

FIRST CAPTIVE MANAGER TO ACHIEVE CHARTERED INSURER STATUS

Willis is delighted to announce that it has been awarded the prestigious Chartered Insurers title by the Chartered Insurance Institute (CII), making it only the fourth company to be awarded the title, and the only captive insurance manager to do so.

The CII awards the title only to those who meet the strict criteria, and research shows that consumers recognise the value of the Chartered marque as an indication of merit, capability and commitment to ethical practice.

The award reinforces Guernsey's position as a first class international insurance centre, and demonstrates that Willis has met the highest standards of professionalism and has committed to raising standards of knowledge, capability and ethical practice.

With a total of six Associates who personally hold the Chartered Insurer status, clients can be sure that they will have access to the best advice and service.

GUERNSEY PROVES RESOLUTE IN UNCERTAIN TIMES

By Peter Niven, Chief Executive of Guernsey Finance

Uncertainty is proving a dominant theme as the world continues to pick itself up from the global financial crisis and economic downturn. Guernsey cannot be completely immune from these worldwide issues, although the Island has to a large extent remained resilient in the face of the pressures. There is still some uncertainty over issues such as corporate tax rates but we are taking all steps possible to ensure that the Island retains its position as a leading international finance centre.

Resilience

Guernsey has been affected by the global economic downturn but we have perhaps fared better than some of our competitors. A great strength of ours is the breadth of finance business that is carried out in the Island. So, while business flows within one or two sectors may be adversely impacted, others may see an upswing or identify new prospects. Now we are seeing greater stability across the sectors, including steady – if not spectacular – growth in business flows.

Today, Guernsey has a banking sector comprising 40 licensed institutions with total deposits of more than £115 billion; a captive insurance industry that is the largest in Europe and fourth in the world; an investment funds sector with total business valued in excess of £240 billion; an asset management and stockbroking sector with assets of more than £70 billion; and over 150 licensed fiduciary providers with more than £300 billion worth of client assets in trust and company structures.

Diversification

Guernsey is also developing increased specialisation within niche products and services. For example, during the last decade, Guernsey has gained a reputation for excellence in structuring and administering private equity funds. More recently, Guernsey has also become the jurisdiction of choice for Qualifying Recognised Overseas Pensions Schemes (QROPS) and Qualifying Non-UK Pension Schemes (QNUPS). We also believe there is great potential in other niche areas such as film finance and intellectual property (IP) as they develop over the coming years.

What we are also seeing is that our practitioners are increasingly attracting clients from further afield. The traditional sources of the UK and Europe are being supplemented by new business from India, Russia, the Middle East and the Far East. We are working with the Guernsey government, regulator and industry to build key relationships and raise awareness of our offering in these regions so that we have access to a further pool of potential new business flows in the future.

Reputation

This has led to Guernsey's Government recently signing of a Memorandum of Understanding (MoU) with the Shanghai Municipal Financial Services Office and a Tax Information Exchange Agreement (TIEA) with the Chinese central government tax authorities. The TIEA is the 19th such agreement that the Island has signed with another jurisdiction and reinforces the fact that we adopt international standards of tax transparency. This was highlighted when we were within the first wave of territories placed on the OECD 'white list' that was published at the G20 summit in April 2009.

The Guernsey Government has also announced plans to give financial institutions a window from 1st January 2011 to 1st July 2011 for moving to automatic exchange of information as part of equivalent measures the Island adopts in relation to the EU Savings Tax Directive (EUSTD). In addition, Guernsey was assessed by the IMF in the first half of 2010 and there is every indication that the final report due out soon will be extremely positive for the Island.



Guernsey has during its 50 years as a finance centre and particularly during the last decade or so faced scrutiny from the UK Government (the 1997 Edwards Report and the more recent Foot Report), the EU, the IMF, FATF and the OECD/G20. The Island has always cooperated in these processes and on each occasion been placed within the premier division of international finance centres.

