

Bermuda Captive Insight Report

2023 Year-end Data





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Overview

The Bermuda captive market continues to thrive, showing impressive growth, expanding global relevance and demonstrating real staying power. With decades of experience behind it, Bermuda remains a go-to destination for organisations of all sizes looking to strengthen their risk management strategies. More and more, companies exploring smarter ways to manage risk are discovering captives as a surprisingly effective solution. They are like hidden gems, quietly helping organisations navigate cost pressures and capacity constraints while keeping risk firmly in check.

This is a mature market that has weathered industry cycles, geopolitical shifts and strategic pivots over the years. It is clear that Bermuda's captive regime is not just holding steady; it is built to last.

Recognising the continued importance of captives to an organisation's risk management, the Bermuda Monetary Authority (Authority or BMA) remains deeply committed to supporting the sector's success.

The BMA prides itself on being a pragmatic, accessible regulator that encourages responsible innovation while maintaining a risk-based and proportionate approach. The regulatory framework is the BMA's reputational backbone, offering stability and consistency that market participants can count on.

The BMA continues to draw a clear line between Bermuda's commercial and captive supervisory regimes. While proud of the credibility the captive regime has earned, the Authority stays focused on its core principles. It ensures that every registered entity has a sound business plan, strong capital backing and the right expertise to succeed long term.

From its vantage point, the BMA has gained valuable insight into the challenges facing the industry. Market participants have expressed appreciation for the Authority's proportionate approach, which evolves with the industry while still allowing room for responsible innovation. Captives offer a unique platform for developing tailored risk solutions that meet bespoke needs.

The BMA believes that strong relationships within Bermuda's captive ecosystem are key to advancing the regime in a thoughtful, informed way. It is committed to maintaining a regulatory environment that supports creativity, backed by the appropriate guardrails. As the market evolves, the Authority continues to assess whether the regime remains fit for purpose and makes adjustments where needed.

The Authority has recently introduced a new supervisory policy allowing captive insurers to incorporate recognised stablecoins into their operations. This opens new avenues for capitalisation and diversification while reinforcing sound risk management practices.

Captives interested in this policy should consult with their service providers and submit an application to update their business plans. Each proposal will be reviewed on its own merits to ensure alignment with the policy.

Internally, the BMA is making strides to improve efficiency through automation. Progress has already been made, and more enhancements are on the way, benefitting both the Authority and the market. The BMA is also exploring upgrades to its electronic statutory financial return system and related programmes. By streamlining reviews and catching issues early, the Authority can respond faster and more effectively.

Many in the market are already familiar with Submit, the new application submission platform for commercial entities. The BMA is now considering its potential use in the limited-purpose sector and will keep stakeholders updated as that work progresses.

Artificial Intelligence

The BMA has learnt that the Bermuda captive market is increasingly leveraging Artificial Intelligence (AI) to enhance operational efficiency, risk management and strategic decision-making. AI is being used to automate claims processing, detect and minimise fraud and forecast future risks through predictive analytics. Captives also benefit from AI-driven data visualisation tools that can concisely communicate complex risk insights for boards and regulators. However, using AI also introduces new challenges, such as algorithmic bias, increased cybersecurity exposure and the need for robust oversight. With the introduction of these new considerations, it is essential for captive boards to understand and manage these technologies effectively. The Authority recently published a Discussion Paper entitled *The Responsible Use of Artificial Intelligence in Bermuda's Financial Services Sector*. This paper aligns with the Authority's commitment to encouraging the responsible use of AI to advance the capabilities of organisations while recognising the challenges that co-exist with these advancements in terms of the reliability of the data sourced. The market can expect more guidance to follow from the Authority as this topic evolves.

Segregated Account Companies

The BMA continues to observe significant growth in the captive market's Segregated Accounts Company (SAC) sector with a noticeable increase in the number of registered cells. Conversely, the Authority has seen a consistent flow of new captive registration applications from those transitioning from an established cell structure (both in Bermuda and overseas) to a standalone captive.

The Authority's consultation process for a Guidance Note — designed to clarify its oversight approach and requirements for the SAC sector — is nearing completion after extensive engagement with the market. The BMA plans to release the finalised Guidance Note in the coming weeks. One significant update is that the SAC schedule will now fall within the scope of audit work for SAC companies in order to promote consistent and transparent reporting between the SAC sector and traditional captive entities. Recognising the adjustments required to implement this expanded scope, the Authority is extending the transition period to give companies sufficient time to comply. The Authority has made these updates to support the continued growth and integrity of the segregated accounts sector.

