

January 2016



## Viewpoint

### BDA CEO Ross Webber

## Downside of elections

It didn't take long for 2016 to deliver a blunt reminder this is the year of a US presidential election. Along with a raft of very positive news rung in by the New Year—Bermuda's consecutive GDP growth, increased consumer confidence, and rising company incorporations—January also brought a wake-up call to those of us living "offshore." Despite our well-acknowledged and mutually supportive relationship with America, a combative federal election shaping up in our giant neighbour to the west is bringing with it some unsavoury political finger-pointing in our direction as we build up to November 8.



Offshore jurisdictions seem to be expedient targets for political agendas heading into elections—on both sides of the Atlantic. Last year, the island had to contend with arbitrary EU blacklists and threats by some British MPs to impose sweeping sanctions if offshore company registers were not made public. Bermuda has had a company register for decades, offering a level of transparency far in advance of many of our offshore peers and onshore powerhouse economies. Now it's America's turn. As my colleague Brad Kading of ABIR noted, Bermuda residents are well familiar with Washington's quadrennial political attacks.

Over the years, Brad has been one of Bermuda's most dedicated economic ambassadors. The data ABIR collects every year provides an impressive testimony to Bermuda's value to the world. Every island resident should have these talking points at the ready when asked about Bermuda's international business sector. We should be singing from our limestone rooftops that Bermuda-based insurers covered \$35 billion of US catastrophe losses over the past dozen years. As well as 25 percent of Americans' medical liability insurance and reinsurance. Not to mention providing the same amount of capacity to Lloyd's of London.

But political memory is very selective. Bermuda's added value to the US economy, the peace of mind it provides those with potential catastrophic risks, the services the island offers to those who wish to plan their future well-being and security—all seem to be conveniently forgotten as escalating electioneering takes headline-making potshots once again. In 2016, it is clear America's political crosshairs, and the surrounding media spin, are focused on the US tax agenda, on wealthy individuals, and on the question of loopholes. This time around, attention is currently concentrated on hedge fund-backed insurers, a small group of what are described as "passive foreign investment companies" (PFIC), part of the global convergence trend that merges reinsurance with capital markets.

No matter the financial complexities involved, there are three basic points to keep in mind during the Sturm und Drang of perennial politicking. The first is Bermuda's significant contribution to national economies and global markets. Bermuda-based companies, including many collateralised reinsurers, are providing critical capacity to underwrite substantial risk. The kind of contribution that helps keep countries afloat, gives homeowners much-needed flood and hurricane relief, and helps rebuild coastlines and cities.



Secondly, Bermuda has long been respected as a transparent, compliant, cooperative jurisdiction that holds bi-lateral tax information exchange agreements with over 90 nations around the world. Among them is the US, with whom we signed our first TIEA back in 1988, as well as a USA–Bermuda Tax Convention Act in 1986. That will continue to be our *modus operandi*. Indeed, ABIR has pledged to work closely with the US Department of Treasury on any issues relating to Bermuda’s insurers and reinsurers.

Thirdly, underlying any back-biting and economic obfuscation is the simple truth that while it may be a political candidate’s prerogative to target jurisdictions such as Bermuda, these are, fundamentally, *onshore* tax issues. The ‘problem’—if there is one—is not of Bermuda’s making. Bermuda’s own tax system—and, yes, we *do* have taxes, in the form of payroll tax, social insurance, import and customs duties—was created many years ago to cater to our jurisdictional needs. It supports our modest infrastructure and was never designed to lure 21st-century corporations offshore.

As the campaigning continues, we’ll all have to weather the slings and arrows this US election year brings. The BDA can advocate, but the message is far more compelling if it’s told by a chorus of consistent, persuasive voices.

Along with all the candidates’ promises, we at the BDA can add one of our own: to continually impress upon policymakers, politicians, and the American public the truth about Bermuda. That we are a blue-chip domicile, an ally not an enemy. And that our economic worth—to both US and global markets—will prove valuable long after all the polls have closed..

#### ABOUT VIEWPOINT

A monthly blog by BDA CEO Ross Webber, with commentary on industries, issues and influencers affecting Bermuda as a global financial centre. Comments and feedback can be sent to [ross@bda.bm](mailto:ross@bda.bm)

#### ABOUT BERMUDA BUSINESS DEVELOPMENT AGENCY (BDA)

The BDA encourages direct investment and helps companies start up, re-locate or expand their operations in our premier jurisdiction. An independent, public-private partnership, we connect prospective companies to industry professionals, regulatory officials, and key contacts in the Bermuda government to facilitate domicile decisions. Our goal? To make doing business in Bermuda straightforward and beneficial.

