

Bermuda:Re+ILS

GLOBAL RE/INSURANCE AND ILS FROM A BERMUDA PERSPECTIVE



A new generation

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CHANGING PERCEPTIONS

Bermuda must work harder to convey its importance on the world stage

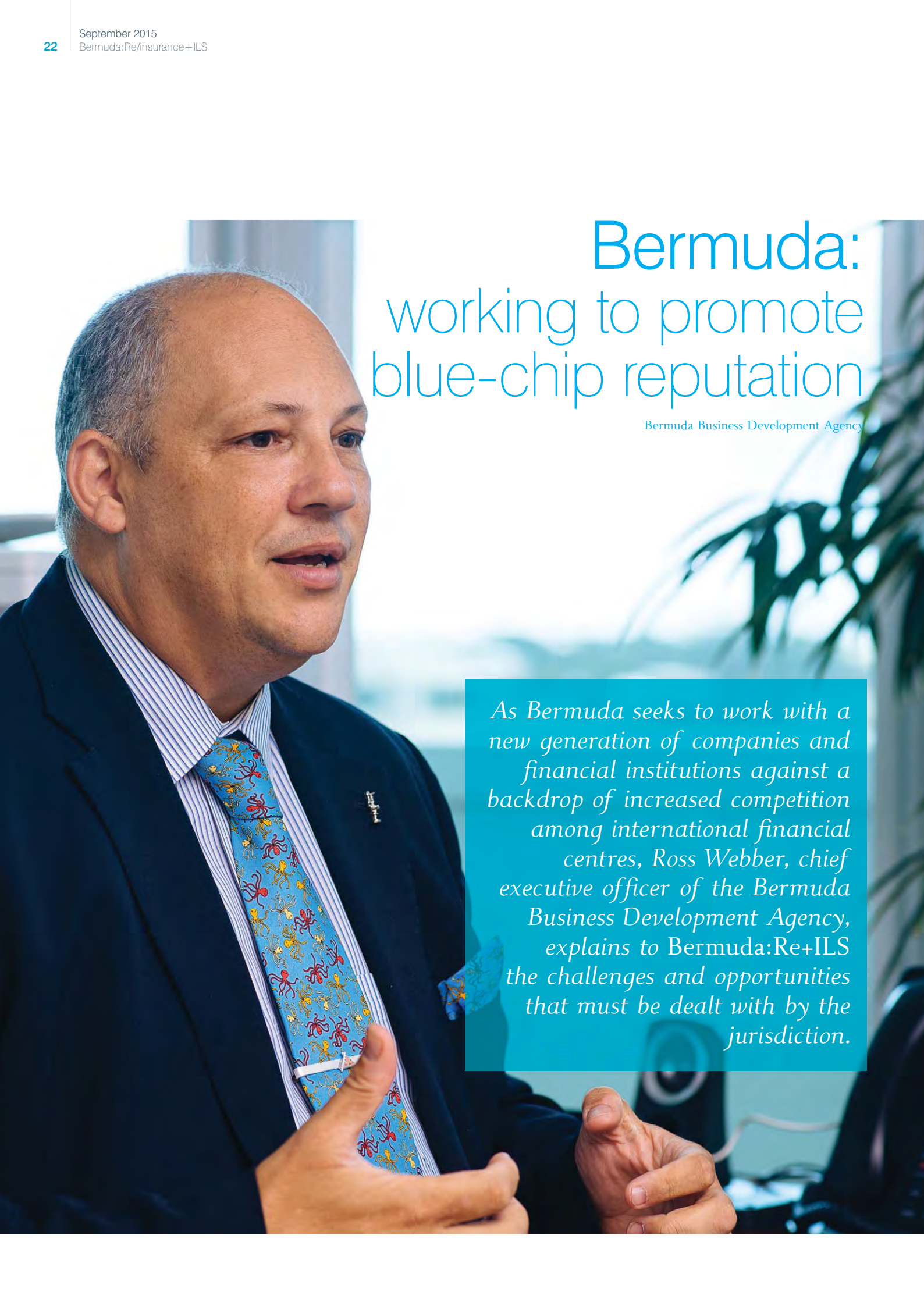
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Bermuda: working to promote blue-chip reputation

Bermuda Business Development Agency

As Bermuda seeks to work with a new generation of companies and financial institutions against a backdrop of increased competition among international financial centres, Ross Webber, chief executive officer of the Bermuda Business Development Agency, explains to Bermuda:Re+ILS the challenges and opportunities that must be dealt with by the jurisdiction.