Bermuda Captive Data and Statistics

The BMA conducted an in-depth review of the Bermuda captive market using aggregated electronic reporting data submitted in Bermuda Dollar (BD\$)/United States Dollar (US\$) amounts by the industry for 2023. This in-depth review identified notable trends and included both a granular, company-level review as well as a holistic overview of market activity. The remainder of this report highlights market results from the 2023 year-end statutory financial returns submitted through the Electronic Statutory Financial Return (E-SFR) system. It focuses on general business captive insurers (Class 1, Class 2 and Class 3) and long-term business captive insurers (Class A and Class B).

This report presents data based on four key approaches:

- Total business written: segmented by geographic regions, lines of business and primary industry of the parent companies
- Utilisation of Bermuda captives: segmented by industry, premium shares and industry profiles within the market
- Balance sheet composition: segmented by assets, liabilities and investment allocations
- Profitability indicators

Statistics on the composition of Bermuda's captive market:

- 67% of the market has a 'pure captive' company structure
- 71% of the risk assumed by the market originates from North America and Bermuda
- 14% of insurers are in run-off
- 15% of insurers have segregated accounts

Captive Structures

Business written across Bermuda's captive market structures is comprised of related business (63%), unrelated business (31%) and connected business (6%). The overall distribution of captive structures remains relatively unchanged with pure captives representing 67% of the total.

Table 1 — Types of Company Structures (%)

Type	2023	2022	2021
Pure captive	67%	65%	65%
Other insurer/reinsurer	16%	17%	17%
Rent-a-captive	8%	8%	7%
Group captive	6%	6%	6%
Association captive	3%	3%	3%
Agency captive	1%	1%	1%
Total	100%	100%	100%

Percentages may not total 100% due to rounding.

Definition of captive structures:

- **Pure captive:** a company writing only the risks of its parent and/or affiliates
- **Other insurer/reinsurer:** a company carrying on insurance business that does not fit into any of the above categories
- **Rent-a-captive:** a company where the captive insures the policyholder without the policyholder having ownership or at least without voting control. The captive facility 'rents' its capital, surplus and licence to the policyholders and usually provides administrative services and reinsurance and/or is an admitted fronting insurance company. Usually, a rent-a-captive will be structured as a segregated cell or separate account company, which provides legal segregation for each insurance programme from the liabilities of every other programme and those of the rent-a-captive itself
- **Group captive:** a company established by a group of companies with similar businesses or exposures that writes only the risks of its owners and/or affiliates
- **Association captive:** a company that insures the risks of the member organisations of an association and that may also insure the risks of affiliated companies of the member organisations and the risks of the association itself
- **Agency captive:** a company that is organised by brokers or agencies that retains partial or predominant ownership of the captive and offers it as a facility for coverage to their clients

Geography of Risk Assumption

In 2023, the Bermuda captive market continued its substantial presence, writing \$31 billion in gross premium written. As in prior years, most of the risk assumed by Bermuda captives originated in North America and Bermuda (71%) followed by Europe (8%).

Table 2 — Geography of Risk Assumption (%)

Regions	2023	2022	2021
North America and Bermuda	71%	70%	70%
Europe	8%	6%	7%
United Kingdom	5%	7%	6%
Asia (excluding Japan)	5%	5%	4%
Africa and the Middle East	4%	3%	3%
Central and South America, Caribbean	3%	3%	3%
Japan	3%	4%	5%
Australia and New Zealand	1%	2%	2%

Percentages may not total 100% due to rounding.

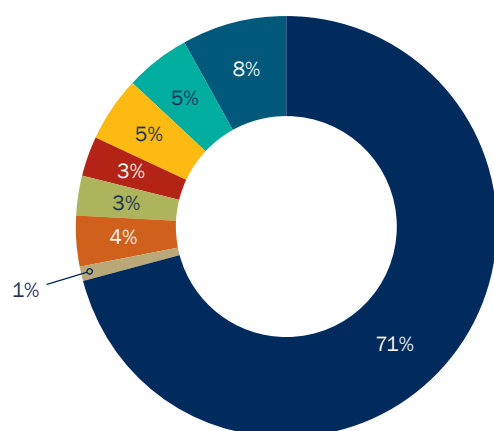
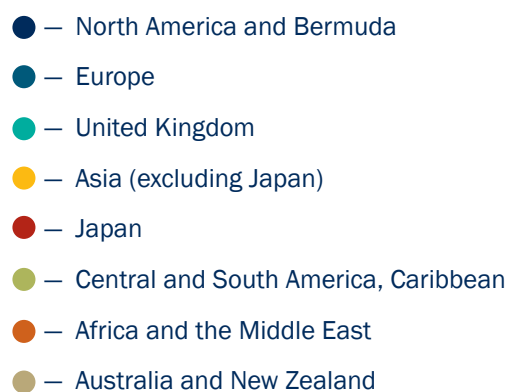


Chart 1 – Premiums by Location



Industry Utilisation | Demographics

The Bermuda captive market continues to diversify further with organisations across industries utilising captives as a solution.

