

**Bermuda Healthcare Forum
Rosewood Tucker's Point
Wednesday, March 15, 2017—10:30am**

WHY BERMUDA?

From Rattle & Shake to the World's Risk Capital, how the island has evolved into a powerfully unique, elite jurisdiction

Good morning, everyone. And thanks for inviting me to speak today. This conference exemplifies one of the goals we work towards at the Bermuda Business Development Agency. Our mission is to attract new companies, new people and direct investment to the island. We support existing companies, new start-ups, relocations and expansions across all industries. We exist, ultimately, to grow GDP and job opportunities here.

When conferences attract this kind of world-class expertise, it's a win-win. Good for you—to experience our turquoise water and pink sand, our talent...our hospitality! Good for us—for our economy, our taxis, restaurants and hotels, like this one (*I understand the Forum has generated 278 hotel room nights—that's impressive for the middle of March*).

Getting people physically here is usually a game-changer. For those of you who have never been here before, we very much hope you'll want to return—either for more business, or maybe a little vacation the next time 'round.

Just a little taste of Bermuda is all it usually needs! This has been our allure—our natural ensnarement—for time immemorial.

Four-hundred years ago, our exotic attraction encouraged Shakespeare to write his last play about us. *The Tempest*, involving a fantastical storm-wracked island, was inspired by the true story of the *Sea Venture*, the flagship of a nine-vessel fleet that left Plymouth, England in the summer of 1609 to forge a future in the New World.

Unfortunately, a hurricane messed with those plans, scattering the ships and forcing the *Sea Venture* off course. When its bedraggled captain and survivors finally spotted land, it wasn't their intended destination of Virginia, but instead the dreaded "Isle of Devils"—the bewitched Bermudas.

So, imagine the scenario: Their ship was destroyed and wedged on a reef...just a little way past the airport out there—a few hundred yards from my house. They'd lost their friends and family. Their few possessions were mostly gone. And here they were, on a sun-baked, reef-encircled atoll believed to be haunted, thousands of miles from home, and nowhere near where they were supposed to be.

Disaster—right?

Here's the Hollywood twist (no wonder Shakespeare liked it!): Bermuda *wasn't* a devilish hell after all. It was a subtropical paradise of turtles, seabirds and cedar trees. A land of plenty. In fact, after the colonists had spent almost a year here enjoying the bounty of wild hogs and prickly pears, they were hooked. The stories they related—re-told by Shakespeare and others—persuaded the English that they should take formal possession of Bermuda, and that happened a few years later.

And the castaways? They built and loaded up two escape ships and sailed on to Jamestown. All the salted pork and fowl, dried fish, biscuits and bacon aboard their ships spelled salvation for the starving colleagues they reunited with upon reaching Virginia.

So—a happy ending, and America’s birthplace was saved—by Bermuda. It was the start of a long and mutually beneficial relationship that would strengthen over many centuries and continues today.

During the Revolutionary War, Bermudians smuggled supplies to George Washington’s Patriots.

In 2014, at Washington’s Congressional Cemetery, the Sons and Daughters of the American Revolution honoured Thomas Tudor Tucker, a Bermuda-born veteran of the Revolution. In the late 1700s, he and his brother, St George Tucker of Williamsburg, informed patriot leaders that an unguarded Bermuda fort contained a large store of gunpowder—a scarce resource at that time for the Patriots.

Benjamin Franklin and the Philadelphia Committee of Safety convinced the Tuckers’ father, Colonel Henry Tucker, to steal the gunpowder and load it onto American sloops waiting offshore. Now, let’s be clear: Bermudians have always been savvy businessmen, so the Tuckers agreed to do this on the proviso

Bermuda be exempted from a trade embargo imposed by the Continental Congress on Britain on her colonies.

The sloops delivered about 100 barrels of gunpowder to rebel forces in America. Much of it was used in the defence of Sullivan's Island, South Carolina, in 1776. This prevented the early occupation of Charleston, one of America's most important port cities at that time.

