

APRIL 2017



## Insurance innovators

Spring is about fresh starts, and at the BDA offices, the spirit of inspiration is feeling decidedly millennial. In the past month, we've welcomed Under-40s members of the [American Association of General Managing Agents \(AAMGA\)](#) and the [US Reinsurance Under 40s Group, Inc \(Re Under 40s\)](#) Annual Tour. We also hosted a group of students from Indiana's [Butler University Davey Risk Management and Insurance Program](#).

Butler's undergrads spent a week in Bermuda experiencing our marketplace first-hand. On their Friday morning visit to the BDA, they were awaiting some news, received later that same day. During a meeting with the [Bermuda Monetary Authority \(BMA\)](#), they learned their brainchild—a Bermuda-based, student-run captive insurance company—had received licencing approval.

This is entrepreneurship at its best. MJ Student-Run Insurance Company Ltd is believed to be the first such captive created, paving the way for future innovation.



“Other universities have told us we’ve now disrupted the market—that we are basically akin to the first finance programme to have students manage an endowment,” says Director Zach Finn, who drove the creation of the Butler programme back in 2012 to promote his search for a mix of textbook and experiential learning at Butler. “Many really believe, that in the next 20 years, this will be the standard for insurance and risk education.”

This company launch, in itself, is newsworthy. Furthermore, the students objectively selected Bermuda as the best domicile for their captive. The Bermuda market proved itself in something akin to a blind taste-test.

Professor Finn split his students into two groups and tasked them with carrying out a domiciles comparison. They were each assigned five competing insurance markets; they conducted analyses on capitalisation, premium and excise taxes, as well as other standards, to weigh up their options.

This is where the experiential benefit kicked in. In the US, some students started homing in on Oklahoma. Then Finn challenged them to contact the domiciles’ regulators to see which was most responsive. Bermuda and Vermont were the only two that even replied—each within four hours.

“They had a sense of enthusiasm and they treated our students as adults, doing a real project. We didn’t hear from a single other domicile,” Finn says. “You don’t experience that in a textbook.”

Ultimately, their research proved Bermuda outshone any competition due to its mature market and unparalleled infrastructure. “The opportunity to have our students come down here and interface with a large swath of the global reinsurance market is unbelievably powerful,” the professor explains.

Finn’s students set up their Bermuda captive as a legal entity and appointed Aon as their captive manager. They hired KPMG Bermuda as auditors and Conyers as their law firm. They developed five-year pro-forma financial statements, identified and underwrote selected risks. They selected loss-control recommendations, specimen policies and factored in ratings and audits.

What are they insuring? The school’s mascot, for starters (a celebrity English bulldog named [Butler Blue III](#) (“Trip” for short), with 20,000 Twitter followers), plus Butler’s bomb-sniffing dog, Marcus. All other start-ups run by Butler students. And Butler’s fine-art collection. Not surprisingly, going through the physical process of establishing a captive enhanced students’ risk-management know-how.



Adopting Bermuda's traditional culture of "work hard/play hard," the students celebrated after the BMA's greenlight with a day at the beach before flying back to Indianapolis to sit their finals. Their prospects are bright. Brad Weber, 22, who graduates early next month, has already landed a job as a risk analyst with a multinational manufacturing company that makes motion-control devices for the aerospace industry. Of the Bermuda captive enterprise, he says, "This was the coolest project I have been a part of in my four years at Butler."

For Finn, a clinical professor with four insurance degrees who once worked as a risk manager for the JM Smucker Company and a risk analyst for the corporation that owned the Wright Brothers' home, this is a passion project. Butler's 50-student degree programme is now proving its worth, with 20 graduates a year. He'd like more, including Bermudians. Finn echoes Hamilton Group CEO Brian Duperreault's [clarion calls to millennials](#) and industry Luddites.

"We have 1,900 accounting programmes in the US," notes Finn. "We have 900-plus finance programmes. We have only 82 insurance programmes. There are 3,700 graduates a year with an insurance degree—for 400,000 job openings. This is a supply-side problem. As an industry, we don't do enough to say, 'Look, we are the ones that make the economy work.'"

This is a message the BDA pushes across the world to help people understand the value Bermuda-based expertise adds to the global economy, and why insurance is such a vital industry.

There's yet another reason why Butler chose Bermuda. At a time when many in the United States may be professing isolationist tendencies, the students and professors felt it important to make their decision based simply on good business.

"We had questions," admits Finn. "Should we be offshore in this environment? Are we going to get Donald Trump tweeting at us? We didn't care. We're not training students for the world as some people might want it to be. We're training students for the world as it exists, and we are a global economy."

That's music to our ears as we continue to spread the message of our island's global value as a top-tier international financial centre. Heading to the insurance industry's biggest annual gathering at RIMS 2017 in Philadelphia this week, we couldn't ask for a more pertinent endorsement.

Welcome to Bermuda, Butler U. And welcome to other millennials, and those of the next generation, who look to Bermuda for solutions. As these graduates and young professionals grow into what promise to be successful careers, may this be the start of a long and fruitful relationship.



#### **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)**

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