The demographics of the parent industries of leading captives have remained constant over the years. Financial institutions led with 14% of the market. The automotive, manufacturing and retail sector as well as the shipping, transport and storage sector followed, each having 12% of the market.

Table 3 — Total Industry of Parent Company (%)

Industry	2023	2022	2021
Financial institutions	14%	14%	15%
Automotive, manufacturing and retail	12%	12%	12%
Shipping, transport and storage	12%	12%	12%
Energy, power and utilities	9%	9%	9%
Healthcare	9%	9%	9%
Professional services	9%	9%	9%
Administrative and support services	6%	6%	6%
Wholesale and retail	6%	6%	6%
Construction	5%	5%	5%
Technology and telecoms	4%	3%	3%
Agriculture, mining, forestry and fishing	3%	3%	3%
Chemical and pharmaceutical	3%	4%	4%
Charities and non-profit organisations	2%	2%	2%
Hospitality	2%	2%	2%
Education	1%	1%	1%
Leisure	1%	1%	<1%
Media and gaming	1%	1%	1%
Science and research	1%	1%	1%
Government or public sector	<1%	<1%	<1%
Total	100%	100%	100%

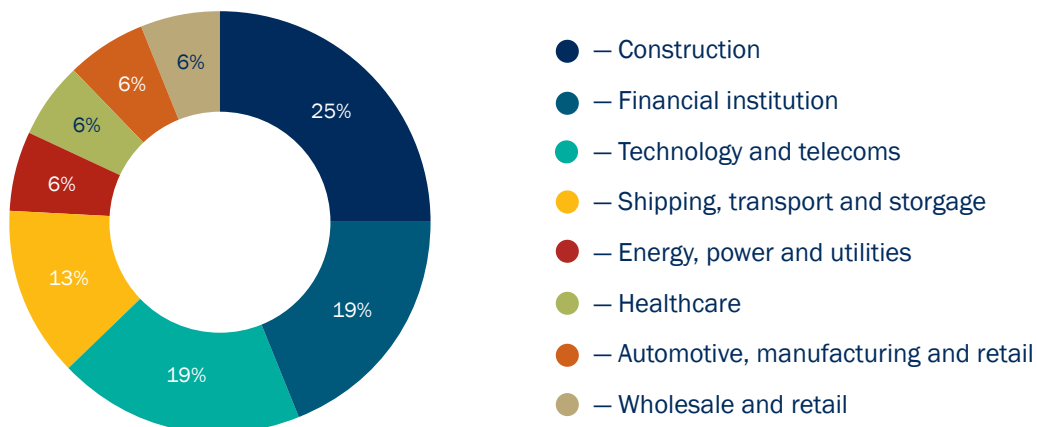
Percentages may not total 100% due to rounding.

Industry of Parent for 2023 New Formations

In 2023, 16 new captives were formed in Bermuda. The leading industry sector of the parent company was construction (25%); followed by financial institutions (19%); technology and telecoms (19%); and shipping, transport and storage (13%). The sectors relating to automotive, manufacturing and retail; energy, power and utilities; healthcare; and wholesale and retail individually represented 6%. Of the new formations, 14 out of the 16 were classified as pure captives (i.e., writing only the risks of the parent company and/or affiliates), while; both the insurer/reinsurer and rent-a-captive classifications each had one new captive registered.

Comparatively, in 2022, 18 new captives were formed with the energy, power and utilities sector leading (26%), followed by healthcare (17%). The automotive, manufacturing and retail; construction; and shipping, transport and storage sectors individually represented 11%. Of the new formations, 14 out of the 18 were classified as pure captives, three as an insurer/reinsurer, and one as an agency captive.

Chart 2 — New Formations by Industry of Parent Company



Percentages may not total 100% due to rounding.

Industry Utilisation | Premium Share

In 2023, the financial institutions industry continues to lead with a 27% share.

Table 4 – Total Premiums by Industry of Parent (% share)

Industry	2023	2022	2023
Financial institutions	27%	27%	24%
Energy, power and utilities	13%	13%	13%
Shipping, transport and storage	13%	13%	12%
Administrative and support services	11%	11%	12%
Professional services	9%	9%	8%
Technology and telecoms	8%	8%	10%
Wholesale and retail	4%	5%	4%
Automotive, manufacturing and retail	4%	4%	5%
Healthcare	3%	3%	4%
Agriculture, mining, forestry and fishing	2%	2%	3%
Construction	2%	2%	2%
Science and research	2%	2%	1%
Chemical and pharmaceutical	1%	1%	1%
Education	1%	<1%	<1%
Hospitality	1%	1%	<1%
Charities and non-profit organisations	<1%	<1%	<1%
Government or public sector	<1%	<1%	<1%
Leisure	<1%	<1%	<1%
Media and gaming	<1%	<1%	<1%
Total	100%	100%	100%

Percentages may not total 100% due to rounding.

