

# Quality over quantity

**Penny Hudson of Caledonian pays tribute to Gibraltar's stable insurance industry and explains how its success is founded on providing quality service**

FIGURES RELEASED recently by the Financial Services Commission (FSC) show that, as the year begins, Gibraltar's insurance industry is continuing to grow at an unrelenting, if steady, rate. The FSC lists the domicile as housing 60 licensed insurance companies, a number that includes open market general insurers, life insurance, reinsurance and pure captives. This spread of expertise reflects how Gibraltar has become home to a successful and well-established 'niche' insurance industry.

However, it is the FSC's figures for Gibraltar's annual growth which are more telling, with the steady yearly transition seemingly showing a domicile unaffected by wider issues. Penny Hudson, managing director of Caledonian and the current chairman of the managers' insurance association, is quick to point out that Gibraltar is not immune, just that its smooth line of progression reflects a stable domicile which has gained respect worldwide for its quality and reliability.

"When industry problems surface, the recent nervousness in various economies being an example, everybody gets affected in some format and in that respect we're no different," she says. "Gibraltar, however, has displayed an ability to maintain its path regardless. At the start of 2008, there has been widespread coverage of a potential stormy economic climate, and yet Gibraltar continues to grow and to receive a steady stream of enquiries.

"This steady reliability is characteristic of the Gibraltar insurance market. We may not experience major peaks and troughs in terms of our progression line, but then that

merely demonstrates good risk management and a concern for reparations."

#### **A reliable reputation**

Such stability is continuing to see Gibraltar attract the top companies; captive-based or otherwise. As an insurance industry tailored for niche markets, Gibraltar has plenty of direct writers that are not classified as captives: Saga, London & Colonial, Zenith, Advantage and Link all house themselves in the domicile, and with Brit Insurance joining in 2007, it is clear that Gibraltar's stable climate continues to be an attractive proposition throughout the niche insurance market. While its company total may not see Gibraltar rivalling other jurisdictions in terms of pure numbers, Hudson believes the steady stream of names is testament not only to its steady growth, but to a reputation built on quality.

"Our strengths also lie in the services and products we offer, not the sum total of companies we accommodate," she says. "We are not a Guernsey-style jurisdiction in terms of numbers – we do not house 300 captives – EU capital requirements only add to the need for serious long-term commitment, and what we are is a superior niche insurance industry. We are quality not quantity."

To illustrate her point, Hudson touches on the advantages to be gained from Gibraltar's vastly experienced and qualified workforce. When the EU began, the issues presented to the market by their having to learn both new legislation and become acquainted with the vast array of cross-border rules were considerable and time-

consuming, and yet Hudson says Gibraltar's staff have proved themselves equipped in every respect.

"As every country's legislation is different, it takes time to accrue that sort of quality experience," she says. "But we have companies writing in all the EU states, and so clients can be sure from the outset that our staff have the training and knowledge they would expect. We either retrain potential staff that are originally from outside the insurance industry or train those that have moved in from other areas of Europe. That is a major benefit of being in the EU: it is open to all European workers."

The very fact that Gibraltar is an EU jurisdiction, therefore, becomes beneficial. "We have now been doing EU business for 10 years," she mentions, highlighting experience once again. "However, there is an established infrastructure for doing EU business. We have gained significant experience dealing with the other regulators under EU business; paying into levy funds in other countries and addressing their required tax issues, so any new company coming to Gibraltar knows that the infrastructure they will be joining is perfectly tailored to doing business in the EU."

#### **The impact of Solvency II**

In terms of challenges, Hudson cites the requirements set out by the Solvency II Directive as an area for Gibraltar – and all other European jurisdictions – to monitor closely. A recent trend in insurance management has been for niche insurance company owners and insurance managers to adopt a

Penny Hudson is managing director of Caledonian Insurance Management Services Ltd (CIMS), an independent insurance management consultancy she established in 1996. Hudson has 11 years' industry experience managing direct writers, captives, and PCCs. She is a fellow of the CII.

more technical approach, with industry data and peer group comparisons being used to greater extent. Solvency II has introduced a framework that deals with the more sophisticated risk management systems developed since Solvency I, and Hudson suggests this greater technical approach could just reflect the need to address these risk models' heightened sophistication.

"With Solvency II, the need for technical data is becoming both helpful and necessary," she says. "It is simple: the more data you can get, the better. There are a lot of insurance companies now working together. Many have completed Quantitative Impact Study (QIS) 3 and are now working on QIS 4, sharing information in order to ensure the impact of Solvency II in the EU is not to penalise companies (especially smaller ones) but instead, to do what it was created for: become a practical risk basis for insurance companies. The challenge therefore, is

to ensure Solvency II is used to its full, supportive potential."

It has been a year since Hudson was appointed chairman of the managers' association, and she is keen for the group to take last year's initiatives into 2008.

"As an association it is important to ensure that the industry in Gibraltar is well represented with regards to the regulator and government," she says. "The insurance association has been very active over the past 12 months, being involved with anti-money laundering requirements and the third anti-money laundering directive, as well as Solvency II. Further training areas have been developed and we are also looking at the potential of setting up a Chartered Insurance Institute (CII) body in Gibraltar so that training in Gibraltar can continue to grow and remain a European standard."

She continues: "The association's membership has grown considerably over the

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last couple of years, but what remains important is for all of the industry to become involved.

"We need to be able to take advantage of our members' combined talents, strengths and experience to combat potential future threats and maintain a level playing field

"Being a small jurisdiction, especially one in the EU, we have always had to fight our corner and we have become good at it, hence Gibraltar will continue to grow in size, stature and innovation," concludes Hudson.