Resolute

Guernsey never rests on its laurels however but is always looking to the future. We believe the final agreement on the Alternative Investment Fund Managers (AIFM) Directive provides the Island with some real opportunities and during 2011 we will be delivering very strong and compelling messages to our introducer markets, most notably in London. We still face some uncertainty regarding corporate tax rates, a revised EUSTD and Solvency II but we have been

challenged many times in the past and always proved more than capable of negotiating and adapting to survive. Now the Island has stepped up its representation within the corridors of power in both the UK and also the EU, where we have joined forces with Jersey to establish a Channel Islands Brussels Office (CIBO). Guernsey is doing everything it can to ensure that the Island remains attractive to clients as a leading international finance centre for many years to come.



Peter Niven is the Chief Executive of Guernsey Finance – the promotional agency for the Island's finance industry.

TWO MAJOR EVENTS FOR THE CAPTIVE CALENDAR – PAST AND FUTURE

More than 600 captive owners, captive managers, regulators, insurers and service providers representing over 12 different countries descended on Luxembourg in October for the European Captive Forum 2010, an opportunity to debate the key issues facing the captive industry.

The two day conference was opened on a cautious note by Rudolf Flunger, Head of Insurance and Specialty at Swiss Re. Armed with economic data and key insurance indicators, Flunger warned the audience that the current financial environment may throw the spotlight upon capital hungry CEOs who, he anticipated, would be seeking to challenge any additional capital burdens imposed on their captives. This, he noted, was a particular issue in light of potential EU solvency capital increases and the administration burden expected for many under Solvency II (SII).

Perhaps unsurprisingly, the vast majority of discussions centered on the issue of SII and what it will mean for the captive industry. Anticipating this appetite, the conference devoted more than 40 per cent of the two-day agenda to SII-linked lectures and panel debates, a wise move given that almost every Q&A session was dominated by the issue.

The SII sessions covered topics such as an understanding of the Pillars, the impact of SII, theorizing on its application to Protected Cell Companies and the anticipated threat to offshore domiciles. Further debate tackled the issues of best practice, structured reinsurance alternatives, data considerations, QIS5 results, compliance and structural options to improve margins.

But perhaps boasting the largest audience of the two days, the main auditorium hosted an open

panel discussion on SII between the secretary general of CEIOPS, the head of the Insurance and Pensions and Architect of SII at the European Commission, Karel van Hulle; and the Luxembourg insurance regulator. Van Hulle led the majority of discussions, stating that attempts to strike a balance between the often misaligned interests of the insurance and captive community had been crucial. He was additionally keen to reiterate that a basic and key element of SII is to fully understand the risks that a company manages and that, whilst there are likely to be side effects that could potentially change captive behaviour, one positive result may be improved risk and capital management.

With SII nearing the end of its journey, Van Hulle stated that the final calibration will continue to be subject to alteration as it evolves, with the outcome of the QIS5 exercise, expected to be summarized and published in March 2011. The decisions arising from this analysis - expected by June 2011 – will be published following a period of discussion with the key stakeholders.

Challenged on the issue of equivalence, the panel emphasised the point that all insurers are free to accept or deny insurance from outside the EU, but that CEIOPS intended providing a list of countries which it considered to be initial candidates for equivalent status – the first wave expected to comprise Japan, Switzerland and Bermuda but, notably, excluding Guernsey at this stage.

Debate on the issues of SII and equivalence are likely to be continued at the forthcoming Captive Live 2011 event to be held between the 31st of January and 1st February at The Brewery in London. The event, sponsored by Willis, will cover a range of informative and thought-provoking debates on such issues as:

- Directors and Officers Liability;
- Enterprise Risk Management;
- Industry Loss Warranties and Insurance linked securities;
- Employee benefits;
- Tax; and
- Solvency II; equivalence and proportionality

Captive Live is expected to be one of the keenest attended captive events of 2011 and is free to enter. To register your interest, please log on at www.captiveliveuk.com.

