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BDA Update

Good morning everybody. And thank you, BII, for hosting this annual event, and—rather surprisingly—for inviting me back!

We were all completely upstaged by Nicole last week. Interestingly, the BDA Conferences & Events Manager is also called Nicole. She also brings hurricane-force energy, but *our* Nicole is a tornado of positive vibes and excellent work.

Even though we only lost power for 24 hours down Cut Road, I was relieved that the Liverpool v Man U game wasn't until the following Monday. However, having watched that game, it seems somebody turned the power off on Mr Mourinho's bus based on how he parked it...

No matter how many storms we get, they still never fail to surprise. We're talking about "*The Power of Prediction*" today, and, it seems we're relatively lucky to have the type of geophysical threat that we can actually see coming a *long* way off. But sometimes that makes it all the more astonishing. These storms leave the Caribbean and have the *entire* north Atlantic at their disposal—yet, somehow, a choice few still seem to find our skinny little 21-square-miles smack dab in their bulls-eye.

Around this time last year, I spoke to you as we were all mopping up after Joaquin. And the year before that, we weathered the double-whammy of Fay and Gonzalo.

Hopefully everyone got through our tempest intact this time around. They are stressful, they're a real hassle—but these storms serve as a tremendous testament to our jurisdiction's ability to bounce back. I mean, Bermuda was open for business the morning after a Cat 3's direct hit. C'mon, that's pretty incredible. I'm proud of our community for that. There are few other places in the world that could pull it off. Our robust building standards, our preparedness, our appreciation for insurance, our culture of resilience—our hurricane heritage—these are national traits, ingrained in all of us, that get our country smoothly through what could otherwise be a deadly disaster.

Like nowhere else on earth, we in Bermuda have a unique, inside-out experience of these potentially catastrophic storms. Because, not only are we expert in hunkering down inside our robust, storm-safe homes, knowing just when to fill the bathtub, tune up the generator—anchor the car and pour the rum!—but our market, your industry, plays a critical role in supporting both physical and financial resilience globally. Cities and communities around the world depend heavily on our tiny island for strength to weather the worst disasters.

They rely on our expertise and our promise to pay. And when the worst happens, Bermuda capital comes through.

As citizens and Bermuda residents, we should be very proud of that reputation—and as advocates for our international financial centre, we all need to be aware of it and remind onshore communities of what we bring to the global financial table.

That value from your industry—both to Bermuda’s economy and communities worldwide—is something we’re acutely aware of at the BDA, which is what I want to talk to you about today.

From its very inception, the BDA has been committed to supporting all facets of our risk-management industry. Helping it thrive and grow. Of course, we work closely with Bermuda’s other key industry sectors as well—asset management, the trust and private client professionals, family offices, shipping, aviation, etc.

We welcome diversification, too, in the form of new enterprises and start-ups in sectors like biomed and fintech. But insurance, reinsurance, ILS and captives remain a crucial focus for BDA in our mission to grow GDP and help create jobs.

Not only do we strive to attract new business to the island, but we also work to maintain the solid foundation that already exists. We recognise the risk industry is fundamental to the health of our economy, our international business sector, and to every resident’s livelihood. Indeed, a report this summer found that ABIR members directly contributed a whopping 834-million dollars to Bermuda’s economy last year. The survey tallied up travel and entertainment expenses, payments for business services, charitable contributions, real-estate costs and payroll. And those were just direct stimuli—the economic multiplier of indirect benefits goes even further.

We know the same holds true for the other parts of our risk industry. The BDA commissioned InsuranceLinked-dot-com and the Acumen Group to carry out the first economic impact study of Bermuda's ILS sector, and we published the research in July (*the report is on our website*). It found ILS funds and related companies generated at least 400 jobs in the jurisdiction at the end of 2015—and that was a 30-percent increase over the previous year.

A similar study is now being carried out for the captive sector by PwC for BIMA—the Bermuda Insurance Management Association—and we have no doubt, its result will also underscore a sizeable economic contribution.

We will continue to gather and highlight the market's contribution through empirical data, and, rest assured, we understand and appreciate this sector's value and certainly don't take it for granted.

Just the opposite... we set a clear goal to maintain—and when possible, improve—the business flow to Bermuda-based insurers, reinsurers, ILS managers and our captive and insurance managers.

Why? Because it maintains jobs and significantly enhances the chances of job growth.

As we structure BDA strategy for the coming year, this overall objective is squarely at the forefront of our to-do list.

Our action plans include highly-targeted business-development trips overseas; roadshows to billboard Bermuda's cutting-edge talent; on- and off-island conferences and events; plus research and marketing projects that add specific value, such as the ILS study I mentioned, or some of the new digital and technology projects we're embarking on.

Let me talk about conferences and events first, because we have had no shortage of them over the past year—and a crescendo over the past couple weeks. I talked about our Events Manager, Nicole—well, she's been in a whirlwind of activity dominated by events for the risk sector. If I can describe our events calendar in the words of my 16-year-old daughter, Alys, it's been "*sick.*" World Captive Forum, CICA, RIMS, Bermuda Captive Conference, Artemis Asia, VCIA in Vermont, RIMS Canada, ALARYS Congress, the BILTIR Conference and ASHRM... And coming still to come this year, we have ILS Bermuda as well as the PwC conference with Standard & Poor's. And these are just the ones related to the risk sector.

