

Sean Moran, Interim CEO, BDA

BDA Update

6:30pm, Wednesday, September 26, 2018

Sandys Rotary Club

Henry VIII, Southampton, Bermuda

Thank you, Jack, and good evening, everyone. Honourable Rotarians, distinguished guests—thank you for your generous invitation to venture *up de country* to join you tonight, and for the opportunity to talk to you.

It's a privilege to be here on behalf of the Bermuda Business Development Agency, the BDA, and to speak to you a little about our agency, what we do, and some of the exciting projects we're currently involved in.

This is the BDA's second visit to Sandys Rotary. Our team was trying to pinpoint exactly when we were last here with you—it didn't seem so long ago. We were astonished to realise it's been more than *three years*...back in March 2015!

So much has happened since then—globally, in Bermuda, in our international business market, and at the BDA itself.

The island's winning bid to host the America's Cup had only been announced a few months. Brexit hadn't happened yet. Bermuda had a different government—and political party—in power. A different British Governor, a different US Consul General. And most of us at the BDA, myself included, had been on the job for only a few months. We were a start-up.

Fast forward to today. The geopolitical situation on both sides of the Atlantic is exerting tough challenges and causing immense change and uncertainty. The regulatory and compliance landscape around the world has also ramped up standards and demands, and with those have come new costs, but also new dedicated compliance jobs, in the corporate sphere.

In Bermuda, we've sailed very successfully through AC35 and out of a battering recession, into a period of steady GDP growth. Growth that's being driven by fresh incorporations, rising tourism and infrastructure investment, and some dynamic industry entrants that mark the start of a welcome economic diversification for the island.

But let me backtrack a little, and, for the sake of new members and anyone here who wasn't in the room all those years ago, let me tell you a bit about our agency. I'm Sean Moran, and I'm currently the Interim CEO for the BDA. I'm supported by a dedicated team of 14 fulltime employees in our offices—right there on the northeast corner of Church Street and Par-la-Ville Road...you know, where the old Buckaroo used to be.

The BDA is an independent, apolitical, public-private partnership. It may help to point out what we're *not*. Because we are not like our predecessor or legacy organisations. We are *not* BIBA or Business Bermuda. We are *not* the Insurance Advisory Committee (IAC), nor the Insurance Development Council (IDC). Neither are we the Chamber of Commerce, ABIR, BIRBA, BIMA, BILTIR, ABIC, STEP, BALT—etc. No, we are a *business development* agency. That means we're not a lobby group. We're not an educational conduit or a generic marketing and branding organisation. We're not a branch of government (though we work closely with our public-sector friends.) Nor are we an

ATM. Rather, we are structured so we can effectively implement business-development strategies, plans and tactics.

We have three primary goals at the BDA:

- Encouraging economic and job growth by attracting new businesses to set up here
- Encouraging economic and job growth by supporting established global businesses in Bermuda and increasing revenue streams to them and to government
- Promoting Bermuda's global image and reputation

We achieve this both through our work on the ground here, and internationally (we rack up quite a few air-miles, travelling mainly to North and South America, Europe, and, to a lesser extent, Asia.)

And our work is paying off. Business development, as you all know well, can be a delayed process, but one that depends on a consistent approach and steady momentum. The good news is, we're seeing successes across industries—and the BDA is proud to now be delivering a significant overall boost to national GDP: I'll give you a sneak preview of an economic impact study PwC has just completed for us. It looked at all the metrics around our activities in 2017 and extracted a concrete return on investment. In 2017, the BDA received \$4.7 million in public and private-sector funding—and *our private-sector contribution increased by almost a quarter over the prior year, by the way*, a clear endorsement of our corporate support and engagement. The study calculated that through industry events, together with new companies and their corresponding jobs, the BDA had a positive total impact on GDP of **more than \$26 million.**

That's pretty solid ROI, don't you think?

In terms of new companies, the insurance industry saw a year-on-year jump across multiple sectors last year. Fifty-eight new insurers set up in 2017—ranging from captives and long-term insurance and reinsurance companies to special purpose insurers (SPIs)—compared to 42 in 2016. All types of insurance companies were responsible for at least 61 corresponding new jobs in that industry.

Twenty new insurers were established in the long-term (life and annuity) sector, the fastest-growing segment in Bermuda's globally important insurance industry—and also the biggest. At the end of 2016, long-term/life companies held \$288 billion in assets, or 39 percent of the total Bermuda insurance market, and \$82 billion in capital and surplus. Those figures have continued to grow exponentially ever since.

We've also seen new firms physically setting up in the asset-management sector—Centaur Fund Services, Peregrine & Black Investment Management, Invictus RG, for example. We've also seen the return of some of the world's leading asset allocators, household names like Blackstone, Schroders, Pioneer, and Lazard choosing Bermuda as their launch platform: that marks a critical turnaround in our funds sector. It's happened over the past couple of years and it's something BDA and our stakeholders have worked hard for.