General Lines of Business | Property/Short-tail Lines

The provision of short-tail coverages represented 65% of all business written by Bermuda captives in 2023 versus 66% in 2022. The main lines in 2023 include:

- Property and casualty catastrophe (45%)
- Warranty and residual value (19%)
- Property damage and business interruption (13%)
- Marine — Protection and Indemnity (P&I), cargo, hull and liability and war (12%)

While immaterial to the overall market, the greatest increase over the prior year reported was in the 'mortgage' line of business, which saw an approximate increase of 72% in premiums written. Additionally, property retrocession continues to see steady growth year-on-year.

Cyber continues to feature with considerable growth in premium written year-on-year via new registrations and new cyber writers within existing captives. While it will remain a significantly smaller share of the market for many years, the growth trajectory continues with a 22% increase in premiums written over the prior year.

We expect market changes will continue to result in the placement of new captive programmes, affording the parent organisations flexibility on price and coverage.

Table 5 — Short-tail Lines of Business (%)

Line of Business	2023	2022	2021
Property and casualty catastrophe	45%	45%	49%
Warranty and residual value	19%	18%	19%
Property damage and business interruption	13%	15%	11%
Marine — P&I, cargo, hull and liability, war	12%	13%	10%
Energy — onshore and offshore	4%	3%	4%
Aviation — hull, liability and war	3%	2%	2%
Property retrocession	3%	2%	2%
Agriculture	1%	1%	2%
Cyber risk	1%	1%	1%
Construction	<1%	<1%	<1%
Environmental risk	<1%	<1%	<1%
Mortgage	<1%	<1%	<1%
Terrorism	<1%	<1%	<1%
Total property premium	100%	100%	100%

Percentages may not total 100% due to rounding.

General Lines of Business | Casualty/Long-tail Lines

In 2023, casualty long-tail coverages accounted for 35% of all business written, a minor increase over 2022.

The primary long-tail lines for 2023 were:

- General liability – public, products, umbrella and product recall (29%)
- Workers' compensation and employers' liability (24%)
- Professional liability – professional indemnity, Directors and Officers (D&O), bankers blanket and Errors and Omissions (E&O) (17%)
- Accident and health, travel, personal accident (12%)

Table 6 – Long-tail Lines of Business (%)

Line of Business	2023	2022	2021
General liability – public, products, umbrella, product recall	29%	30%	30%
Workers' compensation/employers' liability	24%	23%	22%
Professional liability – professional indemnity, D&O, bankers' blanket, E&O	17%	18%	20%
Accident and health, travel, personal accident	12%	13%	12%
Motor – Automobile Physical Damage (APD) and liability	11%	10%	11%
Medical malpractice	4%	2%	3%
Credit/surety	3%	3%	2%
Crime and fidelity	<1%	1%	1%
Incidental long-term business (not to be included if a composite licence)	<1%	<1%	<1%
Political risk	<1%	<1%	<1%
Finite reinsurance	0%	<1%	<1%
Total casualty premium	100%	100%	100%

Percentages may not total 100% due to rounding.

Long-Term Lines of Business

The Authority's multi-class licence system is designed to group companies according to their structure. In this regard, the Authority groups its long-term companies into captive and commercial with Classes A and B encompassing the first-party risks of its owners.

Among our Class A and B companies, 'Longevity' maintains its place as the leading line of business with 63% of the market share. The table below outlines the lines of business underwritten in the two captive long-term classes underwriting related party exposures.

Table 7 — Long-term Lines of Business (%)

Line of Business	2023	2022	2021
Longevity	63%	66%	64%
Group life	16%	14%	12%
Group disability	14%	13%	12%
Group health	4%	4%	1%
Riders	2%	3%	3%
Deferred annuities	1%	-1%	5%
Mortality	1%	1%	1%
Critical illness	<1%	<1%	<1%
Disability income claims in payment	<1%	<1%	0%
Total long-term premium	100%	100%	100%

