



## *Premier of Bermuda*

### **Small Wonder: Bermuda's Supersized Impact on the World of Risk**

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Premier of Bermuda

#### **RIMS 2017 – PHILADELPHIA**

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Good afternoon everyone.

It is a great honour to speak for Bermuda today at this important industry event that has been so consequential for the Island over many decades.

RIMS is where we touch base with the industry, where we connect and reconnect, listen and learn, and where we proudly fly the flag of Bermuda. As you have seen by the video, 2017 is a Big Year for Bermuda with the staging of the 35<sup>th</sup> America's Cup in May and June.

It marks the first time in the regatta's 166-year history that a defender—Oracle Team USA—will sail in foreign waters by choice.

So we are incredibly excited to welcome tens of thousands of people to our shores, and we look forward to putting on a great show for them, the sailors and a worldwide audience.

It is also a pleasure to be here in Philadelphia – a city known for its history, its culture and its welcoming spirit – the City of Brotherly Love and Sisterly Affection. A city of history, pride and indomitable spirit.

Team Bermuda has felt that spirit and it is appreciated.

We have always felt a strong affinity with our American neighbors. Our connections go back more than 400 years — to the beginning of the New World – when shipwrecked settlers from Bermuda built two new ships – one the aptly named *Deliverance* – and sailed to Jamestown, Virginia, in what became a rescue mission.

The food supplies and manpower they brought with them effectively saved the Colony, which became the birthplace of America.

Bermuda has played an outsized role in American life ever since. Some Bermudians joke that we helped America win the Revolutionary War. And while that's a Tall Tale, there is a kernel of something to it.

In 1775, a group of Bermudians stole barrels of gunpowder from the Island's magazine, rowed them to waiting American ships, which delivered them to the Continental Army desperate for ammunition. In anticipation of the delivery, George Washington promised Bermuda every "mark of affection and friendship which grateful citizens of a free country can bestow on its brethren and benefactors."

At the outset of the Second World War, Bermuda became the frontline of US continental defence with the establishment of US military bases at either end of the Island.

From these bases, the battle was taken to marauding German U-boats; and then through 50 years of Cold War, American patrols kept their eyes and ears on the movement of Soviet submarines.

Bermuda also served as the largest of 18 tracking stations around the world, supporting the Mercury, Gemini and Apollo programmes, the development of space shuttles and unmanned probes to other planets.

On the ground, Americans were Bermuda's first leisure visitors, helping to grow our blue-chip tourism economy. Mark Twain became a regular, as did Winslow Homer and Woodrow Wilson. Twain once quipped: *"You can go to heaven if you want to, I'd rather stay right here in Bermuda."*

American presidents visited often, using the Island for summit meetings – Eisenhower-Churchill, Kennedy-McMillan, and George H. W. Bush with Margaret Thatcher and then John Major.

In short, our bonds with America and its people were forged across centuries, through revolution, war and cold war; through tourism, trade and space exploration, and most deeply through families, friendships and partnerships.

The bonds between us are real, deep and time-tested, from generation to generation.

For the record, Bermuda is an Island of 21-square miles, 600 miles off the US east coast and 90 minutes flight from its major cities. There is a direct flight from Philadelphia to Bermuda; thank you American Airlines for being a good partner.

We're a self-governing British Overseas Territory. Our Parliament is one of the oldest in the world next to the British Parliament in London. There is a Governor, appointed by the Queen, and there is the Government of Bermuda with a Cabinet headed by the Premier.

The Governor has constitutional responsibility for external affairs and defence, but the working relationship over time has been open, pragmatic and flexible, allowing Bermuda space to exercise its responsibilities on behalf of the Bermudian people. One example of that is Bermuda's lead in negotiating the US-Bermuda tax treaty, which exempts from US taxation the insurance business profits of qualified Bermuda insurance companies.

The system of governance works.

Since the Constitution came into effect in 1968, the Island has progressed its affairs steadily, responsibly and collectively. Our politics can get loud at times, but that's an indication of Bermudian freedom and security, and it's all to the good. Because of it, we know the direction we need to go and the challenges we face.