Bermuda needs to dispel tax-haven labels, differentiate itself from other international financial centres (IFCs), and make the world better aware of its substantial contribution to the wider global economy.

That is the belief of Ross Webber, chief executive officer of the Bermuda Business Development Agency (BDA) since August 2014. He notes that more IFCs globally are emerging and competing for the same business as Bermuda, yet very few can boast its robust regulatory framework or its sophistication and experience in managing different industry sectors and a wide array of companies and financial vehicles.

It is vital that Bermuda conveys this message, Webber says. For, while Bermuda has a solid track record within the traditional risk industry, some new sectors the BDA is targeting may not be so well-versed in the Island's strengths and selling points.

"The global insurance market is naturally very familiar and comfortable with Bermuda and our regulatory environment," Webber says. "They know we are a very clean, compliant jurisdiction and well established."

"We are also well known in other fields such as trusts and private client work and asset management, though perhaps not as much as in insurance. In addition to this, as we increasingly grow our market share in other risk transfer vehicles such as insurance-linked securities (ILS), we are dealing with a whole new set of investors who might not know us quite as well."

"This means it is incumbent upon us to constantly educate the markets about our value proposition and how we operate. We have one of the best and most transparent regulatory regimes in the world and we have fulfilled a leadership role globally on regulatory change and legislation in recent years. Our sophistication and the part we play in globalisation needs to be better understood."

Leading from the front

Webber cites Bermuda's collaborative work in shaping its regulatory response to Europe's Alternative Investment Fund Managers Directive (AIFMD), including legislation passed by its parliament in the summer of 2015. Amendments to its Investment Business Act position the Island well for approval for extension of "passport" rights allowing Island-based alternative fund managers (AIFMs) to market their funds in Europe on a cross-border basis. Such an AIFMD-compliant regime could ultimately enable better access for European investors to leading Bermuda strategies such as ILS.

Solvency II equivalence, expected to be granted to Bermuda in the next six months, represents another example of the way the jurisdiction has remained at the forefront of the evolving regulatory landscape.

"In terms of the AIFMD, it has been necessary to educate European regulators about Bermuda and the fact we have strong oversight of

funds equivalent to that of European countries, if not better," says Webber.

It has meant a lobbying process and some important legislative tweaks. We are waiting for decisions from the European Securities and Markets Authority (ESMA) and are optimistic Bermuda will be favourably considered; this will be very important to maintaining Bermuda's relevance in the global asset management sphere.

"But what we achieved on Solvency II is a very good indicator of the robustness of our regime and the hard-earned reputation of Bermuda's regulator. We will likely be one of only six nations granted equivalence. That is important and absolutely shows that Bermuda is an offshore leader in these things."

Webber notes that Bermuda recently hosted, for the second time, the pre-Joint Ministerial Council (JMC) in which leaders from a number of British Overseas Territories (BOTs) met for talks on the Island ahead of the JMC to be held in London at the end of November 2015. The event is used to allow leaders to discuss issues and agree on certain topics in advance of the London meeting.

"Within that world of BOTs and crown dependencies, Bermuda plays a leading role. We are looking to use our position and these forums to help present a united front in terms of the importance of IFCs to the global economy, and to dispel misconceptions around our strengths and capabilities. We share a collective responsibility to dispel some of the myths that result in uninformed people labelling us as tax havens."

On the tax haven issue specifically, Webber stresses the importance of education. Under any official definition of what constitutes a tax haven, Bermuda does not qualify, he says, pointing out that the US Attorney General has definitively made this point several times. In fact, Bermuda's respected regulatory regime, transparency, lack of bank secrecy laws, and its 90 tax information exchange agreements with other countries all underscore its top-tier reputation.

Yet the issue keeps arising, often in unlikely places. In June 2015, the European Commission published the so-called first pan-EU list of third-country "non-cooperative" tax jurisdictions, and included Bermuda on it. The list prompted outrage from many nations listed, including Bermuda, which lambasted the list's use of inaccurate and outdated information—a fact later confirmed by several member states which verified Bermuda as a compliant treaty partner.

