

BERMUDA'S WEALTH OF EXPERTISE

BY ALEX WRIGHT

Bermuda has firmly established itself as one of the world's top sailing destinations, which played a key role in the Island securing the America's Cup for 2017. The Island, which has a maritime heritage of more than 500 years, will stage the most prestigious event in the sailing calendar in May next year.

In recent years, Bermuda has hosted international and regional championships, the Gold Cup and Newport to Bermuda, the world's oldest scheduled ocean race, to name a few.

"Bermuda's strengths as a sailing destination are that it has year-round sailing, relatively flat water, warm conditions and a solid wind, not to mention the spectacular views," said Adam Barbosa, America's Cup Bermuda Ltd's project manager.

Over the last 30 years, the Island has also become a leading global financial centre with a thriving international business and financial services industry, not to mention a revitalised tourism and corporate hospitality sector. Key in attracting new business and investment has been its speed to market, strong regulatory framework and tax advantages, as well as its proximity to the US and Europe and favourable time zone.

Yet it is Bermuda's intellectual capital that really sets it apart, with a well-balanced mix of Bermudians and specialist expatriate workers. Having a pool of skilled (re)insurance professionals, brokers, lawyers, bankers, accountants and other service providers within one square mile of downtown Hamilton also makes it easy to do business in one place.

"Bermuda is the home of substantive businesses and world-class talent that conduct themselves at the highest levels of international best practices and regulation," said PwC's territory leader Arthur Wightman.

(RE)INSURANCE BOOM

Bermuda's (re)insurance industry has grown exponentially since the first two insurers, ACE and XL, were formed in 1985 and 1986 respectively to meet US market demand.

Since then, the Island has played a critical role in the global economy, paying out \$35 billion in claims from major US catastrophes between 2011 and 2015, including almost 30% of



Hamilton ferries.
Photos: Courtesy Ann Spurling



insured losses from Hurricanes Katrina, Rita and Wilma in 2005, according to the Association of Bermuda Insurers and Reinsurers (ABIR). Last year alone, Bermuda's biggest property and liability (re)insurers wrote \$72 million in premiums, making it the largest (re)insurance centre outside of the US and Lloyd's of London. ABIR's president and executive director Brad Kading said: "Bermuda's growth is really due to its ability to compound and build on the foundation laid by its different insurance sectors over time."

"These waves of investment have built on themselves and formed synergies between the different market segments, creating benefits for all of these specialty classes of insurance or reinsurance." Integral to the Island's future success was being awarded full equivalence under the European Union's Solvency II directive this year, giving companies a 'passport' to sell directly into Europe. Bermuda was also designated a 'qualified jurisdiction' by the National Association of Insurance Commissioners, allowing free cross-border trade with the US.

It is also home to the world's largest captive insurance market with more than 700 captives domiciled there, according to the Bermuda Monetary Authority (BMA), accounting for almost 20% of the global market. Bermuda is also one of the leading offshore markets for alternative capital with its catastrophe bonds and insurance linked securities providing about \$25 billion of the global risk capacity, according to the BMA.

FINANCIAL SERVICES HUB

Bermuda is also a major financial services hub, with a host of wealth and asset management firms, family offices and trusts based there. Over time, the Island has attracted a large number of private equity, hedge and mutual funds and investment services companies, as well as private client firms, to its shores.

In recent years, it has made a concerted push to bring in new hedge fund business from clients in New York and London, while on the trust and private client side it has been targeting Asia and Europe, according to the Bermuda Business Development Agency's business development manager Sean Moran. The Island also hosts the annual Transcontinental Trust Conference, one of the world's biggest private client events.

The Bermuda Society of Trust and Estate Practitioners' chairman Jonathan Dunlop said: "Bermuda has a high quality and well-regulated book of business established through many years of careful due diligence and working with the best client advisors and top quality high net worth families."

KEY DIFFERENTIATORS

Amid the fallout from the Panama Papers scandal and increased pressure on offshore jurisdictions, Bermuda has been quick to distance itself from its rivals. In 2009, Bermuda was moved to the Organisation of Economic Cooperation and Development (OECD) white list for jurisdictions that have substantially implemented internationally agreed tax standards and it has also signed up to the OECD's country-by-country reporting regime.

Currently, it has more than 91 treaty partners and 41 bilateral tax information exchange agreements with multiple countries, according to the Government of Bermuda. The Island was also one

of the first countries to adopt the Foreign Account Tax Compliance Act in 2013 and the Common Reporting Standard a year later. Also, at the start of this year, the BMA implemented the Basel II regime, requiring financial institutions to maintain enough cash reserves to cover any operational risks they incur, to go alongside its gaining Solvency II equivalence.

Wightman said that Bermuda is differentiated by its blue-chip global reputation, built on transparency and strong regulation: "The regulatory and business environment in Bermuda can be factually demonstrated to be at sustained levels that materially exceed not just offshore jurisdictions but also a majority of onshore jurisdictions."

TOURISM REVIVAL

After several years in the doldrums, Bermuda's tourism industry is also undergoing a major revival, with new luxury hotels planned for the first time in a decade. Most notably, the Green family has invested \$100m in revamping the Hamilton Princess hotel and beach club, the official hotel for the America's Cup.

Outside of Hamilton, the boutique Pink Beach Club on South Shore is being built by Sardis Developments at a cost of \$51.4m, while the Ariel Sands resort has also been given a \$100m makeover. A Ritz-Carlton hotel at Morgan's Point has also been earmarked for completion in 2018, as has a St Regis hotel in St George's for 2019.

THE FUTURE IS BRIGHT

Going forward, the outlook for Bermuda is bright, with the solid foundation of a thriving international business sector and a resurgent tourism industry.

However, Moran said that rather than relying on any one industry, the Island is growing all of its sectors: "We are most well known for insurance and reinsurance but we have always had a very healthy asset management business and a world class trust and private client sector."

"That diversity is what really makes us stand out in this era of increased scrutiny and regulation."



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He was previously the news editor of Insurance Times and Global Reinsurance as well as the deputy business editor at The Royal Gazette in Bermuda.

Alex currently edits for The Guardian, the Mail on Sunday, The Sunday Times and The Telegraph, among others.