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THE (RE)INSURANCE FUTURE FOR GUERNSEY

30 JANUARY 2015

Dominic Wheatley (DW), chief executive of Guernsey Finance, spoke to Global Reinsurance on captives and Insurance linked securities (ILS).

Q - What are your plans for (re)insurance on Guernsey in 2015?

DW - We are very much looking to support the work the industry does here, in terms of providing them with a really good promotional platform for their sales activities. What we are focused on are the current growth areas, particularly around the ILS space, and promoting Guernsey as a reinsurance centre.

You'll notice that Kelvin Re has become our first rated reinsurer, and that is an important strategic milestone. We are also looking to support our core captive business and make sure we retain our status in the captive fraternity.

Our status in that market is very important to us. We are number three or four in the world, depending on what you measure it on. We are up there with the leading captive jurisdictions, but the three that most people would recognise as being the leaders are Vermont, Bermuda and ourselves. We are very proud of that record.

Q - Which countries are showing most interest in setting up in Guernsey?

DW - There is interest from a number of different environments. There is a significant amount of work going on in Asia. There is work going on and licences being issued for American companies. A lot of that has to do with assisting them in their European operations. There is a lot of experience here of trading into Europe. And there are isolated examples of interest elsewhere.

I can't point to a geographical area and say there is a trend there, but there is definitely business here from the Middle East, south Africa and south America. It is an increasingly global type of business.

A lot of it comes from the need for expertise in providing insurance into the European domain, bearing in mind that Europe has quite significant regulatory hurdles to be crossed. The expertise we offer is not only how to manage the captives and manage the risk management side, but also on how to release that cover into the European market.

Q - There has been a reduction in the number of insurers getting licenses in Guernsey in recent years. What is your stance on this?

DW - Like all mature industries, you'll find that there will be some business that goes and some that arrives. The mix of business will evolve over time in response to market conditions and what's going on in the underlying market.

At the moment there's been significant growth in the insurance-linked securities sector, and that is driving a lot of formation of particular cells. We've seen a lot of interest around the pensions area, predominantly UK pensions, which has driven formation of cells.

In the captive industry, the conventional insurance market is very soft, and the alternative to the risk retention that captives provide is for corporations to buy external insurance. Traditionally this would have meant that it was very difficult for captives to compete, but I think that the limitations that insurers can put on cover now for particular sorts of risks that they don't like, and in terms of the overall market capacity for the energy industry – those limitations mean there are increasing strategic drivers for captives. The business being generated here is quality business with strategic drivers that have legs and will continue for some time in the future.

What I would say about the numbers is that they reflect a growth that has slowed down elsewhere. We are not alone in seeing a difficult market for captives, but I think ILS generation and our penetration in that market is the focus of what we will be doing, alongside the underlying captive promotion work we will be doing this year.

Is there anything else you'd like to add?

DW - This is a story about continuing, solid performance of a mature market that continues to generate value and deliver products the market is looking for. Obviously, along the line are all sorts of international challenges, and we need to constantly evolve as a domicile, and there is a lot of work that goes into that.

An original version of this article was published in [Global Reinsurance](#), January 2015.

WE ARE GUERNSEY is the brand under which Guernsey Finance promotes the island's financial services sector internationally. Guernsey Finance - the promotional agency for the island's finance industry internationally - is a joint industry and Government initiative responsible for the promotion of Guernsey. Under the leadership of Chief Executive Rupert Pleasant, the agency ensures that the core values and competencies of the island's finance sector are accepted and respected by the global community and that financial business development flows are enhanced.

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