These bonds solidified through the US Civil War and into the 20th century.

The US military built Bermuda bases to serve the Allies during the Second World War and provide a strategic outpost during the Cold War. And just across Castle Harbour, a radar and telemetry station was created to guide NASA space missions. There was even an emergency runway for the space shuttle.

Today, Bermuda remains a strong ally of the United States on a global scale. Nowadays our contributions are valued not in barrels of gunpowder, but in billions of dollars. This international financial centre is home to high-net-worth trusts, international law firms, hedge-fund managers, shipping companies, and major insurance and reinsurance corporations. The business that gets done every day on this island helps forge a global legacy.

Bermuda is one of the top-three insurance and reinsurance centres in the world, alongside New York and London, and is acknowledged as the largest property catastrophe market.

Our companies contributed an estimated 35-billion dollars to US catastrophe losses over the past dozen years:

- 22-billion for the Gulf and Florida coasts
- nine percent of 9/11
- We contribute more than a quarter of capacity for Lloyd's of London
- And we support about a quarter of the US medical liability insurance and reinsurance market

You can see we fulfil a critical role in the global economy. Our business model supports over a half-million jobs globally. We are a significant economic partner for the US, UK, Canada and Europe. We facilitate economic globalisation.

All this—from a tiny extinct volcano in the mid-Atlantic.

How did we get here? How did Bermuda become one of the world's most coveted jurisdictions for global enterprise? A unique, elite jurisdiction. What made us the World's Risk Capital with the world's most coveted tote bags?

Let me take you back to 1931. North America was in the throes of the Great Depression. Our trade development board was talking up our "cheerfulness" as an antidote to economic woes. Monoplanes and airships were making their first non-stop trans-Atlantic flights. Bermuda had its first direct dial conversation—between the island and Washington DC. And, on Halloween 1931, Bermuda's bishop, police chief and Royal Navy officials boarded old "Rattle and Shake"—aka the Bermuda Railway—as it rolled into action on its inaugural run.

The Railway had a short-lived existence—just 17 years in operation before it was sold to British Guyana. Today the trail, itself, is a national park and tourist attraction. It is great for walking, jogging and, as I like to indulge, a bit of biking.

However, something else happened in those early years of the 1930s that was far more lucrative.

The quantum leap to growing the island's business sector was the surmounting of a legal hurdle called the "60–40 Rule." It is a common misconception that the term "exempted company" means the company is exempted from tax. In fact it relates to legislation that Bermudians must own a minimum of 60 percent of any enterprise doing business locally.

In 1935, parliamentarians proposed the idea of allowing a separate set of rules for companies to use Bermuda as an administrative base for conducting business outside of Bermuda.

Robert and Meta Noble, members of the prominent Noble family of Gouverneur, New York—founders of Lifesavers candy and ABC broadcasting company—were permitted to establish the first exempted company. They incorporated "Elbon" Limited.

The astute ones among you will deduct that "*Elbon*" is "*Noble*" spelled backward. The incorporation was a win-win, allowing international companies to have a

neutral, tax-free, English-speaking and convenient venue administer their non-US interests. Bermuda had laid the foundation for a whole new economic community. Elbon was followed in 1936 by the International Match Company. Incorporated to liquidate the estate of Swedish matchmaker and industrialist Ivar Krueger.

Several more exempt companies were incorporated and then, in 1947, Cornelius Vander Starr chose Bermuda as the headquarters for his American International Company. He set up in a cottage on the edge of Hamilton. Six years later, in 1953, AIG counted almost 300 people in Bermuda, most of them engaged in the life-insurance business.

In 1955, David Graham—a partner of Conyers Dill & Pearman, had a letter published in the *Times* of London. The letter pointed out the advantages Bermuda afforded ship-owners at a time when the world was flooded with excess shipping capacity following the Second World War. The Peninsular & Orient fleet (P&O) re-registered its entire fleet from the UK to Bermuda and we launched the first offshore shipping registry.

