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Beyond Convergence London

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ME London, London

Thanks, Greg.

Welcome to London, everyone. It's a privilege to welcome you to this event, which, in essence, marks the true coming-of-age of Bermuda's ILS industry.

Let me take you all the way back to 2009 when the Bermuda Monetary Authority first began tracking this market. Let me remind you that no—I mean *zero*—ILS business was transacted in Bermuda prior to, or in, 2009. But the introduction of legislation that year enabled the establishment of Special Purpose Insurers, or SPIs. And that was the start of a transition that has resulted in Bermuda becoming the top domicile for cat bonds, collateralised reinsurance contracts, industry loss warrants, insurance-linked securities—what we know as “ILS.”

Fast-forward to 2017. This year, the amount of ILS capacity in Bermuda is phenomenal. Our Bermuda Stock Exchange numbers are staggering: 214 listed vehicles with a market cap (or notes outstanding) of approximately \$25 billion—or, close to about 80 percent of total global ILS capacity.

It's unprecedented—and it keeps on growing.

A study conducted by the BDA in 2016 found more than 400 jobs were generated in the Bermuda ILS and reinsurance convergence industry by the end of 2015. And that represented an increase of 30 percent on the previous year. The overall economic impact totalled more than \$500-million from Bermuda-domiciled ILS funds, and over \$100 million in payroll. It underlines the important role the risk transfer and fully collateralised reinsurance industry plays in the island's economy.

ILS took off—how? Over many decades, our island has been a Petri dish for new industry ideas. And ILS is the perfect case in point. What perfect confluence of elements was responsible for creating this asset class? Collaboration between government, industry, regulators, the Bermuda Business Development Agency, and the ILS Bermuda team, has been a driving factor.

From the start, our agency has been stimulating this industry's success in Bermuda. We've been emphasising the necessity of working with public- and private-sector entities to first develop, then continue to stimulate, ILS business.

The SPI legislation introduced in Bermuda in 2009 was specifically designed to attract ILS and collateralised re/insurance companies to the region. It came about owing to a concerted effort between the Bermuda government and local service providers.

Our BDA report highlighted a broad range of specialist service providers that operate in Bermuda, and which continue to play a crucial role in supporting the Bermuda ILS industry. They also match investments with insurance risk.

One such entity is the Bermuda Stock Exchange (BSX), the largest offshore, fully electronic securities market for international and domestic issuers of debt, equity, depository receipts, insurance securitisation, and derivative warrants. The nominal outstanding issuance I mentioned that's listed on the exchange underlies its influence.

Back in 2013, the ILS Convergence group, which supports and promotes this industry on our island, held its first major event—an event that turned five years old this fall. The BDA injected seed capital for this conference and we have remained lead sponsor.

The BDA was incorporated that same year, 2013, and, in effect, we have grown up with ILS Bermuda. Having been part of that journey, we hold a strong affinity for this industry and what it says about Bermuda's world-class market. Our island is unrivalled in the scope and speed of ILS development and we've worked hard alongside fellow stakeholders to keep it that way.

We've promoted Bermuda's ILS sector with roadshows, like this one, research, thought leadership, and through conferences and events at home and across the globe.

Let me tell you about an event held on the island a few weeks ago—the Bermuda Reinsurance Under 40s Group. Now, I'm not exactly a millennial, but neither were some of my fellow panellists. I mean, Don Kramer was there—an industry legend, and now an ILS innovator. As Don began talking about Hurricane Andrew, Kathleen Reardon, CEO of Hamilton Re, pointed out that most of the audience was either in grade school—or not yet born—in 1992!

The other thing that struck me during that discussion was the way we talked about ILS. As we were talking about the capital that may be “trapped” following Harvey, Irma, Maria and now Ophelia, Kath dubbed a new term (well, new to me, at least). She described the money invested in this asset class as “*partner capital*.”

The term neatly captures what has happened—globally, but especially here in Bermuda. Remember when this sector was considered an outlier, a truly “alternative” approach? It’s fair to say, ILS has gone mainstream. Traditional reinsurers have adapted to the new paradigm and our island has solidified our reputation as the world’s risk capital.

It’s that brand of intellectual capital, collaboration and innovation that sets the Bermuda market apart. It’s what makes this jurisdiction so attractive to ILS, cat bonds, sidecars, hedge fund re, fund-of-fund, etc.

We appreciate the impact the convergence market has on Bermuda’s economy. The study we did was the first of its kind, and we will continue to monitor this sector’s growth and impact. Because the numbers keep going up.

Indeed, more insurance-linked fund managers are based in Bermuda than any other jurisdiction. We’re home to the oldest and largest manager. And major fund managers based in other jurisdictions have subsidiary offices in Bermuda and make extensive use of the infrastructure here.

That's something we're very proud of. We work hard to support it. And we know it's a testament to Bermuda's strengths—the traits that make us a genuine centre of excellence across industry sectors.

Bermuda's alternative funds sector is also flourishing and a true cross-sector synergy is emerging. We're seeing new incorporations, new investment managers, and service providers. We've witnessed leading allocators such as Blackstone, Pioneer, Schroders and Lazard launching Bermuda-domiciled funds in the past year. New fund administrators launching and then adding ILS specialists to their teams. These developments are re-invigorating our jurisdiction as a major asset management centre.

So, if you've domiciled your ILS funds in Bermuda—what about your other investment funds? It's a topic we're hoping to discuss with many, in our market and beyond.

Capital markets and reinsurance have had a long and mutually beneficial relationship in Bermuda. Our island has been a highly successful incubator for both, and now technology can forge the next path of disruption. Fintech, particularly insurtech and regtech, are a natural fit for our test-bed environment.

Talented minds in Bermuda are looking at distributed ledgers, blockchain, and other technologies that can continue to build on our market's dynamic reputation and set us apart.

Our message to the rest of the world is this: Bermuda is different. Exciting things happen. New ideas, creative solutions, fresh ways of looking at things. We look forward to continuing that fruitful collaboration—and we invite you to join us.

Thank you.