, the same group saw a combined overall loss of about \$1bn in 2008. The list does not include the island's London-listed insurers, such as Catlin, which itself declared record net earnings of more than \$600 million in 2009. The list also does not include the 900 or so captive insurance companies in Bermuda.

Source: The Royal Gazette

1Q2010

April 27, 2010

Royal Gazette

Arch Capital Group Ltd

Net income of \$210.5 million compared to \$139.9 million in 2009.

Gross premiums written were \$953.7 million compared to \$1 Billion in 2009.

AXIS Capital Holdings Capital Ltd

Net income of \$112 million compared to \$116 million in 2009.

Gross premiums written were \$1.43bn compared to \$1.32bn in 2009.

Montpelier Re Holdings Ltd

Net income of \$9.9 million compared to \$52.3 million in 2009.

Gross premiums written were \$274.8 million compared to \$250.6 million in 2009.

RenRe Holdings Ltd

Net income of \$755 million compared to \$567 million in 2009.

Gross premiums written were \$563.5 million compared to \$598.3 million in 2009.

ACE Ltd

Net income of \$165 million compared to \$97 million in 2009.

Everest Re Group Ltd

Net income of \$22.7 million compared to \$108.6 million in 2009.

Gross premiums written were \$1.0bn compared to \$997.8 million in 2009.

Aspen Insurance Holdings Ltd

Net income of \$18.3 million compared to \$91.4 million in 2009.

Gross premiums written were \$702.8 million compared to \$636.8 million in 2009.

08 May 2010

Royal Gazette

Flagstone Reinsurance Holdings Ltd

Net income of \$31.5 million compared to \$35.7 million in 2009.

Gross premiums written were \$400.2 million compared to \$361.5 million in 2009.

Max Capital Group Ltd

Net income of \$36.4 million compared to \$44.5 million in 2009.

Gross premiums written were \$371.1 million compared to \$434.3 million in 2009.

XL Capital Ltd

Net income of \$143.9 million compared to \$3.1 million in 2009.

Gross premiums written were \$1.92bn compared to \$1.88bn in 2009.

Endurance Specialty Holdings Ltd

Net income of \$55.8 million compared to \$78.3 million in 2009.

Gross premiums written were \$818.9 million compared to \$783.3 million in 2009.

Validus Holdings Ltd

Loss of \$118.4 million compared to net income of \$94.9 million in 2009.

Gross premiums written were \$870.9 million compared to \$609.9 million in 2009.

PartnerRe Ltd

Net income of \$79.7 million compared to \$141.5 million in 2009.

Gross premiums written were \$1.91bn compared to \$1.34bn in 2009.

Allied World Assurance Company Holdings Ltd

Net income of \$133.7 million compared to \$131.4 million in 2009.

Gross premiums written were \$504.2 million compared to \$479.6 million in 2009.

May 26 2010

Royal Gazette

BF&M

Bermuda insurance company BF&M Ltd reports a profit of \$5.92 million for 1Q2010, compared to \$0.89 million in the same period last year. Overall, gross premiums written for the period increased 9% to \$59.18 million.





2Q2010

July 28, 2010

Royal Gazette

ACE Ltd

Net income of \$677 million – a 27% increase over 2Q2009.

Endurance Specialty Holdings Ltd

Net income of \$58.6 million – a drop of \$90 million from 2Q2009.

RenRe Holdings Ltd

Net income of \$210.2 million – a 22% drop from 2Q2009.

Arch Capital Group

Net income of \$237 million, compared to \$152.1 million for 2Q2009.

Montpelier Re Holdings Ltd

Net income of \$69.9 million compared to \$159 million in 2Q2009.

Everest Re Group Ltd

Net income of \$156.7 million – compared to \$272.6 million in 2Q2009.

Aspen Insurance Holdings Ltd

Net income of \$108.9 million – compared to \$110.4 million in 2Q2009.

Axis Capital Holdings Ltd

Net income of \$204.9 million – compared to \$159.2 million in 2Q2009.

XL Capital Ltd

Net income of \$191.8 million – compared to \$79.9 million in 2Q2009.

PartnerRe Ltd

Net income of \$190.9 million – compared to \$474.3 million in 2Q2009. The company incurred the cost of a voluntary severance plan for Paris Re employees and was hit by the combined impact of the Chilean earthquake and the Deepwater Horizon losses during the first half of the year.