We've witnessed galvanisation of Bermuda's trust-and-private-client industry, which provides wealth management and structuring services to high-net-worth individuals and families. One of Bermuda's most important advantages here is the flexibility and the certainty of our trust legislation, and the BDA works with our industry partners

continually to ensure that system of laws is globally competitive, modern and fit-for-purpose.

We have been developing and promoting a unique suite of services geared towards multi-generational families of wealth/family offices. And there is fresh interest being shown by high-net-worth individuals in what Bermuda has to offer, from both a succession-planning and private wealth preservation perspective.

It's estimated the so-called "Next-Gens"—the beneficiaries of Baby Boomer wealth now being passed down—will receive \$30 trillion over the next three decades. And millennial investors have different priorities, interests, ideas and attitudes in terms of what they want to do with that money. They're focused on things like social-impact investing, supporting environmental and sustainability development projects, and contemporary art. They are also very keen on alternative assets borne out of new technologies—artificial intelligence and digital currencies, for example. They're re-shaping the model for wealth management, and Bermuda is modernising to engage with this new audience. We've made "HNW Services" one of our overarching industry pillars, as a result—comprising a focus on family offices, investment in real estate and infrastructure, private jets and superyachts. On that last one, you may know the BDA has been involved with the crafting of legislation making it easier for superyachts to charter here and choose Bermuda as one of their target ports.

We've encouraged some new industry entrants, too—biotech entities, like SELLAS Life Sciences, for example, that's pursuing pioneering cancer therapies in partnership with New York's Memorial Sloan-Kettering Cancer Center. SELLAS set up in O'Hara House on Bermudiana Road, and its CEO has moved to the island.

Another Bermuda-based company that's winning awards and attracting global attention is Trunomi, a fintech company that manages KYC information via a customer rights and data-management platform. It also has offices in London and Silicon Valley. And its CEO, Stuart Lacey, is Bermudian, lives on the island with his family and is a very strong advocate of the Bermuda platform.

We've got an agile team at the BDA, and our focus is to make it easier for people to do business in Bermuda—whether they're a new-entrant start-up like SELLAS and Trunomi, or an established multinational. We act as their partner on the ground here. We provide a dedicated concierge service, from a first email or phone call to physically opening an office. We connect investors and new business with government officials, regulators, service providers and industry experts to explore options and make sensible domicile decisions.

Industry events have also been a large focus for our agency—both overseas and on-island. Our team participated in no fewer than 75 different conferences and events throughout 2017. We travelled to Greece; Singapore; Philadelphia; Switzerland; Hong Kong; New York and London.

We also spent time here on-island welcoming business visitors and new companies to Bermuda. Last year, the BDA helped bring in or retain 15 conferences—an increase of more than 20 percent over the previous year, attracting a total of 1,700 foreign delegates to the island. By encouraging international visitors to attend industry events, we know we can affect perception and decision-making. By experiencing what Bermuda has, and what goes on here, prospective clients 'get it.'

Every year, we add more new events to the island's roster. This fall is heating up already. Last Thursday was a prime example, where we actually had four industry events happening on a single day. Our team has definitely learned how to divide and conquer! This week, there are even more—the long-term insurance conference organised by BILTIR kicked off this evening, RIMS Canada is underway in Newfoundland, and some of our team are with superyacht stakeholders at the Marine Money Finance Forum in Monaco. And I'm here, holding it down with Sandys Rotary!

Next week, we have the annual ILS Convergence event at the Hamilton Princess, as well as a visit by technology giant ConsenSys. Before the end of the year, we're looking forward to welcoming back Insurance ERM, a stalwart of the life & annuity industry, next month; and we have the Global Reinsurance Insurtech & Innovation event in November. We'll also be supporting the brand new PwC–Financial Times reinsurance summit on November 1st, and the inaugural International Cyber Risk Management Conference (ICRMC) in December.

Events like these attract hundreds of delegates and rack up thousands of hotel room nights, adding significant value to the Bermuda economy. They also help extend the viability of our hospitality industry, taxi drivers, tour operators, and restaurants, particularly during shoulder season.

As many of you probably know, our economy in Bermuda is quickly transforming to embrace some newer industries, and this has become a big focus of the government...and by extension, the BDA. I'm talking about disruptive, but dynamic challenges like blockchain, distributed ledger technology, virtual currencies, digital

assets...what we're grouping together under the umbrella term of financial technologies, or fintech.

In the past few months, our island has made global headlines by becoming the world's first jurisdiction to create a legal and regulatory framework governing initial coin and token offerings (also known as ICOs) and digital asset businesses. That's responsible innovation, and it's what Bermuda's known for.

