



GLOBAL PERSPECTIVES

Key Trends in Offshore Insurance Markets



At Walkers, our offshore experience enables us to hear from the full range of market participants including onshore counsel, banks, asset managers, (re)insurance companies, corporates and individuals.

That viewpoint - and our presence in ten offices across the Americas, Asia, the Middle East and Europe - enables us to take a broad view across the driving forces behind trends in our practice areas, not least in areas such as insurance, where market practice and the key themes and trends impacting on our work, can change from region to region, and within market sub-sectors. The following key themes come from our partners in Bermuda, Cayman, Guernsey, Hong Kong and Ireland.

Please get in touch with your usual Walkers contact or any of the partners listed below if you want to discuss further.

Bermuda: Covid-19, Climate Risk & Insurtech the Key Issues



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We continue to see real innovation in Bermuda in the key areas of Covid-19 remediation, climate risk finance and insurtech. With the continued growth of the ILS market and the raft of new heavyweight “class of 2021” insurers, Bermuda continues to offer significant re/insurance and retro capacity. The Global Pandemic will continue to be a significant claims issue, and insurers will work to tailor business interruption coverage to meet client needs better for future pandemics. Under pressure from investors - and with the leadership of government and industry groups - there is a tangible focus in Bermuda on bringing about net zero carbon emissions. Via enhanced ESG-focused client, risk and product selection initiatives, designed to compel clients to meet climate change targets, many insurers have created a dedicated Chief Climate Officer role.

Cayman: Jurisdiction of Choice For Reinsuring Risk from the USA



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The Cayman Islands insurance and reinsurance sector continues to be a jurisdiction of choice for entities reinsuring risk from the USA. Although health and property and casualty insurance are the largest risks covered by Cayman captives, Cayman increasingly is becoming the most popular jurisdiction to reinsure (or retrocede) life and life annuity risk. With Cayman being the key jurisdiction for asset managers for the establishment of their hedge funds and private equity funds, their familiarity with Cayman’s legal and regulatory environment is making Cayman the domicile of choice for asset managers acquiring life and life annuity blocks of risks. This familiarity coupled with Cayman’s options on regulatory capital provides for capital efficient structures. As a consequence of Cayman’s established Virtual Assets Service Provider legislation, sponsors are enquiring and establishing captives that combining the management of digital assets with insurance and reinsurance.



Guernsey: Increasing Lead As Captive Domicile



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In 2022 Guernsey is celebrating its 100th year of captives, having established the first ever captive insurance company in 1922. The Island remains the leading domicile in Europe for captives having maintained an overarching policy of partnership between industry, the regulator and the legislature to ensure that our regulations move as fast as the industry does. We have a fast-track pre-authorisation regime for cell captives, allowing a captive to be established and start writing business in as little as 48 hours. A new use of Guernsey captives over the last decade has been longevity risk transfer for pension schemes; we expect Guernsey to continue to build on its world leading position in pension scheme de-risking during 2022. Following on from the ground-breaking Lloyd's Central Fund cover and the Danish Red Cross volcanic eruption cat bond, we also expect to see more Guernsey insurance vehicles involved in innovative risk capital solutions and ESG initiatives using Guernsey's ESG framework for insurers. We expect all of these factors to lead to another busy year in the captives, ILS & reinsurance sectors in Guernsey.

Asia: Rise of Premium Insurance Financing



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In 2022 we expect to see an increase in the use of Master Trust structures in premium insurance financing. The Master Trust structure was historically set up as a quick way for high net worth individuals ("HNWI") who did not have a trust structure already set up for premium financing. Due to the travel restrictions in place and the fact that foreign law governed insurance policies cannot be written in the PRC, HNWI's there are utilising Master Trust structures to enable them access to Bermuda law governed insurance policies. The benefit of the Master Trust structure is that the policy is issued in Bermuda to a professional trust company, but the HNWI obtains the benefit of the policy. In recent months we have been advising several banks on structures and expect more banks to accept the Master Trust structure due to client demand.

Ireland: Another Huge Year For ILS & Catastrophe Bonds



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2021 was a record-breaking year for both catastrophe bonds and insurance-linked securities (ILS), setting a new annual record at \$20.3 billion – a 15% increase from the past record in 2020. We expect that 2022 will be another active year for the global market. Ireland remains firmly recognised as the long-standing European jurisdiction of choice for alternative risk transfer (including locating special purpose Solvency II vehicles for catastrophe bond transactions). Our team has advised on all Solvency II cat bonds structured through Ireland to date. Indeed, over the past year, we have advised on the first two multi-arrangement catastrophe bond programmes approved by the Central Bank of Ireland, and we expect sponsors will continue to establish Irish Solvency II compliant ILS transactions (whether standalone or multi-arrangement SPVs) over the year ahead.



WPS: Growth in Insurtech Corporations in Bermuda



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At Walkers Professional Services, our focus is on providing incorporation, corporate administrative services (which includes, inter alia, registered office and company secretarial), independent directors and experienced AML officers across the full range of sectors. In the last 12 months, Bermuda has seen growth in insurtech incorporations and we continue to see significant demand in the catastrophe bond market. These trends have encouraged us to continue to develop our offering, and we are now offering listing, corporate administrative and directorship services to catastrophe bond issuers. We also work closely with our market leading digital asset advisory team to provide a full complement of professional and AML support services to entities wishing to explore Bermuda's innovative framework for licensing of entities with digital asset licencing requirements. In addition, there is continued growth in the life and annuity sector in Bermuda, and we are actively setting up companies that will apply to be licensed as long-term (re)insurers.

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