Then came captives. In 1962, an Ohio engineer named Fred Reiss conceived the idea of 'self-insurance,' by which corporations could manage their own risks through a dedicated subsidiary—and save money in paid premiums by doing so. Starting with American steel companies, Reiss pursued the concept with Bermuda as his testing ground. By 1980, Bermuda was *the* leading captive domicile.

In the mid-80s, a critical capacity crunch threatened the US commercial liability sector. Claims had ballooned dramatically and US insurers suffered significant underwriting losses, driving prices skyward.

In this dire landscape, another Bermuda solution was created.

Led by Marsh & McLennan and JP Morgan, some of America's largest Fortune 500 companies—like Texaco, Eastman Kodak, Johnson & Johnson, Ford and Chase Manhattan—invested a few hundred million to capitalise two new ventures in Bermuda. These new excess and D&O liability carriers, covering high-severity, low-frequency losses were ACE and XL. (And, just for your edification, I was employee Number 93 at ACE.)

Both companies experienced sustained, exponential growth over the next two decades, building a workforce of hundreds on-island, and thousands around the world. They went public. Expanded their lines of business far beyond excess markets. Erected landmark buildings in our capital and completed mega-mergers. ACE and XL are household names for Bermudians. You say those names over here and people don't think of a hardware store or a spreadsheet—they think insurance.

Successive waves of company formations in Bermuda followed over the subsequent decades—this time, in response to capacity shortages for property-catastrophe reinsurance. Each series of “big-cat” formations was triggered by major disasters. The highly capitalised “Class of '93” was first, following on the

heels of Hurricane Andrew. It included Mid Ocean Re, Centre Re, Global Capital Re, La Salle Re, PartnerRe and RenaissanceRe.

Next was 9/11. The terror attacks triggered nine-billion dollars of equity capital flow in two waves of new companies. At least 10 new Bermuda insurers were formed. The “Class of 2001” included Axis, Arch, Allied World, Montpelier, Endurance and Catlin. Many launched before the January renewals season, an achievement that would simply not have been possible in the US or UK. Existing Bermuda companies also played a prominent role in funding 9/11 losses: ACE and XL, for example, were among the first of the top 15 insurers in the world to pay claims.

In 2005, following the Gulf Coast hurricanes, even more capital—some eight-billion—flowed in with the likes of Validus, Ironshore, and Ariel. In addition, sidecars were formed by sponsoring reinsurers.

Each wave caused a paradigm shift that shaped analytics, modelling, pricing, quantitative analysis—each time, challenging traditional thinking and demonstrating what happens when capital and talent combine in a business-friendly environment.

What did Bermuda offer that other markets did not?

Exceptional human capital, regulatory and tax advantages, along with speed to market. The ability to form new companies quickly, raise capital easily, in a conducive environment.

The evolution continues today. We are the home of true convergence—the collision of capital markets and reinsurance via sidecars and cat bonds and the world’s largest pool of ILS listings. Hedge-fund-re, fund-of-fund-re, insurtech, fintech, regtech. Disruption is necessary and inevitable. Bermuda is the lab where new versions of the risk management future are invented every day.

We are incubating and accelerating the burgeoning growth of the long-term life and annuity sector. We’re also experiencing continual M&A—which, yes, brings with it unwanted job losses, but also tends to create, consolidated and stable combinations that continue to thrive in Bermuda.

So, essentially, Bermuda has evolved from the birthplace of captives—to a market for excess liability, D&O and property cat— to a world leader in tackling all types of insurable risk.

Bermuda’s other advantage? Location, location, location—we are conveniently situated between North America and Europe. That made us a safe harbour during the heyday of Admiral Lord Nelson’s Royal Navy—and later, a hideout to target U-boats. And it makes us attractive today to businesses that need to operate between market time-zones.

