

GUERNSEY ILS UPDATE - PART 2

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In the second article from our round table discussion with representatives of Guernsey's insurance-linked securities sector, we focus on Guernsey's long-held reputation for innovation in the industry.

Guernsey's insurance sector has a strong reputation for innovation. Is this continuing into 2020?

Emma Bailey, Director of Authorisations and Innovation Division at the Guernsey Financial Services Commission: Innovation is key to the Guernsey insurance market. It is something we've always done and encouraged in Guernsey.

We continue to have good collaboration with the local industry, if they come to us with new ideas, and it is always useful for us to get feedback from sector clients on how they can use Guernsey structures and products.

Richard Sharp, Partner at law firm Bedell Cristin, where he heads the firm's insurance practice in Guernsey: We do appreciate our access to the regulator to discuss new structures and their willingness to engage. The development of the "Hybrid" structure earlier this year, and the new "Convergence" structure I have been working on, is testament to that.

We are looking to address the age-old problem of putting capital and risk together in the most efficient way to avoid duplication. With having a fund in one jurisdiction and a transformer in another, duplication and inefficiency are inherent within that structure. Under Convergence, we have one structure – a Guernsey limited partnership, a licensed GP which could be cell of an incorporated cell company, or a standalone company. The key attractions are one investment/insurance structure, tax-transparent LP, well-known to investors, good system of control, only one level of regulation, regulated as insured, and alongside the Hybrid, it provides good suite of options for addressing the convergence problem, how we bring risk and the capital it attracts to Guernsey.

Progress in bringing ILS funds to Guernsey has been slow so far, but we are hoping that these structures will change that. We are still developing these products, we talk and tweak them, but interest so far has been quite positive.

Paul Sykes, Managing Director, Aon Guernsey: In a cautious industry, demonstrating innovation would be quite a move forward. We are in discussions with clients, and hopefully next year we will have the first case study.

Guernsey launched a green insurance consultation last year. How is that progressing?

Emma Bailey: We've had quite a range of feedback so far. The ILS sector is very aware of catastrophic events, it could be described as an alternative reinsurance arrangement, and we could follow that through so that people affected by these events are able to get recompense. That is quite an important message to get across as part of our broader initiative on green, and I expect to see this project develop in 2020.

[Click here](#) to read part one of our ILS update.

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