

ILS WILL CONTINUE TO DRIVE RISK FINANCING EFFICIENCY

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The insurance-linked securities (ILS) market will continue to drive innovation and efficiency of risk financing for the benefit of protection buyers and investors, according to Twelve Capital's Managing Partner, Christoph Buerer.

Speaking as the keynote at Guernsey Finance's annual ILS Insight event in Zurich, Mr Buerer explored how risks and capital interact on a balance sheet level from risk management and corporate finance perspectives.

"The benefits ILS investments offer are a telling illustration of the value of active investment management. In contrast, by definition, passive investment gives investors significant exposure to below average quality firms," said Mr Buerer.

He added that, at the margin, ILS managers would be more disciplined when deploying capital as investors could essentially redeem their investment whereas capital investors who inject in a reinsurance company balance sheet would be locked up and could not be redeemed.

Mr Buerer also made the case for the use of ILS in relation to 'tail' risks – low-probability, high-impact events – as it is imperative to ensure risk transfer payments can be collected in stress scenarios to avoid underinvestment and create value, and fully-funded ILS covers seem superior in comparison to the multi-gearing nature of traditional reinsurance company balance sheets.



The event, hosted by Guernsey Finance – the promotional agency for the island's finance industry internationally – was attended by 90 delegates from across the insurance, asset management and adviser communities.

Guernsey has become a leading destination for ILS structures in recent years with the number of locally domiciled insurance entities growing from 804 to 835 by the end of 2016, a substantial year-on-year increase largely attributable to growth in the ILS market.

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In addition to Mr Buerer's keynote speech, the audience heard from two panel sessions. The first panel looked at the features of different types of risk, the attractiveness of such classes of business to ILS investors and the barriers to applying convergent capital and how they might be overcome. The second session considered whether London could compete with ILS-ready domiciles, the conditions required for success, the international tax environment and how much substance remains in ILS-ready domiciles.

Guernsey Finance Chief Executive Dominic Wheatley said: "The continued success of our ILS Insight event, which is now in its fourth year, shows how well thought of Guernsey is as an ILS centre. Our long track record in insurance, specifically our status as Europe's leading captive insurance domicile, together with our expertise in collateralised reinsurance and the structuring of investment funds and listed vehicles, means that what we can offer is differentiated from many other jurisdictions."

Guernsey Finance will be following up its successful ILS Insight event by hosting the annual [Guernsey Insurance Forum](#) in London on Thursday 5 October.



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 Dominic Wheatley, 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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