This summer's America's Cup is a great example. Our Atlantic Time zone correlation to TV rights was a major factor in Larry Ellison's decision to bring Oracle Team USA here to wage its own marine war in front of a global audience.

Our infrastructure is pretty good too. Bermuda has brick buildings, solid water saving roofs and a very strict building code.

That stands us in good stead even when we get buffeted by the occasional hurricane. For example; Three years ago the island was directly hit by *two* violent hurricanes in the space of *one* week. The second one; a Cat 3 called Gonzalo, walloped us for a long time on the Friday. By Monday morning, we were all back our desks getting on with business.

That underscored not only our robust infrastructure but the resilience and character of this island.

The Bermuda lifestyle is, of course, an attractive drawing card. We can swim, sail, dive and play tennis or golf year-round in a sub-tropical paradise.

I live in St George's my commute is 25 minutes. After a day at the office in Hamilton, you can be enjoying cocktails on the beach or sea-view terrace right after work.

We have all these attributes. But one thing stands out above all of them.

Our reputation. Our "Bermuda brand."

Our island is known for quality above all else. Quality business. Quality tourism. Quality service...quality rum!

It's about quality people, too. Bermuda has a wealth of intellectual talent, a highly educated workforce and professional infrastructure. Within one-square-mile of Hamilton, you can find world-class bankers, lawyers, accountants, auditors, actuaries, software engineers, and risk-management professionals.

This mind, management and high-level expertise, physically on the ground here in Bermuda, is an attribute many onshore might struggle to believe. But during your visit to Bermuda, you can bear witness to it. You can see for yourselves. You can go into Hamilton and see that we are not racks of brass nameplates. We have actual human beings who are experts, pioneers, entrepreneurs and top-echelon executives. Yes, they may wear sporty shorts and long socks, but when the weather heats up, trust me, you would too.

Our little island is an incubator of new ideas, a hub of entrepreneurial energy. And not just in the insurance industry, either. Take a look back, and you'll see Bermudians invented a new breed of sailing sloop, a better-tasting onion. We elevated the humble pair of shorts into a fashion icon. Today, our top minds are now looking at distributed ledgers, blockchain, and other technologies that will continue to make Bermuda a centre of excellence.

The Bermuda market has focused on disciplined underwriting and respect for global compliance, transparency and cooperation. The Bermuda brand is about progressive regulation.

Our regulator, the BMA, is a world acclaimed leader. Achieving Solvency II cannot be underestimated—it is a massive feather in the Bermuda cap. It is a testament to the collaborative and pragmatic approach the BMA has taken.

This differentiates us from other financial centres that, unlike Bermuda, cannot claim to have a well-monitored beneficial ownership register, or robust oversight of financial institutions.

We're proud of these facets and, under the OECD's own definition, they prove the fact Bermuda is not a "tax haven." Our tax treaty with the United States dates back to 1986.

At a time when the many pressures and uncertainties of Brexit on one side, and a new Trump administration on the other, Bermuda's reputation is incredibly important—and we staunchly defend it. Our message to investors and decision-makers on both sides of the Atlantic is that our jurisdiction provides a safe, reliable, blue-chip harbour conducive to high quality business.

Our story is one that Americans, especially, should be aware of, given our interconnected past—our legacy of positive and mutually-beneficial relations. A

relationship, we hope, you will want to protect, preserve and carry into the future.

At the BDA, we're always ready to support that relationship, to support you and your industry. We stand prepared to help you grow this great conference. To assist your colleagues and interests at Bermuda-based companies. And if you're considering starting up something new, re-locating or expanding your business here, we can help you with that, too, just as we're doing for many other enterprises that are choosing Bermuda for all the right reasons.

Until then, we'll consider you our honorary "ambassadors." Enjoy your visit this week. See what Bermuda's all about. And know that our island is always ready to welcome you back.

Thank you.