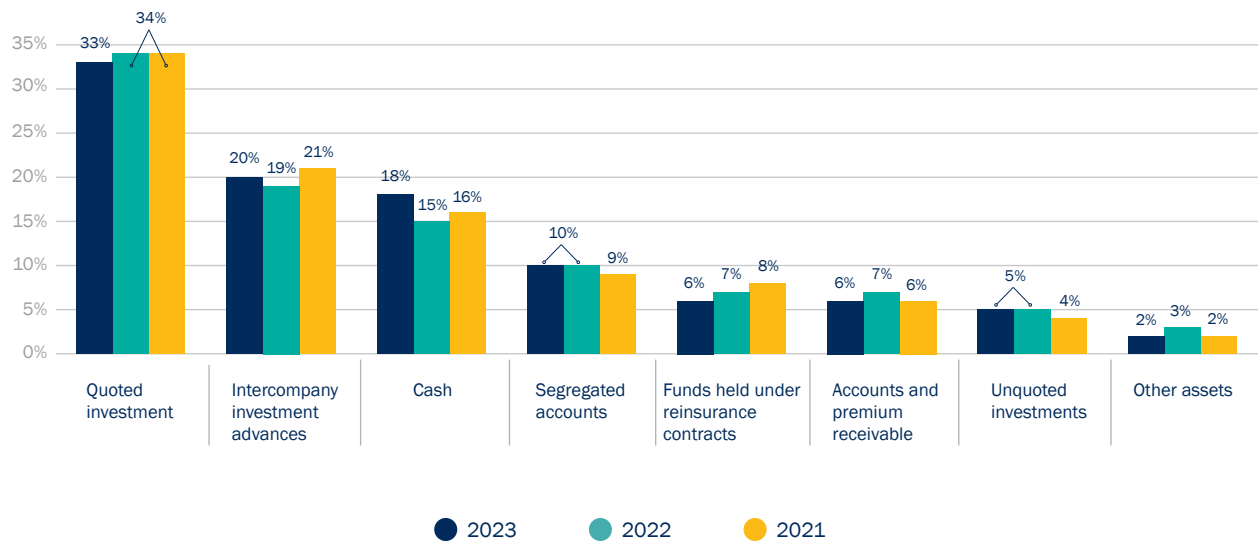
Percentages may not total 100% due to rounding.

Assets | Composition

The quality and strength of the Bermuda captives' asset allocation remain robust. The 'Quoted investments' category leads, followed by 'Inter-company investment advances' and 'Cash', which collectively account for approximately 71% of the total assets.

The full asset composition for the market is shown in Chart 3 below.

Chart 3 — Asset Composition (year-on-year)



Bermuda captives' investments are primarily in investment-grade securities, as highlighted below in Table 8, which reflects that 66% of the captive markets' quoted investments were held in bonds.

Table 8 — Quoted Investment Composition (%)

Investment Type	2023	2022	2021
Bonds	66%	67%	65%
Equities	28%	27%	27%
Other	6%	6%	8%
Total	100%	100%	100%

Percentages may not total 100% due to rounding.

As further evidence of the strength in assets, almost 85% of captives' quoted and unquoted bonds and debentures are rated A or better by A.M. Best (or equivalent), as shown below in Table 9.

Table 9 — Investments by Rating (%)

	2023	2022	2021
Rating AAA	34%	37%	31%
Rating AA	36%	34%	33%
Rating A	15%	15%	18%
Rating BBB	7%	7%	9%
Rating BB	1%	2%	3%
Rating B	1%	1%	1%
Rating Below CCC	6%	4%	5%
Total	100%	100%	100%

Percentages may not total 100% due to rounding.

