

# Reaping the benefits

Gibraltar is reaping the benefits of a well-marketed and mature direct writing insurance industry. However, with new EU solvency directives introduced, what does 2004 hold for the jurisdiction?

“The mood in Gibraltar? It’s extremely good,” states Penny Hudson, managing director of Caledonian Insurance Management, “and everybody’s very busy due to the amount of enquiries coming in at the moment. Demand for captives and other forms of direct writing insurance companies based in Gibraltar is high – this week alone we have had three new preliminary enquiries.”

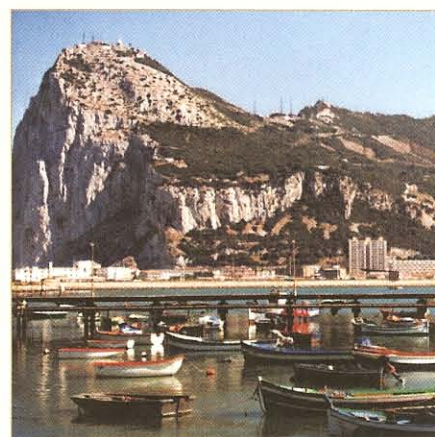
The most popular solutions on offer initially revolved around types of auto and allied lines cover. But as the industry has matured so both Gibraltar’s and Caledonian’s portfolios have diversified to cover a variety of business classes.

Geographically most of Gibraltar’s business comes from within the European Union (EU), although Hudson suggests it is

“This can only have a positive knock-on effect and create stronger foundations for the European insurance industry. Of course, higher capitalisation requirements may mean smaller firms may go to other jurisdictions where the EU standards are not applicable, but for Gibraltar this does not appear to have created any downside. We attract serious corporates that want a properly capitalised EU insurer, and that is exactly the type of core business Gibraltar wants to attract.”

#### Growing and maturing

This is a good sign of how far Gibraltar has come in a relatively brief number of years, and although the industry has grown a lot and is still maturing, it has done so smoothly. “Our office has doubled in staff in



government and the Financial Services Commission have proved very supportive of the insurance industry.”

A visible sign of this enthusiasm is the effort and resources the Gibraltar government invests in marketing the domicile through roadshows and other forums. However, Hudson will be less involved than in previous years, “simply due to the level of business we are now generating. I used to travel around Europe for marketing purposes all the time, and now I am finding potential clients are arriving in Gibraltar on a regular basis and so priorities have changed”.

“This must mean,” she adds, “the general message about Gibraltar does seem to have successfully permeated through the market, and we are now reaping those benefits.”

It seems the main future challenge for Gibraltar will be in meeting demand and ensuring all its work is of requisite quality and in compliance with regulatory requirements. Nonetheless, 2004 is looking good for the Rock.

## Solvency 1 directives

The EU Solvency 1 directives are aimed at revising and updating its current solvency regime. They must be applied to accounts for financial years beginning on 1 January 2004 or during 2004. The main changes stemming from the directives are:

- An increased premium income limit above which small mutuals are subject to the directives.
- An increased minimum guarantee fund amount, linked in future years to the Eurostat consumer prices index.
- A requirement to hold increased capital for higher-risk liability business.
- Adjustments to the methodology for calculating the available solvency margin and the required solvency margin.
- Reduced reliance on valuing implicit items for future profits from 2007 until this is ended in 2009.

seeing more non-European companies looking to set up direct writers to cover their European risks.

“Nonetheless, the UK probably continues to remain the Rock’s biggest market, with increasing interest from places such as Germany, Holland and South Africa,” she adds. “As Gibraltar’s name and reputation continue to grow, the more exposure we have in dealing with the other EU member states – and with that comes ever-increasing acceptance.

The main change in respect to Gibraltar’s legislation will be the EU-wide implementation of the EU Solvency 1 directive (see box). Hudson explains how its main impact will be to increase the solidity of insurance companies,

the past year, and the same is true for many other companies here. This means it is also likely other insurance management companies may look to set up operations here, but competition is always a good thing,” she confidently states.

Of course space is limited on the 6.5 sq km rock, however, Hudson argues its compactness is a unique advantage.

“It gives us and our clients instant access to all the relevant service providers and other bodies. Potential clients can arrange appointments with members of the government if they wish, and the regulatory authorities are immensely accessible. Decision-making guidance is received promptly and is both constructive and practical. The

### Penny Hudson

Hudson set up Caledonian Insurance Management Services Limited in 1996. Since then the company has grown significantly and manages both direct writing EU insurers as well as captives. Types of insurance covered include all classes of general insurance and life assurance.