We are a population of 65,000, and over time we've had to find ways to make a living beyond the limits of our natural resources. We've had to be resourceful, innovative and resilient, and these attributes, energized by a can-do spirit, have enabled us to invent, repurpose and renew as circumstances require.

So it is fitting that we are here today in this historic city to discuss Bermuda's unique and substantial role as an international financial centre, and how that role supports and complements American communities and businesses and the world beyond.

The title for this talk is '**Small Wonder: Bermuda's Supersized Impact on the World of Risk**', and I think that's a pretty accurate summary of what we're about.

Just like Philadelphia, Bermuda has a proud history of punching above its weight, and while Bermudians are proud of their record they are also cognizant that punching above our weight is the standing national challenge we face in order to generate meaningful benefits for our people.

And so we take on big challenges – hosting the America's Cup, building a tourism economy that set the stage for all other islands, or supporting America in its mission to maintain stability and peace.

Our development over 50 years into a top-tier international financial centre is part of this story, and it speaks to our shared understandings, our strategic resolve and our patience.

Integral to this success has been the care taken by succeeding generations of Bermudians to build integrity and ease of regulation into every level of the Bermuda business model, and this has allowed for long-term investment, financial stability and sustainable growth.

We want business to succeed because it helps our people to succeed. And we want to build that success from the ground up – with patience, know-how and trust – and to make it work in ways that upholds our good name.

This is an all-in commitment for Bermuda. One goal is to make business easier for everyone and we work hard to make that happen. Care and attention to best practices and a full-service infrastructure – human and physical – has enabled us to grow. You will be hard-pressed to find anywhere on the planet that has produced more accountants, actuaries and lawyers per capita than that of Bermuda. One of my industry colleagues likes to say that only in Bermuda do high school students know that being a reinsurance actuary is a rock star job!

The evolution of that type of expertise over several decades has positioned us well today. We're a hub for people with world-class skills working for innovative companies that play a critical role in the global economy.

Within the two square miles occupied by our capital city Hamilton, you will find multi-industry support services and expertise that includes top accounting firms, auditors, financial advisors, IT specialists, underwriters, brokers and fund administrators.

**As an INTERNATIONAL FINANCE CENTRE,**

We've grown as a base for asset management, trust and private client business, family-office structures, shipping and aviation companies and related registries—plus new ventures such as tech start-ups and bio-med companies

**In CAPTIVE INSURANCE,**

We are a global market leader, with 800 companies generating nearly \$55 billion in annual gross written premiums.

The presence of commercial insurance and reinsurance companies in Bermuda allows captive owners and operators to access open market underwriting capacity not found in other captive domiciles, making Bermuda a one-stop-shop.

**In REINSURANCE,**

We are a top three centre and the most important property and catastrophe market.

Bermuda also provides roughly 35% of capacity for Lloyd's of London.

We're home to the largest insurers and reinsurers, and together they have had an immense, positive impact on the world around us.

**Bermuda-based companies, for example:**

- ✓ Covered almost a tenth of 9/11 claims — and were among the first to settle those claims.
- ✓ They paid 30 percent of insured losses from Hurricanes Katrina, Rita and Wilma, paying out \$22 billion to rebuild the US Gulf and Florida coasts in the wake of those storms, and
- ✓ Over the past 15 years, they paid an estimated 35-billion-dollars for US catastrophe losses alone.

**Globally, Bermuda carriers have:**

- ✓ Paid 20% of December 2015 UK flood losses
- ✓ Covered 22% of an estimated \$1 billion market loss for 2009 Air France crash
- ✓ Paid 51% of reported liabilities from the 2010 New Zealand earthquake
- ✓ Paid 37% of Chile's 2010 earthquake
- ✓ Covered 29% of liabilities for international reinsured share of 2011 Japanese earthquake
- ✓ Covered 50% of reported losses for 2012 *Costa Concordia* cruise liner sinking.

**Closer to home, Bermuda carriers:**

- ✓ Paid a quarter of reported reinsurance losses for last year's Alberta, Canada wildfires.
- ✓ Paid our 3 billion or 16% of Hurricane Sandy losses in 2012.
- ✓ Supports 25% of US medical liability insurance and reinsurance market.