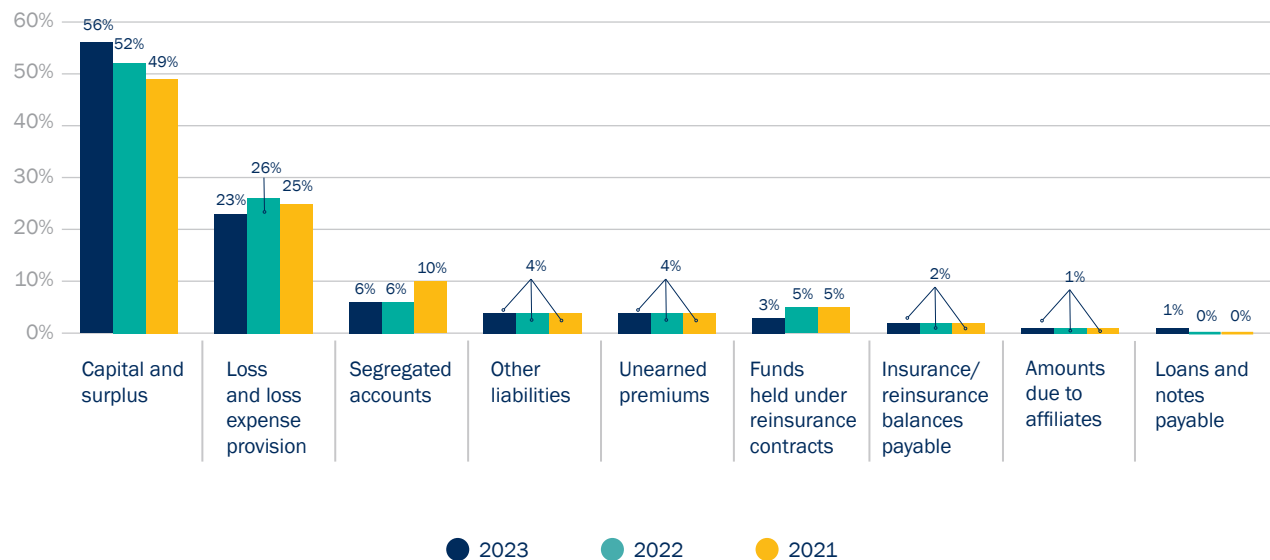
Liabilities and Capital and Surplus

The Bermuda captive market remains well positioned to cover claim payments as losses occur.

The Authority noted that the loss and loss expense and unearned premiums categories, together, totalled \$41 billion (27% of all liabilities), the capital and surplus category totalled over \$82 billion and minimal balances due (4% of liabilities), for the period.

The full liability composition for the market is shown in Chart 4 below.

Chart 4 – Capital and Surplus + Liability Composition (year-on-year)



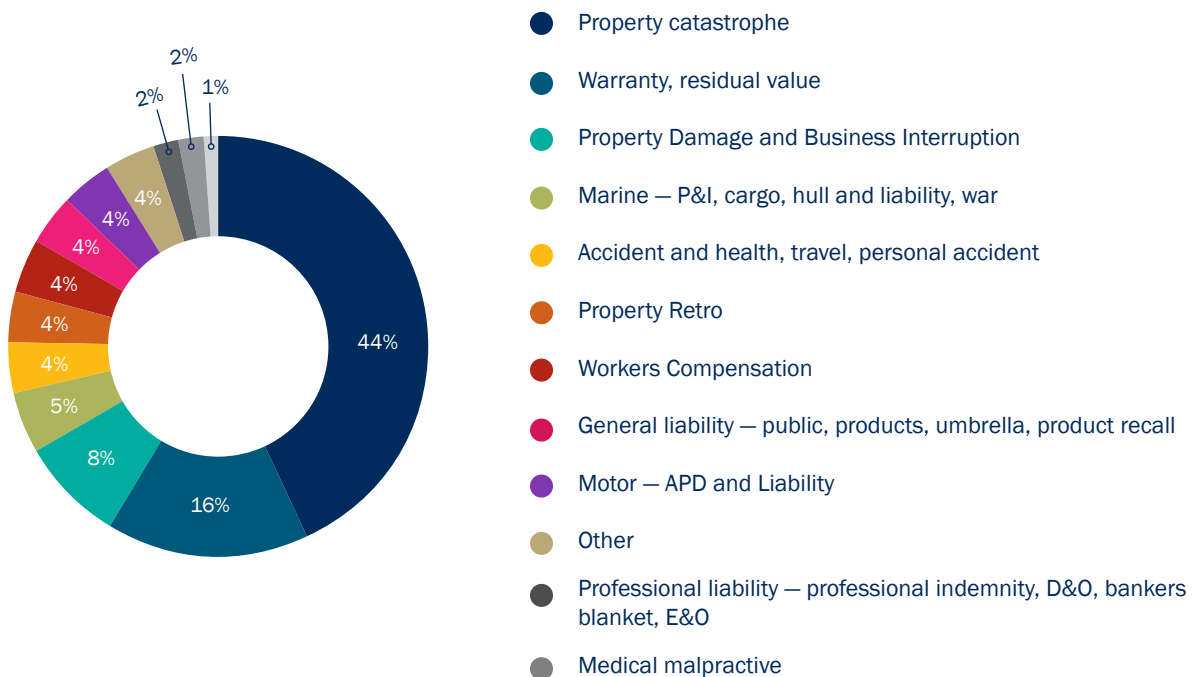
Segregated Accounts

In 2023, 15% of the companies registered in the Bermuda captive market operated as Segregated Accounts Companies (SAC) or Incorporated Segregated Accounts Companies (ISAC). The data shows the total segregated accounts and incorporated segregated accounts are in excess of 2,000, which is an 8.6% increase over 2022. Although SACs are spread across all captive classes, they are predominantly registered in Class 3.

SAC and ISAC Premium Details

SAC and ISAC premiums accounted for approximately 40% of the total captive premium. Of this, 89% can be attributed to business written by the Class 3 companies. The largest lines of business written within the SACs include property catastrophe (44%) and warranty, residual value (16%). Of the total premium, approximately 89% was written as reinsurance with 7% written directly. The remaining 4% write both direct and reinsurance business.