Allied World Assurance Company Holdings Ltd

Net income of \$184 million – compared to \$113.7 million in 2Q2009.

Validus Holdings Ltd

Net income of \$179.8 million – compared to \$137.6 million in 2Q2009.

PlatinumRe

Profits rose 26.5% in the second quarter compared to the same period last year. Net income for the three months April through June was \$124.1 million. Net income was \$139.6 million – a 23.8% fall compared to the same half of last year; a comparison impacted by losses connected to the Chile earthquake in the first quarter of 2010.

Source: The Royal Gazette

Society Events

Lecture Meetings, Seminars and Receptions

The Society held a lunch and lecture meeting at Guildhall in the City of London on Tuesday, 23rd March 2010 at which His Excellency Sir Richard Gozney, KCMG, CVO addressed members and guests.

AGM and Annual Lunch 2010

The Society's Annual General Meeting for the year 2010 and the Annual Lunch were held on 15th June 2010 at Guildhall in the City of London. Lord Powell of Bayswater, KCMG was guest speaker at the Lunch.

Annual Dinner for Members and Guests 2010

The Society's 24th Annual Dinner for Members and Guests is to be held at The Worshipful Company of Armourers and Brasiers in the City of London on the evening of Tuesday, 16th November 2010. Mr. Bradford Kopp, Chief Executive Officer, Butterfield Bank will deliver the keynote address

Annual Dinner for Members and Guests 2011

The Rt. Hon. The Lord Waddington, GCVO, DL, QC will be hosting the Society's 25th Annual Dinner for Members and Guests in the Cholmondeley Room and Pavilion at the House of Lords. In view of the possibility of a clash with the State Opening of Parliament for the 2011-2012 parliamentary session, two dates have been reserved for this event – these are: Wednesday, 16th November 2011 and Wednesday, 23rd November 2011.

Members will be advised when arrangements have been finalised – the date for the State Opening of Parliament is likely to be fixed in June 2011.

Remarks from a speech given by H.E. Sir Richard Gozney, KCMG, CVO, Governor and Commander-in-Chief of Bermuda to The Bermuda Society's members and guests at Guildhall, Aldermanbury in the City of London on Tuesday, 23rd March 2010.

Economy

The Governor gave an overview of the Island's economy following the global economic dislocation and the financial turmoil of the last two years.

The economic outlook for Bermuda is more positive than it was at this time last year – while the economy is likely to have contracted by as much as 2.5 per cent in 2009, there is anticipation of a return to positive growth in 2010 – perhaps in the range of 1 per cent.

Bermuda faces a sluggish GDP growth – employment gains that are too slow to prevent further increases in the



unemployment rate and firms reluctant to hire vigorously – consumer spending is likely to take some time to return to prior levels. The Bermuda Government is providing economic stimulus by investing in infrastructure and encouraging investment in renewable sources of energy.

However, Bermuda retains credibility as an international financial centre. Bermuda's future as an insurance market is secure despite a number of high-profile corporate entities moving their headquarters to Europe – the majority of these companies were not headquartered in Bermuda prior to their move; those that chose to relocate did so for regulatory issues, access to the European Union market or to have all their capital deployed on one place.

- ❖ Flagstone Reinsurance Holdings Ltd., a subsidiary of Flagstone Switzerland, announced plans to move from Bermuda to Luxembourg in a bid to 'establish its identity as a European company'.
- ❖ This followed ACE moving its holding company from the Cayman Islands to Switzerland in July 2008.
- ❖ XL Capital signalled its intention to move its holding company from the Cayman Islands to Ireland in January 2010.

What matters to Bermuda is that there are still brokers getting off airplanes and looking to place business – it makes no difference if they are doing business with a Swiss company or a Cayman company – the payroll taxes are paid and jobs are created ... in Bermuda.

There are outside pressures on Bermuda from European Governments and the US Congress which are being carefully monitored – these are the Foot Report, Solvency II and the Neal Bill. These could be the reasons why companies might be looking to restructure – US tax policy and the EU's enhanced insurance regulations, ie Solvency II. The Bermuda Monetary Authority is striving to achieve regulatory equivalence – to be approved by the EU as having regulation standards that match those of Solvency II. In the US, the Neal Bill proposes changes that would effectively raise the amount of tax paid by non-US insurers with US subsidiaries who cede premiums to their parents through reinsurance agreements.

