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Maintaining Bermuda's Competitiveness

Thank you, Mr Premier, and thank you, Insurance Day, for, once again, staging this prestigious industry event in Bermuda and inviting me to speak this morning.

Before I begin, I think it says rather a lot about Bermuda to have **two major insurance conferences** happening on the island at the exact same time - and **they are both full!**

The annual Bermuda **Captive Conference**, which the Premier opened yesterday, is underway just across the harbour in Southampton, and both these events have drawn hundreds of risk professionals here this week.

This represents a fitting testament to our position in the global insurance marketplace. And perhaps it speaks louder on the topic of "Bermuda's competitiveness" than any of the remarks I'll be delivering to you today.

I represent the Bermuda Business Development Agency. The **BDA** is an independent, public-private partnership set up in 2013 and our mission is to increase jobs and GDP in our jurisdiction. We do that, first, by supporting our valued industry stakeholders. These are Bermuda's established companies, from law firms and asset managers to global reinsurers. And, second, by assisting new business to establish in Bermuda.

We provide information and resources to help new companies learn about Bermuda, and then we help them set up, consolidate, grow and flourish. Through our Business **Concierge Service**, the BDA makes the process of establishing a presence on the island as straightforward as possible. We're a **one-stop shop**. We streamline things. We help businesses to navigate the necessary channels, and we connect them with industry professionals, regulatory officials, and key contacts in the Bermuda government.

We have established **industry focus groups** that help guide our activities, set objectives and work with us to implement our plan. These groups span Asset Management, Trust & Private Client work, and, of course, the Risk Solutions industry. For the Risk pillar, our groups have been particularly active devising our strategies for Latin America, Canada, Healthcare and Captives. We also have a group that is looking at economic diversification.

We assess market needs and goals across all these of industry sectors and we seek to fill the gaps. That includes working towards legislative change to facilitate business in Bermuda.

We also work to attract and support major industry events, like this week's insurance double feature. Overseas, we promote Bermuda's strengths and focus our effort on targeted business development.

According to the agenda, I'm here today to talk about "Maintaining Bermuda's Competitiveness."

Now, you might think attracting prospects to a postcard-pretty subtropical paradise is an easy task. Actually, for the last 40 or so years, you'd be correct, particularly in the realm of insurance. The reason, as most of this sophisticated audience will know, has little to do with the weather, turquoise water and pink sand beaches.

I'm going to throw some stats at you. Some of which you will be familiar with, but I think some others may just open your eyes. I think these statistics show our geographical size doesn't do justice to the enormous impact Bermuda has on the wider world as a leading and widely respected international financial centre.

As most of you know, Bermuda is one of the top three insurance markets, along with New York and London—supporting global economies and an estimated 500,000 jobs worldwide. I'll reiterate what the Premier said: We are the single most important property and catastrophe market, and the largest supplier of cat reinsurance to US insurers. Indeed, over the past 12 years, we have contributed 35 billion dollars in payment of catastrophe claims to US clients, including nine percent of 9/11 claims and 30 percent of insured losses from the Gulf storms such as Hurricanes Katrina, Rita and Wilma. On the *other* side of the pond, the Bermuda market contributes more than a quarter of capacity for Lloyd's of London—a total of £6.6 billion.

We're also the leading captive insurance domicile, with nearly 900 captives generating \$48 billion in annual gwp. A growing sector is healthcare. Currently more than 25 percent of US medical liability insurance and reinsurance is supported by Bermuda carriers and captives.

In recent years, as the convergence-capital juggernaut has powered down the highway, Bermuda has put itself in the driver's seat of "Alt Re." Cat bonds, insurance-linked securities and other collateralised reinsurance vehicles have become so popular, it's difficult to even call them "alternative" anymore. We have currently recorded 16 billion dollars in listings on the Bermuda Stock Exchange; an estimated 60 percent of the world's total.

Here's the thing: throughout Bermuda's history, innovation has been the true currency of our jurisdiction, and that has never been more evident than it is today. This is a market of "firsts"—the first captives, the first true excess liability carriers, the first prop cats and cat bonds. The capacity crunch of the '80's was solved in Bermuda. Alternative risk-financing is forging the industry's future. Creative corporate minds find good karma here.

There has been considerable consolidation in the Bermuda market place: XL and Catlin; Ren Re and Platinum; Endurance and Montpelier; and of course Partner Re and... well let's just wait and see shall we!

These mergers have been represented by some as a threat to Bermuda. Frankly, I don't see it that way at all. I look at this as one large Bermuda insurer amalgamating with another large Bermuda insurer equals a larger, stronger Bermuda insurer and therefore a stronger and more competitive Bermuda.

We have the UK proposing to challenge Bermuda's leadership in ILS and the US asking serious questions as to where that line is that delineates true risk transfer and real insurance versus a sham insurer simply being a hedge fund strategy.