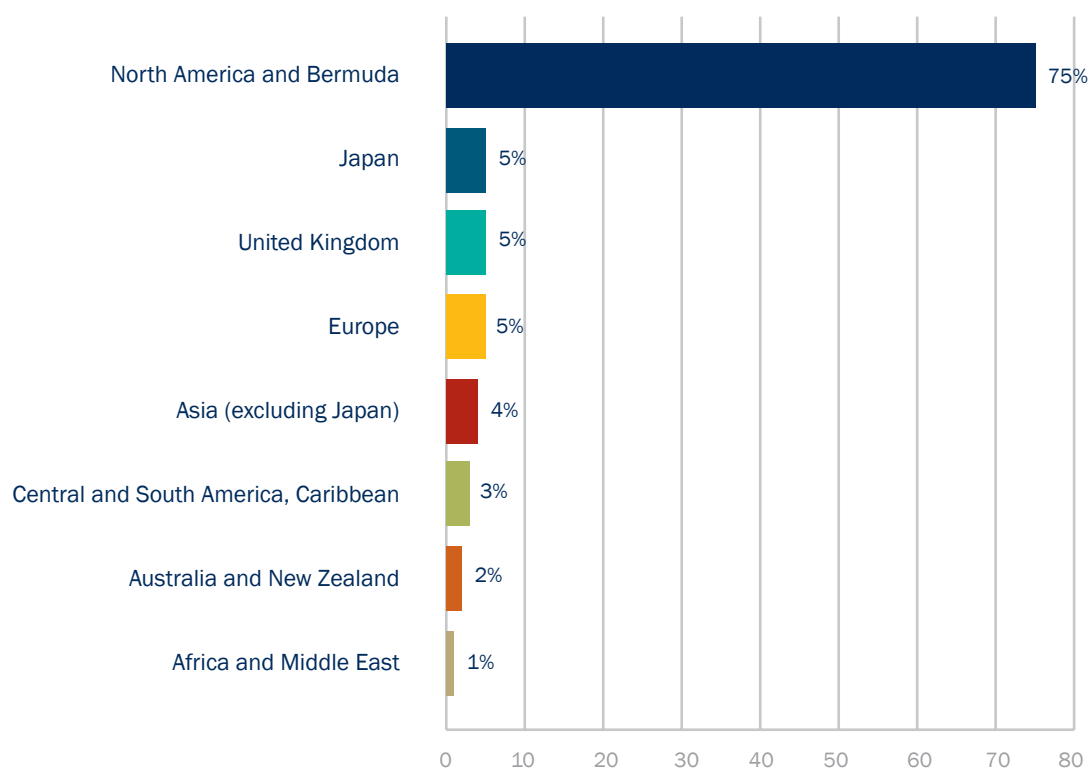
Chart 5 — SAC Premium by Line of Business (%)



Percentages may not total 100% due to rounding.

SAC assets remain strong with 74% held as cash or quoted investments. SAC liabilities include 42% as loss and loss expense provision. In the geographical distribution of premiums written, North America and Bermuda, together, account for 75%. Japan, Europe and the United Kingdom account for 5% each.

Chart 6 — SAC Premium by Jurisdiction (%)



Percentages may not total 100% due to rounding.



Alternative Capital

The reporting section on Alternative Capital facilitates the collection of key data, such as the insurer structure, alternative capital type and contract details summary. From this report, the Authority ascertained that close to 2% of captives utilise alternative capital structures to manage loss exposures in their business operations with nearly half covering risks in the US. Captives utilised alternative capital structures primarily to cover exposure related to property and casualty catastrophes, reflecting a similar usage philosophy as is in the commercial insurance market at a similar participation level — as seen in the table below.

Table 10 — Alternative Capital Structures Lines of Business (%)

Utilisation of Alternative Capital by Line of Business	2023
Property and casualty catastrophe	96%
Agriculture	4%
Total	100%