WILLIS ONLINE

Willis Online (WOL) is a communication platform which has been developed in partnership with Microsoft to deliver to our clients and carriers a personalised website which allows for secure and efficient communication and the delivery of information from around the world directly to your PC.

Effective communication is vital for the smooth running of a global business. Willis Online can aid this process by providing Willis clients, their Willis service team members and other selected parties with a customized and secure website for collaboration and information sharing.

Based around Microsoft technology, the system integrates very well with Microsoft Office and allows data to be transferred easily between the website and your email/company network.



With the emphasis on simplicity, every client of Willis Online has their own site built around a common set of tools (e.g. A client library, a calendar, a shared

documents area, a list of actions, policy summaries, and other relevant links), and we can give you access to all services or just those applicable to you.

It is our view that WOL will, (for the majority of our clients) significantly enhance the value of the services we currently provide as well as creating some efficiencies in the way our clients communicate with us.

A project is currently underway within the Willis International Captive Practice with the aim of delivering WOL to those clients who we perceive will benefit from using this platform. If you are interested in WOL and would like to find out more, please contact your account management team who will be able to answer your questions.

MEET THE TEAM



As a new feature in the Guernsey Update, we will be briefly introducing a member of the Willis team beginning in this edition with **Karlene Wright;**

So, what is your role with Willis?

I'm one of three Team Leaders, an Account Director and Finance Director for Willis Management (Guernsey) Limited.

When did you join Willis, and why?

I initially joined in 1998 on a short-term contract but ending up staying! At the time, I had been working with KPMG but knew Willis as an audit client. I also knew Richard Falla, one of Willis' Directors at the time,, through hockey and he persuaded me it would be a good career move!

Are you from Guernsey originally?

I was actually born in Scotland but my father was offered a job as teacher at Elizabeth College, and so we moved to Guernsey in 1973.

What do you do when you're not working?

With a 10 year old son and 7 year old daughter, there is always plenty to do! I enjoy skiing, walking, travel and photography although my days of hockey are now sadly in the past!

What's the best thing about life in Guernsey?

The island is a wonderful place to bring up a young family, with a safe social environment and the emphasis on outdoor living.

What, in your opinion, is the most important aspect of taking good care of your clients?

Without a doubt, communication is the most important thing. Talking regularly helps me to fully understand my clients business and to ensure that we stay ahead of their needs and expectations.

What do you think the future holds for the captive industry in Guernsey?

Well, there are certainly challenges ahead, such as the corporate tax review and the matter of Solvency II equivalence, but Guernsey will remain, I am convinced, at the forefront of the captive industry. In my view, the outlook remains extremely positive!

Did you make a New Year's resolution?

Just the usual healthy resolutions to eat better and exercise more!

And finally, do you have any interesting anecdotes about your time with Willis?

Possibly, but they're not for publishing....!

WILLIS – LEADING THE WAY

As part of Willis' continuing goal to bring new innovation and ideas to the captive market, we are delighted to announce a new event for the Captive calendar in 2011.

The Willis Thought Leadership Event 2011 will be held in the Auditorium at the Willis office in Lime Street, London on Wednesday, the 23rd of March 2011. Hosted by Malcolm Cutts-Watson, Chairman of Willis' International Captive Practice, the event intends provoking stimulating debate on a number of issues including:

- Communicating with your Board – how to help your Board understand the true value of your captive
- Employee Benefits – the next big thing
- Corporate responsibility, reputational risk and corporate governance

With a panel of leading experts and a creative, interactive programme of presentation, discussion and debate, the Thought Leadership Event is intended to bring some fresh thinking to the captive market.

The event is free to attend, but places are limited so, to ensure your reservation, please contact your Account Director or email Marie Gustafsson at gustafssonm@willis.com for more details.

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We **communicate** with you to **understand** your business, providing the **expertise** and **creativity** to **develop** and **deliver** excellent captive **solutions**, and we do so with **passion**.