These aren't really 'threats' to Bermuda. These 'opportunities' help stimulate the competitive juices and help clean up the fuzzy edges. Bermuda has repeatedly proven that it is an island of innovators; an island of solutions; an island of survivors.

So, what is it about this Bermuda market that has made us so successful? And how do we plan to maintain our competitive edge? What, essentially, is our value proposition to the risk industry, and to international business generally?

I'd like to distil the answer to all those questions into three simple words:

Depth.

Sophistication.

Access.

Those three elements are the reasons we stand out. They're behind the compelling superlatives and formidable statistics. And they're why the Bermuda market wins the type of respect that has brought all of you here today.

1) Let's start with **depth**. Bermuda has an enviable **depth of product** available—whether it be Professional Lines, Excess Liability, Property Cat or innovative solutions to insuring against cyber-risks and medical malpractice, or hedging against complexities like kidnapping, global warming and terrorism.

Our **depth of capacity** is crucial too. According to recent figures released by the BMA, Bermuda's insurance industry covers more than 500 billion dollars in net assets, and in 2014 counted 99 billion dollars in aggregate global capital and wrote 74 billion dollars in global gross written premium.

Add to that our *depth of talent*—in underwriting, broking, claims, actuarial science, modelling, auditing and law. The depth of service provision to this industry, physically here on the island, is unquestionably impressive.

A recent study noted that more than 15 thousand residents of Bermuda are financial, business, legal and regulatory experts in transatlantic capital markets, banking, finance and insurance, mostly at the wholesale level. **Fifteen Thousand!** That's almost a quarter of our island's total population!

2) Our *sophistication* is another asset that should not be under-valued. We live up to our moniker, the “World's Risk Capital”—as an innovation hub, as an incubator of trail-blazing solutions to evolving industry challenges. Our long-established market truly appreciates *the culture of insurance*. This is a place where you have the *sophistication* of underwriting talent and the brand of insurance industry knowledge that can only be developed over nigh on a century.

The way we interact with each other, the way our system is set up, our cutting-edge technology and physical infrastructure—which, by the way, saw Hamilton open for business first thing on a Monday morning last October after direct hits by two hurricanes the previous week – These are the things that make us an incredibly sophisticated jurisdiction, the kind that attracts the likes of the America's Cup, for instance—another first, for the island!

Our market partnerships bolster this business-friendly maturity. In today's shifting regulatory landscape, transparency and compliance are critical.

We take a united and thoughtful “Team Bermuda” approach to tackling complex issues around AML, FATCA, Solvency II and other regulatory initiatives. At the BDA, we work closely with the BMA, the Ministries of Finance and Economic Development, and industry partners to ensure that Bermuda’s stellar reputation is understood worldwide.

On Friday, the European Commission recommended Bermuda for ‘provisional’ equivalence with the Solvency II Directive. This is great news and yet a further step along the path to full equivalency. This is a recognition of the *sophistication* of our regulator. It is a step that, yet again, sets us apart from our rivals – and, as the topic of this talk states: Maintains Bermuda’s Competitiveness.

We are proud of the fact Bermuda was the first offshore jurisdiction elevated to the OECD’s “white list” for globally agreed tax standards.

We are proud we have 80 treaty partners and 41 Tax Information Exchange Agreements.

We are proud we have zero bank-secrecy laws. This speaks to Bermuda’s *sophistication* and we differentiate ourselves from other international finance centres in this way.

3) Bermuda offers unprecedented **access**—no matter what type of business you're in, but especially if you are in the insurance business. For starters, you can *access* our insurance and reinsurance markets through one of the greatest broking networks in the world. But it's not only that. When people here say "*It's a small world,*" they really mean it. Our geography and proximity (to each other on the island, as well the ease of access to the UK and the East Coast) makes those tight connections pay off. Where else can you walk a square city mile and see your existing broker to discuss your platform and programme, and then, walk across the road and see another broker and talk some more, and then stroll down the street a little further and actually have face time with the underwriter, the actual person who is underwriting your programme, plus the senior management of that underwriter's firm? On top of that, where can you then wander down the road and have a sit-down with the regulator? All before lunch—on a panoramic oceanfront terrace, I might add... like 1609 or Marcus'. After lunch and a nice bottle of wine - then you can go and see your lawyer!

Our transparency and *accessibility* reaches to the top levels too. As seen here today, we give you *access* to the highest-level decision-making in the country—Mr Premier.

Access to such a ***depth*** of ***sophisticated*** service providers makes doing business here so much more efficient.

So, without complacency, I would say Bermuda's insurance market is strong and relevant and continues to remain at the forefront—and as the industry evolves, we will be driving that evolution and will evolve right along with it. Our international reputation is exceptional. Our people and products are world-class.

Our innovation is pioneering the future of risk-transfer. And, as a result, our Bermuda brand is an enviable one that continues to set the highest global standard.

What are we doing to maintain Bermuda's competitiveness? We are reminding the world of all these advantages, but especially our three core attributes—Bermuda's *depth*, our *sophistication*, and our *access*.

Thank you.