2009 – an unusually quiet catastrophic year – allowed many Bermuda companies to make impressive profits and bounce back from modest losses 2008. The Association of Bermuda Insurers and Reinsurers reported that the capital and surplus held by its 23 members rose by around 30 per cent to \$84 billion in 2009. However, the expensive events of 1Q2010 serve as a reminder that their business is risk. The April 2010 earthquake in Chile and a violent European windstorm called Xynthia will hit some companies in 1Q2010. Catastrophe reinsurance is a major part of the Bermuda market's business. 4Q2009 figures suggest that the local economy is becoming increasingly reliant on international business and the financial services sector.

Tourism

2009 was a weak year for Tourism largely due to the global worldwide recession. Hotel receipts were down by almost 23 per cent in 2009 – from \$273 million to \$211 million.

Air arrivals were down 10 per cent in 2009 – on top of an even bigger fall the year before.

Retail sales were down by 6 per cent last year, while imports dipped 8 per cent.

Bermuda is awaiting the return of the US North Easterners and more Canadians – the Island requires more 5-star hotels like Tucker's Point and the expansion of niche tourism.

Politics

The Premier has confirmed that he will be stepping down from the Premiership at the end of his term as Party Leader in October 2010 – a General Election is not necessary until 2012.

Education

The Cambridge International Curriculum will be delivered to students in Bermuda's public schools starting in September 2010. The Minister of Education has confirmed that it is his intention to provide a world-class education system that meets global standards.

The Ministry of Labour will continue its employment programme and accelerate its national certification and apprenticeship programmes for those school leavers not following the academic route.

Crime

Illegal firearms and drugs in the hands of criminals has been a terrible blight on the Bermudian community in the past year – the Government is ramping up its interdiction efforts against illicit imports.

A new Police Commissioner, a Deputy Commissioner and an Assistant Commissioner were appointed in November 2009 to build on the foundation of the former Commissioner, who retired mid-December 2009. This new leadership team together with the Governor – and with much help from Senator Lt. Col. David Burch, Minister of Labour, Home Affairs and Housing – are focussing on containing the new crime trend of drug gang shootings on the Island.

(The Governor's speech was followed by a Q and A session which focussed mainly on the perceived threat of a change to US tax policy (the Neal Bill) and its possible impact on the Island; the recent high-profile companies re-domiciling to Europe; and Britain's Foot Report, which was commissioned by the Chancellor of the Exchequer in December 2008.)

H.E. Sir Richard Gozney, KCMG, CVO,
Governor and Commander-in-Chief of Bermuda

Annual Lunch at Guildhall in the City of London on 15th June 2010 – Synopsis of a speech given by Lord Powell of Bayswater, KCMG

1. Lord Powell started by recalling his long and happy association with Bermuda, accompanying Prime Minister Thatcher there on visits and for summit meetings with US President. He had continued his association as a director of Jardine Matheson Group companies and found Bermuda a model base for international





companies. Like all countries at present Bermuda faced challenges but fewer than most others including the UK.