The numbers behind this important work are equally impressive.

Bermuda's economic model supports close to a half-million jobs worldwide, including an estimated 350,000 jobs in the US and more than 70,000 in the UK.

In Bermuda international business employs an estimated 3,700 people, 2,000 of whom are Bermudian. The sector itself is a driving force across the economy, from retail to real estate, generating more than 60% of Bermuda's foreign income.

So this gives you some idea of Bermuda's "supersized impact on the world of risk".

We're proud that these companies through their policies and actions continue to help communities in the US and beyond, supporting the reputation of Bermuda as a place where business works for people.

And we're proud of what we've constructed over the past few decades – many hands building something that provides the people of Bermuda and our partners with opportunity, stability and prosperity.

I am an optimist by nature – it's just who I am – and that optimism reflects not just my own bearing but the confidence I have in Bermuda's time-tested abilities to build something that works.

It's certainly evident within the Government, which is hard-wired to cultivate and nurture the potential for market innovation and growth. And it is evident in the skills and vision of Bermuda-based industry leaders.

So just like Philadelphia, a city that has defined itself in American history as being 'first' in many ways, Bermuda too has compiled a track record of 'firsts'— the world's first captive insurers, the first true excess liability carriers, the first property catastrophe insurers and "cat" bonds.

In 2009, we were the first offshore jurisdiction to be included on the OECD's white list of countries deemed compliant with international standards of transparency and information exchange.

The world's insurance capacity crunch of the 1980s was solved in Bermuda, and alternative risk financing is now forging the future.

Our regulatory leadership was highlighted in 2016, when Bermuda became one of just two non-European Union jurisdictions to win full equivalency under Europe's Solvency II Directive. It is worth noting that Bermuda achieved this stand-alone distinction through the work of our regulatory authority and it is not contingent on, nor affected by, our U.K. relationship.

What it means is that Europe considers Bermuda a robust jurisdiction in its own right. Solvency II puts Bermuda's commercial reinsurance companies on equal footing with European Union markets, while providing EU businesses, insurers and consumers critical access to the Bermuda market's capacity and claims-paying record.

This may benefit US groups with EU business by placing EU reinsurance through their Bermuda units. Solvency II sets us apart, and that attracts the kind of attention that attracts further growth.

This development has coincided with a promising movement by new industries choosing Bermuda – technology start-ups, biomed companies and near-shore initiatives attracted by the same advantages that have helped the more traditional industries. There is also the continuing move to Bermuda by alternative capital vehicles—including insurance-linked securities, catastrophe bonds, sidecars, hedge fund-backed reinsurers, and other risk-transfer products.

More broadly, there are new opportunities with new source markets as companies moderate traditional insurance-buying practices and increase their use of self-insurance and alternative risk-financing mechanisms.

Sadly we live in an increasingly negative and cynical world. We do not have to and I will not subscribe to that approach. As I said I am an optimistic person who views a challenge as an opportunity. Success comes with hard work and building on your strengths.

Bermuda has and will always continue doing that. We know the road we're on. Of course there will be bumps and potholes along the way, but we're looking ahead with a firm understanding of where we have been, who we are and what we need to do to continue succeeding. I am optimistic about our future as we have tackled tough times head on and are moving forward together.

We work well with other people and that is the nature of the business and industry we have built; an island connected with the rest of the world; growing jobs, building prosperity and providing product that benefit people and businesses in need.

That's a pretty good road to be on.

Ladies and gentlemen, I hope what I have shared today provides you with an appreciation of the Bermuda business model, the impact it has had and our commitment to keep it moving forward. We live in a challenging, changing and turbulent world and Bermuda has a supersize role to play with the products and services we offer.

Anyone from our Bermuda team would love to talk to you about what we do and what we can offer so please reach out and, while you are here at RIMS, hopefully we will see you at the Bermuda Reception tomorrow evening.

If we don't have a chance to chat, consider yourself invited to the America's Cup in May and June this year. Bermuda is going to be the hot spot when it gets underway in just over 30 days.

It has been my pleasure to address you today, thank you for your time and I look forward to hearing your thoughts, questions and feedback in the discussion to follow.

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