It's why technologists and innovators from around the globe—like the founders of Binance, Shyft Network, Paycase and ConsenSys (who are here next week)—are looking to our island for pioneering solutions.

I was in Davos at the World Economic Forum in January with the Premier—and that visit was a real catalyst for these fintech ambitions. It was in Davos that Bermuda made its first real splash into this blockchain and digital asset arena—we signalled our intentions and then followed through. The government team spoke to a group of blockchain enthusiasts and told them (and this was on the Thursday), “If you're really serious about advancing this space and working with us, meet us in Bermuda on Monday.”

And that's what happened.

A handful of technology experts flew to Bermuda directly from Switzerland—on their own dime—and spent two days with our fintech working groups, in the BDA boardroom, laying out a road map for this nascent industry.

Less than three months later, as Bloomberg, Coindesk, and many other media have reported, Bermuda's House of Parliament approved rules to regulate ICOs. This summer,

that fast-forward progress continued and the House approved the new Digital Asset Business Act, which will create a licensing regime for virtual currency exchanges and other enterprises that operate in, or support trading of, digital assets. And most recently, in August, we saw the passage of amendments to the bank and deposit companies legislation which created a new category of license for banks who want to provide specialized services to companies operating in the ICO and digital asset space.

Our government also signed an agreement with Binance, the world's largest cryptocurrency exchange. It promised investments in blockchain companies, jobs and education for Bermudians. Since then, we've had several other MOUs and major partnership handshakes with major players in the blockchain space. Make no mistake: this is the first time—anywhere—that ICOs and digital asset businesses have been regulated. We're making history.

It's exciting—for Bermuda and Bermudians. There are real opportunities here. Do we have to be careful? Sure—no doubt about it. There are bad players seeking to capitalise, as there always are with the advent of new technologies. But this space is exploding globally with plenty of legitimate players, too, and Bermuda can take a lucrative leadership position. We can set ourselves apart as the “Silicon Valley of the Atlantic.”

It's important to realise that blockchain technology isn't just about cryptocurrencies, either. It will revolutionise not only our economy but also the entire way we live and work. Smart contracts using blockchain can produce self-executing wills, for example, or secure e-voting, and copyright protection. Digital identities will allow for quick and easy registration, and smoother travel and healthcare processes. Blockchain will also aid in corruption control because it's based on an immutable ledger that provides transparency.

Earlier this year, our agency held a multi-industry forum in New York, and two reinsurance legends were there. Our keynote speaker was Brian Duperreault, a longtime Bermuda market ambassador AND current President & CEO of AIG. The other was his friend and former CEO counterpart, Brian O'Hara...formerly of XL, and today a board member of a new insurtech company here on the island, called Envelop Risk.

Mr. Duperreault is a keen and outspoken proponent of embracing big data and new technologies. So is Mr. O'Hara—who told us that while listening to panels on insurtech and digital assets at our Forum in May, he felt an overwhelming sense of déjà vu. He said it took him back to the mid-'80s when the two Brians were innovators and disruptors in their own right. When they, too, were tackling new ways of doing things...and had their fair share of naysayers. The pioneering vision carried out by ACE and XL in the '80s, of course, changed the risk industry forever: it changed the way excess liability was covered, the way natural catastrophe claims were paid out globally, the way capital was raised and deployed. And that innovation happened right here.

So, Bermuda continues to be a centre for innovation, a hub of entrepreneurial energy. As Premier Burt likes to say, we're not just inviting in the incubators to set up here—our *whole island* is an incubator.

The same features, which for decades have made Bermuda a very successful centre for insurance, asset management, and private-client business are now being extended to tech entrepreneurs looking to set up operations in a sophisticated, modern and well-regulated jurisdiction.

We're not interested in quantity. It's all about quality.

And everyone is well aware that any advances we make in this space should not jeopardise the stellar reputation everyone here has worked so hard to build over many decades.

As many have rightly pointed out, we have history on our side. Insurance innovation comes naturally to this jurisdiction. The first captives were formed here. The first cat bonds followed. The excess capacity crisis was solved here. And now partner capital and insurtech solutions are forging the future.

Bermuda realises that the way in which companies around the world raise capital, transact business, interact with customer data, and secure their digital assets is changing in a fundamental way. In the same way the internet transformed everything in 20 years, new technologies like blockchain will cause a wave of new efficiencies and new opportunities.

We can't afford to wait. It may appear disruptive. But the cost of not acting swiftly, of not leading the way on this new wave, would be detrimental—not only to Bermuda's reputation, but also to its ability to do business globally.

So, that's a little bit about the BDA's evolution, and some of the exciting stuff we're working on.

I'm very happy now to answer any questions you may have—and seeing this well-informed audience, I know there will be some tough ones!

Thank you.