2. Lord Powell gave an analysis of the political situation in Britain resulting from the recent elections. The result should not have been a surprise as the opinion polls proved accurate. The Conservatives had made major gains but not quite enough to govern on their own. Even though he did not believe anyone had deliberately voted for a coalition government, that was the best available outcome and David Cameron deserved credit for moving quickly to clinch a coalition with the Liberal Democrats. A Lib/Lab coalition, denying the Conservatives the right to govern, would have been unconscionable given that both parties had lost votes and seats. A minority Conservative government would have been a poor basis for tackling Britain's serious economic problems and would have led to a further election in short order.
3. Lord Powell commented that both parties in the coalition had a strong incentive to make it work. Entering government had been beyond the Liberals' wildest dreams and they would not want to sacrifice their place. Equally the tough economic measures which would be necessary would inevitably make the government unpopular and provide an incentive for both parties to avoid an election until economic recovery was in sight. Equally it suited both David Cameron and Nick Clegg to have the excuse of the need to compromise with each other to drop some of their pre-election commitments.
4. On the other hand he was sceptical of talk of New Politics which was more a slogan than reality. Despite the current honeymoon there were deep fissures between the Conservative and Liberal parties which would fester and eventually break the coalition. In any event, coalitions did not really fit the political culture. Personally he thought the coalition would last three years or so but probably not the full five year term.
5. Turning to likely government policies, Lord Powell said that reducing the deficit would have to be first, second and third priority and that would constrain other initiatives. The government had to get public spending down and create the conditions for long-term, private sector-led growth. Two qualities would be essential to success. First character, to hold fast to a difficult course in the face of tough opposition; and second the ability to communicate the strategy and convince people there would be light at the end of the tunnel. Margaret Thatcher had both qualities and was thus able to drive through enormous changes in the early years of her Prime Ministership. The Government would have to expect protests, demonstrations and strikes and ride out the storm.
6. The other main controversial issue would be constitutional reform, where the agenda was mainly driven by the Liberal Democrats who had an extensive agenda: the Alternative Vote, five-year Parliaments, reform of the Lords. It was an indigestible package and not as high a priority for the country as a whole as for the Liberal Democrats.
7. More generally Lord Powell said his advice for the Government would be to take the tough decisions early on, not postpone them: there would never be a better opportunity. They should focus relentlessly on essentials and not get distracted by second-order business. They

should not waste time on re-inventing government and shuffling Ministers. And they should restore formality to the process of government in the place of casual sofa government.

8. Lord Powell moved on to make a number of comments about Britain's role in the world and the state of the global economy. The tasks were first and foremost to restore our economic strength, which was a foreign policy priority as well as a domestic one: to make our economy competitive vis-à-vis the emerging market giants of China and India: and to tailor our foreign and defence policies to our diminished resources. Britain's ability to retain its present defence posture would inevitably be constrained by the economic crisis. He was not suggesting we should subside into being another unambiguous middle-ranking European power. That was not in our DNA. We should have the self-confidence to believe that we were better placed than others to make the right choices and do the right thing, and stand up for Britain's interests rather than be guided by politically correct shibboleths.
9. Finally Lord Powell responded to a wide range of questions.

[Lord Powell of Bayswater, KCMG](#)

Association of Bermuda Insurers and Reinsurers 2009 Economic Impact Survey

The Association of Bermuda Insurers and Reinsurers (ABIR) represents Bermuda's international reinsurers – a group which wrote \$61bn in global gross written premium on a capital base of \$84bn last year

Members of the Association contributed almost \$950 million to the Island's economy last year, according to the organisation's 2009 economic impact survey released August 2010.

According to the survey results, ABIR members 2009 economic contribution to Bermuda included:

- ❖ \$700 million in aggregate compensation to employees based in Bermuda;
- ❖ \$125 million in payments on construction, real estate, housing, rentals or leases;
- ❖ \$82 million paid to Bermuda-based third party business consulting providers;
- ❖ \$25 million in travel and entertainment payments;
- ❖ \$10 million in contributions to Bermuda-based charities.

ABIR has conducted its economic impact survey over the past five years during which its membership has ranged between 16 and 23 companies. The organisation's members employ about 31,000 staff globally.

Source: [The Royal Gazette](#)



Bermuda Business

www.bermuda-insurance.org
www.abir.bm
www.biba.org
www.bma.bm

Berbiz – a weekly electronic newsletter can be obtained free by email request to wrs1@ibl.bm

Bermuda Tourism

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Bermuda Music Festival 2010 (September 30th to October 2nd)

for more information visit www.bermudatourism.com
Ticket sales at www.bdatx.bm

PGA Grand Slam in Bermuda (October 18th-20th)

for more information visit www.pga.com

Bermuda Sloop Foundation

– more information on the Foundation's work and the *Spirit of Bermuda* can be found at www.bermudasloop.org

The Lion and The Mouse

Lucinda Spurling's film which outlines relations between Bermuda and its closest partner, the USA – narrated by Michael Douglas – total length 150 minutes.

DVD copies available at £25.00 each including postage from:

Michael Whittall
49 Kenway Road
London SW5 0RE

Telephone: 020-7373-7058
Mobile: 07740703135

Email: whitsec@aol.com

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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Minimum Annual Fees:

Corporate Membership
£250.00/\$390.00

Private Joint Membership
£35.00/\$55.00

Private Individual Membership
£25.00/\$40.00