The commission backtracked on the issue, especially after the Organisation for Economic Cooperation and Development (OECD) issued a statement apparently also disagreeing with the logic of the list. Webber says the whole saga illustrates the problems that can arise without continual lobbying and public awareness and education campaigns by IFCs to better explain their vital role in the globalisation of economies.

"The problems with the blacklist were manifold, from the arbitrary and ill-thought-out process used in the public dissemination to its actual

content,” says Webber. In a response two days after the compilation was released, the OECD revealed that a number of countries identified in the exercise were ‘either fully or largely compliant’ with its own Global Forum standards on tax cooperation and information exchange. One of these was Bermuda.

“It was a flawed process based on outdated information, and issues like that can be highly damaging to Bermuda, especially when we are dealing with investors unfamiliar with our jurisdiction,” Webber says. “This is why we have a duty to clearly convey to the rest of the world on a constant basis what we do.”

He believes communities engaging in the tax and transparency debate should be encouraged to differentiate between compliant financial centres that add value—such as Bermuda—and those that do not.

“This is in the clear interests of the UK, Bermuda, and indeed many global economies. That dialogue cannot start soon enough to deepen trust and certainty, key preconditions for legitimate business in any jurisdiction where the rule of law prevails.

“It can be very easy for lobby groups and any offshore bodies to label offshore domiciles with a variety of tags with no evidence of analysis. We play a vital role in the smooth functioning of many of the major economies and we need to be shouting about that.”


A positive influence globally

Webber cites a recent report commissioned by the Bermuda government titled *Bermuda in the World Economy: Economic Relations with Asia, Canada, Europe and the United States—2014*, which sets out in no uncertain terms just how important the Bermuda economy is in a much wider context.

Some of the findings of that report include the fact that Bermuda’s economy supports 500,000 jobs worldwide, including 70,000 in the UK and almost 330,000 in North America even after the effects of the global financial crisis and recession; provides more than \$50 billion in trade in financial and transportation services that are key to the US and the UK economies, and is now a key destination for financial investment by pensions and governments amounting to more than \$20 billion.

The report also notes that Bermuda has retained its economic competitiveness based on a financial regulatory environment that is supportive of investors and responsive to partner governments, such that new financial flows grew by \$15 to \$25 billion in the last two years alone. The study also finds that Bermuda stands out among its peers and other advanced economies for the size and geographical reach of its economy based on a large captive insurance and reinsurance industry, a rapidly expanding stock exchange, and its shipping industry.

In addition to all this, Webber stresses the critical role Bermuda has played in absorbing the losses stemming from some of the world’s



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biggest and most severe natural and manmade catastrophes, ranging from Hurricane Katrina to 9/11 to the Buncefield fire at an oil storage depot in the UK in December 2005.

“Because of its central position in the risk transfer world, Bermuda plays a major role in paying claims and getting whole economies up and running again quickly,” he says.

He also stresses the symbiotic relationship between Bermuda and Lloyd’s, where around 26 percent of all capacity is provided by Bermuda companies, and the European insurance markets more generally.

“There are so many positive things to be saying, yet the message about what makes us different as a financial centre needs to get through with greater penetration and depth—and that is a big focus for the BDA.



“It is not something that Bermuda has done effectively in the past. We have been so clearly a leader as an offshore centre that perhaps we thought business would always come to us, but we are in a much more competitive environment now that many other centres have upped their game.

“We have the depth of expertise here, an unparalleled record as a regulatory environment and we make a huge contribution to other economies. We just need to take that message to the world more often.”

It is not all about the financial and insurance markets for Bermuda. The Island has an increasingly diversified economy thanks to the resurgence of tourism in recent years and efforts by the BDA and government to encourage other forms of enterprise to flourish. A good example is Bermuda’s success in winning the right to host the 2017 America’s Cup—an event that is already attracting investment

and tourism to the Island as it gears up to host one of the world’s biggest sporting occasions.

The event promises to showcase Bermuda and its business assets on the world stage, not only during the main showdown in June 2017, but also in the run-up World Series being staged in the waters of Hamilton Harbour mid-October 2015. The high-tech, heavily-branded spectacle with its VIP audiences and worldwide live programming should validate the Island’s economic contribution—and, Webber hopes, take the BDA’s positive message about the jurisdiction’s blue-chip history and future potential to a whole new global audience. ■

Ross Webber is the chief executive officer of the Bermuda Business Development Agency (BDA). For more information visit www.bda.bm



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