Some of these were first-time, regional targets—including Artemis Asia and RIMS Canada in Calgary. We intend to make the latter a staple going forward. We also successfully lobbied to bring ALARYS, the biennial LatAm Risk Management summit, back to Bermuda last month for the third time. And unlike most other conferences, this was a partnership that saw us integrally involved in actually producing the event.

We attracted 160 delegates from throughout the US, and South & Central America. The resulting discussions, networking and feedback were fruitful and positive.

Both Latin America and Canada remain key targets for the next year. The legwork we've already done with business-development trips to Mexico and Colombia is generating interest—along with concrete formations out of those two key business hubs. We now have Bermuda-savvy partners on the ground there talking about our market's insurance solutions. In 2017, we'll look to increase our LatAm footprint by engaging new audiences in different regions—Peru and Argentina are on the agenda. One area we'll definitely go back to is Chile, as Bermuda saw its first insurance formation from there this year.

Canada also offers great potential for every part of Bermuda's risk market, from ILS for Canadian pension funds to captives for Canadian healthcare, and reinsurance benefitting under-served communities, particularly in the western provinces at risk of costly fires, floods and other natural catastrophes.

The fact Bermuda can offer solutions to such challenges is a positive message for Canada. Case in point is that Bermuda companies paid nearly a quarter—556-million Canadian dollars in payments—of this year's Fort McMurray wildfire claims.

Beyond the coverage itself, that contribution is useful for advocating our jurisdiction's blue-chip value to Canada, just as we do in the US and around the globe. We will be talking about that value during the BDA's upcoming captive roadshow to Toronto this November.

Asia—China in particular—is an untapped market we are also looking to develop. Our recent visit in July for Artemis’s ILS event allowed the opportunity to raise some awareness, do some research, and talk to Bermuda-friendly corporate allies in China and Singapore, like Jardine Matheson, Conyers, JLT, KPMG, Walkers and Harneys.

There is definite potential for lucrative business out of Asia. In Hong Kong, I met a life insurer that is looking into opening a Bermuda office. Back in Bermuda, I spoke with a senior Taiwanese official who’s seeking greater trade and tourism between our nations. Bermuda’s captive insurance, SAC structures and burgeoning ILS are prime targets for investment from the broader Association of Southeast Asian Nations (ASEAN), together with Taiwanese and Chinese markets.

In particular, there is a real opportunity to package life-insurance products into a segregated accounts captive structure that has significant appeal to the Chinese high-net-worth community.

Earlier this week, you will have seen news of China-based Asian Growth Properties moving its company from BVI to Bermuda. This shows that our mission to educate the market and differentiate from our competitors is starting to take hold.

Over the next three years, we’ll continue to strategically deliver such Chinese investment for the benefit of Bermuda.

To leverage the support of stakeholders like you and make the most of our visits to overseas conferences, we build in targeted meetings, presentations and roadshows. We know we have far more impact in overseas business outreach as “Team Bermuda” than we do as individual companies or separate vested interests. So, we are incredibly thankful to all our risk-industry partners for joining us on these initiatives.

At home, the Bermuda Captive Conference in June was a resounding success. In its 12th year, this event saw a record-breaking attendance of more than 800 delegates. Half of those were overseas participants, from the United States, Canada, Latin America, and the United Kingdom. The BDA plays a significant role in this conference—we devote considerable time and effort to help produce and promote it because we know it not only spurs growth in the risk sector, but also boosts local tourism: a total of 900 hotel-room nights were booked throughout this year’s event.

Bringing and hosting more conferences in Bermuda has been one of our objectives—and here’s why. Yes, they fill airline seats and hotel rooms, and that’s important for the island. But there’s a longer-term benefit, too. I like to call it the “scratch-and-sniff test”: if you can get a business visitor, a potential lead, to physically come to Bermuda, it’s usually a game-changer. When they see our market in action, experience the sophistication and maturity and expertise—plus have a rum swizzle and go to the beach—they’re far more likely to bring their business here than if they just had a conference call with you.

That’s why we work to attract conferences that fit our market needs.

Sometimes, we create or facilitate the launch of new events. A new one next year will benefit the healthcare-insurance market—a fast-growing segment that corrals the offerings of our captives, insurance, reinsurance and ILS. The Bermuda Healthcare Forum will stage its inaugural event next March at Tucker’s Point. It developed out of our healthcare industry group with whom we also attend ASHRM every year. We’re looking forward to supporting them in this exciting new venture and working with them to grow it in tandem with the market.

Overseas stakeholder groups are important to us as well. We’ve worked to increase our collaboration with the Risk & Insurance Management Society (whom, I’m sure, you all know as RIMS). We deliberately encouraged a closer bond with its executive via the RIMS annual conference and we have connected with them at several subsequent events, including our recent ALARYS Congress. It paves the way for some good synergy that brings the Bermuda market deeper into the RIMS fold. As an example, two of our team—Jereme Ramsay and “Hurricane” Nicole—have been invited to next week’s RIMS ERM Conference in Atlanta.

