

Q&A: Coming to terms with Bermuda

Kirill Savrassov, senior vice-president and chief executive of Phoenix CRetro Reinsurance Company, discusses the blacklisting of Bermuda by central banks and regulators in the central and eastern Europe region

In terms of Phoenix CRetro Re business in the central and eastern Europe and Commonwealth of Independent State region, one important issue keeps raising its head – Bermuda

The general attitude of central banks and regulators in CEE is based on a misunderstanding of Bermuda. Despite being the first offshore territory to be taken off the blacklist and having bilateral agreements with a number of markets, many banks and regulators do not want insurers working with companies based in Bermuda. This eliminates the possibility of working with large reinsurers – 15 out of 40 of the global reinsurance groups are based there.

In our view, overall capacity contributions from CEE countries

could reach £100m (\$160.3m). Phoenix CRetro wants to provide the opportunity for the region to step into the catastrophe market. We have to do more than provide services; our role is to help persuade local regulators Bermuda is a good place to do business.

What is your main argument in favour of Bermuda to local regulators?

That Bermuda is recognised as a co-operative partner by the international community, including the US. Bermuda has more than 40 tax information exchange agreements (TIEAs) in place with trading partners around the world and the island is cited as a co-operative partner by the US Department of Justice, the State Department and the

Department of the Treasury. Bermuda is recognised as a leader on tax transparency issues by the Organisation for Economic Co-operation and Development (OECD), the Financial Action Task Force (FATF) and G20 nations. The island is also compliant with US and UK anti-money laundering and anti-terrorist financing requirements and does not have bank secrecy laws.

The Bermuda market fulfils a critical role in the global economy. Bermuda's economic model supports close to half a million jobs globally, creating and supporting jobs not only on the island itself but also in its onshore trading partners – including an estimated 350,000 jobs in the US and more than 100,000 in the UK. Bermuda is the single most important


property catastrophe market and the largest supplier of catastrophe reinsurance to US insurers; over the past 12 years, Bermuda insurers and reinsurers have contributed \$35bn in catastrophe claims payments to US clients.

What is the local CEE regulators' perception of Bermuda?

That Bermuda's tax system was created to "lure" foreign companies. It is difficult for them to understand the fact that while Bermuda has a different taxation system, one that does not levy income tax or corporate tax, that does not make it a tax haven. They fail to appreciate the island's tax system (which has been in place for more than a century) was made to suit the needs of our

jurisdiction and built on taxing imports. This consumption-based, duty tax system provides revenue for Bermuda's government to support the island's infrastructure. Unlike larger countries, Bermuda does not have the burden of large-scale infrastructure, healthcare and social insurance systems that require support via income or corporate taxes.

The island does not levy income tax or corporate taxes, but instead imposes payroll tax, import duties and custom duties on goods and services under its consumption-based approach. Custom and payroll duties form a major component of the island's tax revenues. Bermuda government revenues total an estimated 16% of GDP. By comparison, US federal tax revenues total 19% of GDP. ■



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