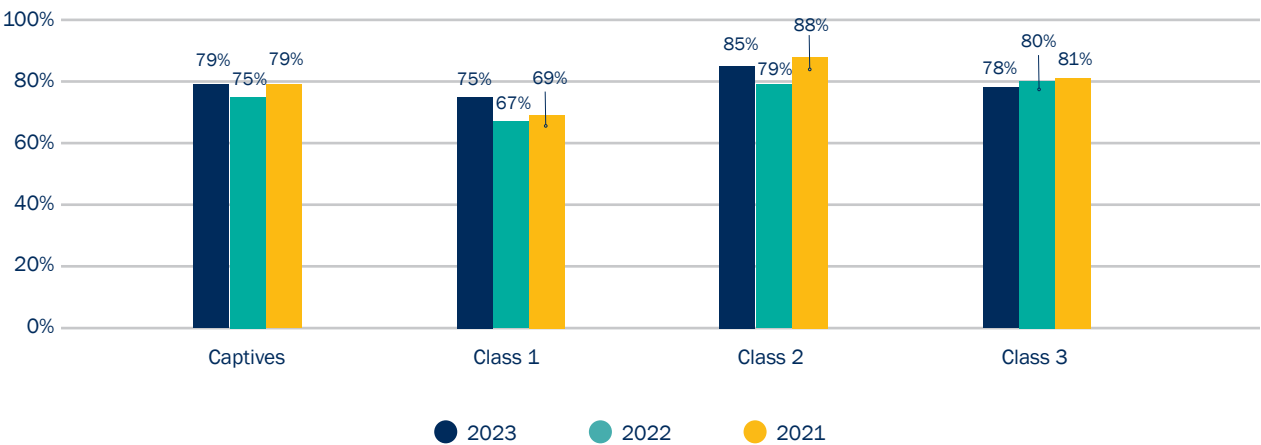
Percentages may not total 100% due to rounding.

Profitability Ratios

The Bermuda captive market reported yet another profitable year in 2023, both collectively and at each class level, as shown in Chart 7 below.

The average combined ratio for Bermuda captives has fluctuated over the past three years (79% in 2023, 75% in 2022, 79% in 2021). In addition, the average loss ratio for Bermuda captives has fluctuated slightly over the same period (57% in 2023, 53% in 2022, 55% in 2021).

Chart 7 — Combined Ratios



Annex 1

Balance sheet positions (2023)

	All categories	Class 1	Class 2	Class 3	Class A	Class B
Quoted investments	34%	9%	51%	24%	73%	5%
Bonds	22%	8%	31%	20%	19%	5%
Equity	9%	2%	15%	3%	55%	0%
Other	2%	0%	5%	1%	0%	0%
Intercompany investment/advances	20%	69%	19%	8%	12%	9%
Cash	18%	17%	11%	24%	8%	65%
Accounts premium receivable	6%	3%	5%	7%	3%	12%
Unquoted investments	5%	1%	10%	3%	0%	0%
Other assets	17%	1%	4%	35%	5%	9%
Total Assets	100%	100%	100%	100%	100%	100%
Capital and surplus	56%	79%	58%	47%	58%	33%
Loss and loss expense provision	23%	14%	33%	17%	35%	61%
Unearned premiums	4%	3%	4%	5%	0%	0%
Insurance/reinsurance balances payable	2%	1%	2%	2%	0%	5%
Loans and notes payable	0%	0%	0%	0%	0%	0%
Amounts due to affiliates	0%	1%	0%	0%	0%	0%
Other liabilities	14%	1%	3%	29%	6%	1%
Total	100%	100%	100%	100%	100%	100%

Percentages may not total 100% due to rounding.

Annex 2

Gross written premium by short-tail business lines (2023)

	All categories	Class 1	Class 2	Class 3
Property catastrophe	45%	32%	7%	61%
Warranty, residual value	19%	0%	26%	17%
Property damage and business interruption	13%	51%	12%	10%
Marine — P&I, cargo, hull and liability, war	12%	6%	39%	1%
Energy — onshore and offshore	4%	3%	10%	1%
Aviation — hull, liability and war	3%	2%	2%	3%
Property retrocession	3%	<1%	<1%	4%
Agriculture	1%	<1%	1%	1%
Cyber risk	1%	1%	2%	1%
Construction	<1%	4%	<1%	<1%
Environmental Risk	<1%	<1%	<1%	<1%
Mortgage	<1%	0%	0%	<1%
Terrorism	<1%	<1%	<1%	<1%
Total Property Business	100%	100%	100%	100%

Percentages may not total 100% due to rounding.

Annex 3

Gross written premiums by long-tail business lines (2023)

	All categories	Class 1	Class 2	Class 3
General liability – public, products, umbrella, product recall	29%	49%	13%	38%
Workers' compensation/employers' liability	24%	17%	33%	19%
Professional liability – professional indemnity, D&O, bankers blanket, E&O	17%	21%	24%	8%
Accident and health, travel, personal accident	12%	6%	13%	12%
Motor – APD and liability	11%	4%	8%	16%
Medical malpractice	4%	3%	7%	1%
Credit/surety	3%	1%	1%	6%
Crime and fidelity	<1%	<1%	1%	<1%
Incidental long-term business	<1%	0%	<1%	<1%
Political risk	<1%	1%	<1%	<1%
Finite reinsurance	0%	0%	0%	0%
Total casualty business	100%	100%	100%	100%

Percentages may not total 100% due to rounding.



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