

Bermuda:ILS

A recipe for confidence

Bermuda Business Development Corporation

The Bermuda BDA has taken concrete steps to encourage business development on the Island. The early signals are that confidence is returning.

Bermuda's newly minted business development agency is wasting no time in its bid to reinvigorate the Island's international corporate sector. Since its formation in April and the arrival of CEO Stephen Lund at the end of August, the Bermuda Business Development Agency (Bermuda BDA) has been a driving force behind a slew of targeted industry events, roundtable outreach discussions, fast-track legislative reform and important regulatory updates aimed at attracting new companies to the jurisdiction and supporting global enterprises already based here.

With a clear mission to turn around recessionary losses in jobs and GDP, the Bermuda BDA is taking dynamic steps to engage in genuine business development—that is, communicating closely with existing international businesses and related stakeholders, while actively seeking out new corporations to bolster the industry with specific targeting.

“Our role is to lead business development efforts for Bermuda, to work closely with partners in all sectors here, and to identify new opportunities to enhance Bermuda's reputation as a premier jurisdiction,” said Lund, who joined Bermuda BDA fresh from a stellar 12-year stint leading Nova Scotia Business Inc in Canada, where he received plaudits for attracting foreign direct investment.

Initiatives backed by the government-funded public-private partnership have included a two-day asset management summit in May to solicit feedback from a dozen visiting influencers from the US, and a well-attended captive conference held in June, followed later that month by meetings in London with insurance-linked securities (ILS) leaders.

Bermuda BDA also sent a delegation to the Multi Latina Risk Management Conference in Colombia in July, hosted a black-tie



function at the STEP (Society of Trusts & Estate Practitioners) Private Client Awards in London in September, and plans to re-engage with asset management contacts in October, this time in New York. Bermuda BDA is also the key sponsor of an inaugural ILS event in Bermuda in mid-November.

Sharpening the focus

The Bermuda BDA credits its sector-specific focus groups—covering fields as varied as Latin America, wealth management, captives, law reform and reinsurance—for much of its recent dynamic interface. The various task forces, formed early in 2013, comprise Bermuda-savvy international business representatives who have devoted countless voluntary hours to exploring business opportunities, carrying out regional market research and generating proactive business initiatives.

“Our Bermuda BDA focus groups have been an invaluable expert resource to drive sector growth,” said Lund. “They are collaborative, targeted and represent a united voice with a common purpose—promoting innovative ways to advance the growth of the jurisdiction as a whole. Their contribution has also provided cross-selling opportunities between Bermuda's business sectors.”

Bermuda BDA board chair Caroline Foulger sees the focus groups as a key success story of the past few months. “Much of current international business and its service providers in Bermuda are now working together in a very targeted way under the Bermuda BDA banner,” she said. “We are delighted that our industry focus groups are aligning to grow Bermuda.”

Bermuda's newly integrated approach is underscored by functions such as Convergence 2013, slated for November 13 and 14—a Bermuda BDA-supported, invitation-only networking event that aims to attract more than 200 participants from the world's leading ILS buyers and sellers.

“We hope it will be a catalyst to create deals that will further establish ILS as a mainstream asset class,” said Jason Carne, head of ILS at KPMG Audit Limited and an organising committee member of the November event. “The event will also position Bermuda as a key jurisdiction for ILS and a dominant player in the convergence market; a business-friendly jurisdiction, a mature marketplace and incubator of business innovation.”

New regulations

Legal reform has been a very visible example of Bermuda BDA's campaign to re-energise the Bermuda marketplace, largely through the work of its focus groups. Bermuda's parliament agreed to add four extra sessions through September and October to accommodate the passage of several bills, including two that promise beneficial ramifications for the growth of the international business sector.



The first, an amendment to the Investment Funds Act, updates previous legislation to pave the way for faster, more competitive, cost-effective and ‘user-friendly’ hedge fund incorporations, removing duplicative Bermuda Monetary Authority (BMA) approval requirements for exempted Class A investment funds and creating a new Class B for exempt funds managed by other administrators.

