



Jeremy Cox

EDITORS' NOTE *Jeremy Cox was appointed CEO of the BMA in 2010, taking on responsibility for supervision of the financial services sector in Bermuda. This thriving sector includes banks, trust companies, investment businesses, and insurance companies.*

What are the main regulatory challenges for the financial services industry?

The Bermuda Monetary Authority needs to make decisions based on what makes sense for our jurisdiction. At the same time, we are under pressure to secure global recognition and, ultimately, acceptance of our supervisory regime by other regulators.

The development of appropriate risk-based regulations for a broad range of entities is a sizeable challenge. Meeting it demands that we acquire a deep understanding of the nature, scale, and complexity of the companies we regulate, from trusts and mutual funds to banks, hedge funds, and global insurance companies. We also need to be intimately familiar with the global markets in which these entities operate. Only then can we focus on creating what I would call smart regulation that allows these businesses to compete successfully around the world. The regulatory model we have in Bermuda fosters the application of sensible supervision to what is essentially a wholesale international financial services industry.

That's not to say that we believe markets are inherently self-correcting and best left free to operate as they choose. The collapse of the global financial system in 2007 put governments and regulators under pressure to involve themselves ever more deeply in the affairs of the business world.

The economy around the world is starting to pick up. What role do you think regulation will play?

If the regulation is sensible, if it is smart regulation that enables businesses to flourish while protecting customers, if regulators can resist the temptation to overcapitalize financial service companies, then I think regulation will play a pivotal role in the continued recovery of the global economy.

Regulatory Leadership from Bermuda

An Interview with Jeremy Cox,
Chief Executive Officer, Bermuda Monetary Authority (BMA)

A vibrant and resilient financial services sector is absolutely vital to this recovery. Sustainable economic growth relies on a strong banking system and efficient credit intermediation between savers and investors.

Another major contributor to the health of the global economy is the insurance industry. Its ability to professionally assess, price, and transfer risk is vital to economic growth, investment and, ultimately, job creation. With total capital and surplus of \$191.6 billion and gross premium income of \$163 billion, Bermuda's insurance and reinsurance market is the world's third largest. We are the leading jurisdiction for Insurance Linked Securities (ILS) and other products emerging from the convergence of insurance and capital markets.

With M&A activity starting to increase in the risk industry, and with other domiciles expressing interest in starting their own ILS sectors, I have no doubt that our approach to regulation will remain a game changer for the BMA.

Can you cite examples of where regulation creates a level playing field?

Over the past few years, one of the primary goals of the BMA has been to ensure that companies trading from a Bermuda platform are not competitively disadvantaged outside Bermuda. A major objective for us has been to demonstrate that our insurance companies are held to regulatory standards equivalent to those of non-Bermudian regulators.

In the U.S., this work culminated in August 2015 with the signing of a memorandum of understanding (MoU) between the Bermuda Monetary Authority and the National Association of Insurance Commissioners (NAIC), the U.S. standard-setting and regulatory support organization.

The signing, which followed the award of Qualified Jurisdiction status on Bermuda's commercial insurance sector, was an exceptional vote of confidence in Bermuda and the BMA. The MoU will reduce the collateral requirements the U.S. applies to Bermuda reinsurers and facilitates efficiencies in the cross-border operations of our reinsurers when conducting business with the U.S. insurance market.

In Europe, the BMA's focus has been on ensuring that Bermuda insurers and reinsurers retain access to European Union (EU) markets when new harmonization rules come into effect in 2016 under the so-called Solvency II Directive. We have also been working to provide level playing field access to EU markets for Bermuda-based funds and fund managers under the Alternative Investment Fund Managers (AIFM) regime.

What examples do you have of the Bermuda insurance and reinsurance industry contributing to the global economy?

According to the Association of Bermuda Insurers and Reinsurers (ABIR), Bermuda is the largest supplier of catastrophe reinsurance to the U.S., contributing an estimated \$35 billion in catastrophe claims payments in the last 12 years. Payments have included \$2.5 billion in response to the World Trade Center tragedy, \$17 billion for Hurricane Katrina, and \$2 billion for tornado losses from 2010 to 2012. This amount now also includes an estimated \$3 billion in reported losses by Bermuda's reinsurers for claims in connection with Hurricane Sandy.

Bermuda's insurers and reinsurers employed 5,500 staff in the U.K. in 2013, 17,000 in the U.S., 1,500 in Bermuda, more than 9,000 in Europe, and nearly 39,000 worldwide.

More recently, in response to continued global demand for alternative risk transfer solutions, Bermuda has emerged as the premier jurisdiction for the issuance of Insurance Linked Securities. In 2014, locally domiciled Special Purpose Insurers issued \$7.7 billion of ILS structures, the bulk of the business made up of high-layer, catastrophe exposed reinsurance.

China is particularly active in this sector. One Chinese entity among the 2015 crop of SPI formations is Panda Re, a catastrophe bond issued by China Re to cover Chinese earthquake risk.

What are your goals for the BMA and how do these tie into Bermuda's growth plans?

The BMA has built an effective regulatory framework that has won international recognition.

Our goal now is to leverage our achievements across all financial services sectors. For example, we need to show that we can bring as much value to customers in the fund sector as we can in the insurance area. We must demonstrate our leadership in technology and innovation; we must have a voice in global standard-setting and contribute to improving the mechanism for developing globally-respected regulation that will work in Bermuda as well as in other markets.

Most importantly, we must continue to work to protect Bermuda's reputation as an innovative financial center, a place where ideas, capital, and expertise can be located, harnessed, and put to work.

Bermuda's national priority is job creation. The BMA's job is to help the island grow its employment numbers by maintaining in peak condition the finely-tuned financial services engine that drives our economy. Now is not the time to have the engine stall on us. ●