We expect this will help build even greater engagement with Bermuda carriers. We hope to entice RIMS to host one of their sector or regional conferences here in Bermuda in the near future.

We’ve also teamed up with several key stakeholders—BMA, ABIR, Bermuda Captive Owners Association (BCOA)—to get Bermuda speakers and topics featured at next April’s RIMS conference in Philadelphia.

There's been a lack of local speaker representation at RIMS in recent memory, so the BDA drove the effort to change that. We helped shape and pitch two engaging session submissions—which have both been accepted. The first is a captive-focused session to be presented by General Motors Risk Manager Al Gier and his Bermuda captive manager, Brian Quinn. The second session will be part of a new thought-leadership track RIMS is launching in 2017, and will detail the Insurance Development Forum. Led by Stephen Catlin, the session will be a moderated panel discussing the industry-led initiative to close the “protection gap” in emerging markets. A fitting way to also highlight the innovation that's been the hallmark of Bermuda's top risk thinkers.

To top it off, RIMS followed up by offering us a third appearance—inviting Premier Dunkley to be one of 10 special guest speakers in their “Executive Leadership Track.”

So let's just say, Bermuda will definitely be “in the house” at RIMS 2017!

On the marketing side, we've been developing new-media methods to reach an increasingly sophisticated and tech-savvy global audience. This quarter we'll be launching the Bermuda Risk Directory, a new interactive website to connect our market's carriers with customers. With research by Deloitte, the site is the new iteration of the former Bermuda Market Solutions website and published booklet. We'll be promoting it via our digital and social channels and encouraging all Bermuda insurance entities and brokers to get on board.

Other digital initiatives include a series of seven webcasts we had filmed last week in our offices. They feature some of our staunchest insurance colleagues talking up the jurisdiction—with themes ranging from TIEAs and fronting to corporate governance. We've also created new collateral catering to the health sector and cyber-risk markets, and we continue to provide our industry and government partners with talking points on everything from blockchain to Brexit.

So, do our efforts translate into tangible business? I can say without any doubt that they do. Year-on-year figures show Bermuda's already substantial captive market recorded increases in both the number of registrations and amounts of premium written.

Captive-related capital in Bermuda is definitely on the rise, and data confirms stability of that industry, retention of jobs and a rise in prospective business pipelines. So we're moving in the right direction.

Similarly, the insurance-linked securities sector shows no signs of slowing down. We're working closely with ILS Bermuda as lead sponsor to ensure next month's annual Convergence conference is the best so far.

While M&A, as we all know, has consolidated the reinsurance industry (and is expected to continue), the Bermuda market retains its leading-edge reputation. Its stature as one of the world's top-three insurance and reinsurance markets remains unchallenged, with new entrants beginning to join us from Asia, the Middle East and other emerging regions.

We believe we have to continually seek market development—such as geographic expansion. Product development is important, too.

The BDA has been the founder of a new think tank—currently dubbed BDA 4.0. This is an independent advisory council, focused on actively developing a fintech innovation ecosystem in Bermuda, developing ideas around distributed ledgers, blockchain and other technologies to work with our insurance and reinsurance industry. We are also working with a renowned Bermuda-based regtech company to see if we can develop a better methodology for integrating KYC across multiple platforms—watch this space for more on that one. This will bring disruptive change. It is imperative Bermuda remains at the forefront—as a pro-active contributor to this innovation, rather than waiting...and being left behind.

There are several positive new legislative initiatives as well. The Limited Liability Company, or LLC, legislation is now up and running, and is considered a very attractive option for businesses looking to incorporate here. We know, in many instances, the influencer on jurisdictional decision-making is the onshore corporate lawyer. Our LLC legislation is closely modelled on Delaware's, giving comfort and familiarity that we believe will help their selection process.

Similarly, the Incorporated Segregated Accounts Company, or ISAC, will also be a plus. This adapts our existing segregated company legislation, providing a hybrid that combines facets of both LLC and SAC structures—useful, not only in the insurance market, but for other industries as well, especially the funds space.

So, everything I've said so far is all well and good, but it might mean diddly squat if we continue to be erroneously lumped in with the broad categorisation of uncooperative, unscrupulous, offshore tax havens.

With this in mind, advocacy is one of our biggest endeavours. We've invested significant resource into bolstering our international image. We are seeing traction from our communication efforts. We have reiterated the fact that Bermuda's is a jurisdiction that adds significant value to onshore economies and that we operate on a level other offshore financial centres aspire to. We stress that *Bermuda is different*.

The BDA will continue to project a positive Bermuda message loud and clear—and I'm not exactly shy about singing Bermuda's praises at every opportunity. I know everyone here today is invested in the same cause. All of us are responsible for making sure this industry grows and thrives... and our island along with it. Our joint future rides on its success.

So, thank you for all you do. It's important work. The BDA is here to support you, to promote you, to protect jobs—and to help ensure that this elite, unique marketplace remains the very best it can be.

Thank you.