“We are hearing a lot of positive comments from decision-makers in New York regarding the way the BMA, the government and industry have come together to improve and modernise Bermuda’s fund products,” said Neil Glass, head of the Bermuda BDA’s asset management focus group, whose team is striving to make Bermuda as synonymous with asset management as it is with reinsurance.

The second piece of legislative reform, passed by Bermuda’s senate in early October, was the Incentives for Job Makers Act 2013. Drafted after intensive consultation with Bermuda’s international business sector, including the Bermuda BDA, Bermuda First, the Association of Bermuda Insurers and Reinsurers (ABIR) and the Association of Bermuda International Companies (ABIC) and regulatory officials, its aim is to encourage companies to retain existing and grow new Bermudian jobs and other on-Island employment to create a more welcoming environment for companies considering the Island as a place to do business.

Among other measures, the act updates 2011 legislation by allowing eligible key executives to apply for a permanent resident’s certificate (PRC) at the same time as their work permit exemption; by lowering the fee for PRC applications from \$120,000 to \$25,000; and by reducing the minimum number of Bermudians a company must employ to qualify for exemption status from 25 to 10.

ABIR applauded the enhancements and the government’s “willingness to table legislation to encourage insurance and reinsurance leadership of Bermuda-based companies to have their senior executives remain on the Island and by doing so continue to have jobs locally based in Bermuda”.

The legislative changes were deemed vital after several years of a declining workforce. According to government statistics, between 2008 and 2012, the number in the workforce fell from 40,000 to 35,000, resulting in more than 3,000 unemployed Bermudians and almost 2,000 non-Bermudian workers leaving the Island and not being replaced. The resulting GDP decline was 4.9 percent in 2012.

“Those in the decision-making seats are far more inclined to make a long-term commitment to Bermuda when they feel they are welcomed, appreciated and valued,” Minister of Economic Development Dr. Grant Gibbons told the House of Assembly. “Then the decision on where they want to be based becomes more than just a numbers game. It also becomes an emotional decision. Individuals and companies that truly feel they are

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valued and welcome in Bermuda are far more likely to contribute their financial and human support to charitable causes and our community.”

Positive numbers

These moves demonstrate a freshly energised partnership between the Island’s political, public service and business realms that is already paying dividends. Statistical indicators have been on an upswing: BMA figures show an 81 percent increase in formations in 2013 when compared with 2012, with 47 new insurers registered through July this year.

“This is a welcome trend and a very positive development which validates and reinforces Bermuda’s approach to commercially responsible regulation that facilitates new insurance company formation, attracts capital and enables companies to underwrite business,” said Lund.

“As important as the actual changes,” said Foulger, “are the messages this sends—that government is serious about listening to feedback from international business; that senior individuals already here who have contributed to Bermuda for many years, sometimes decades, are now feeling valued and a real part of the society in which they live; and that the new clients the Bermuda BDA is engaging with can view a Bermuda decision as a longer-term one rather than a two to three-year response to an immediate need.

“This legislation is a huge step and a key supporting plank to the Bermuda BDA’s growth strategy.”

Of 13 new registrations in July, seven were special purpose insurers (SPIs) with projected premiums of more than \$151 million in their first year of operation and more than \$1.7 billion over the next five years. SPIs have a range of business activities including property catastrophe reinsurance, life and annuity and catastrophe bonds. Several new captive insurers also formed across multiple business lines, reflecting Bermuda’s flexibility and the popularity of these insurance vehicles.

The upswing is indicative of fresh optimism about Bermuda and its future. “Potential investors and job-makers need specifics—refinement of our product or legislation, consistent and assertive contact, reminders of Bermuda’s key differentiators, and red-carpet treatment,” said Foulger.

Lund concurred: “It’s about cultivating strong relationships, spreading the word about the Island, facilitating relocations and start-ups, and providing the regulatory infrastructure, experience and talent to make Bermuda as a jurisdiction a win-win proposition for everybody.” ■