



# BERMUDA

## Back in the spotlight for business

With its focus on innovation, tax-neutral Bermuda is still a world-class business center

“Bermuda is a very important global insurance and reinsurance center, a vibrant marketplace, astonishingly beautiful and a magnificent place to be. The island’s hosting of the 35th America’s Cup in 2017 was a powerful way to show the world how unique Bermuda is,” enthuses Michael S. McGavick, CEO of leading global insurance and reinsurance company XL Group. XL is based in Bermuda, alongside almost 900 captive insurance companies, nearly half of the world’s top reinsurers, and a growing number of risk-management companies and insurance-linked securities (ILS) vehicles.

“Insurance and re-insurance are our economy’s bread and butter,” says Ross Webber, CEO of the Bermuda Business Development Agency, a public-private partnership that encourages investment and helps firms start

or expand operations on the island. He cites intellectual capital and regulators that listen as two reasons why Bermuda continues to attract financial companies, as these have led to “constant innovations in, for example, ILS products and derivatives.”

Gregory A. Wojciechowski, President and CEO of the Bermuda Stock Exchange, which was appointed to the World Federation of Exchanges’ board in 2016, agrees: “We had a record number of ILS listings in 2016 – 61 new companies. Bermuda is a centre of excellence and hub of innovation for ILS and other key markets.” XL’s McGavick explains that “ILS and associated developments are terribly important for how the world is going to work in the future. It is obvious that traditional insurance and reinsurance reinsurance balance sheets are insufficient for

the future. We are going to need more capital of different kinds, with different return requirements and that requires people to think differently about the business model.”

### Creating the future

XL acquired Lloyd’s of London insurer Catlin in 2015. Through its insurance and reinsurance companies, which use the global brand name XL Catlin and provide property, casualty and specialty products, it fully embraces Bermuda’s enabling of innovation. It has utilized this to help it cement its global position as “one of the handful of re/insurance companies that can create seamless solutions across hundreds of countries,” says McGavick; “We are one of the few that clients can turn to that has real global capacity, can truly take on complex risk, is driving

innovation in our industry and can also accelerate their success.”

As well as having a corporate culture focused on innovating, XL ensures innovation through two other channels: an investment arm, XL Innovate, which invests in start-ups addressing emerging and underserved risks, disruptive new insurance models, and data and analytic companies with high-value insurance applications; and its Accelerate team, which internally drives game-changing innovation for existing customers or products.

Bermuda’s small and medium-sized enterprises (SMEs) are also demonstrating innovation, says Erica Smith, Executive Director of the Bermuda Economic Development Corporation, a joint venture between government and banks that provides financial, technical and business help to SMEs, and manages economic empowerment zones. “The breadth and scope of entrepreneurship here is incredible to behold and we could further benefit from this by providing more financing in partnership with international agencies,” she states.

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# Opportunities arise from diversification

The America's Cup showcased Bermuda's advantages and parts of its economy are flourishing as a result

Although mainly known as a world-class business center, Bermuda's economy is increasingly diverse, with potential in many sectors. One of the most developed of these is air registration, as Thomas Dunstan, Director General of Bermuda Civil Aviation Authority (BCAA), details: "We have over 800 registered aircraft and are the largest offshore registry in the world and tenth biggest overall."

The BCAA is responsible for the Bermuda Aircraft Registry, as well as overseeing regulation and safety of aircraft on the register and aviation on the island. Dunstan believes that "much of BCAA's success has to do with Bermuda and the way it has positioned itself." Factors that helped the island build its positioning include its tax-neutral status – with zero tax on profits, income, dividends or capital gains – its beauty and climate, stable political environment, high-quality infrastructure and a location that is only a 1.5-hour flight away from New York, for example. Dunstan

also highlights "its reputation, for its transparency to its financial regulations and monitoring. Bermuda has worked diligently to ensure that we are transparent with worldwide jurisdictions and meet all their requirements."

BCAA has a similarly high reputation. "We have a good safety record and, with the help of bodies such as the International Civil Aviation Organization, we ensure that Bermuda maintains the highest safety standards. Competition in his sector has grown, he says, but, "We strive to promote our customer focus, reputation, credibility and responsiveness, and that puts us in a different category."

The government has recently turned the body into a quango to help it create more business opportunities. "We can target any size of business jet and already have Boeing 747s, 777s and 787s on our registry. We see potential in China, Asia Pacific and the Middle East, and we are always looking to expand in Europe, where our reach is supported by



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our offices in London and Moscow," states Dunstan.

The 2017 America's Cup is expected to be an impetus for growth for BCAA, as more individuals and companies invest in Bermuda, making it a logical place to register their aircraft. But one sector already seeing growth as a result of event is construction, according to Chris Schuler, Managing Director of BAC Group of Companies. BAC started as an air-conditioning company, but now covers all aspects of indoor environment and energy management solutions as a contractor and via retail, and is a leading electrical contractor and renewable energy supplier. Open to international partnerships, it already has deals with companies like Tesla and Panasonic. "There are a lot of large projects coming up, such as Morgan's Point, a

five-star waterfront development with which we are negotiating a major contract, and a new terminal is being built at the airport, where we are installing a 6MW solar farm," says Schuler.

Much of the new construction is due to an increase in tourism, with air arrivals up 17% in 2016. The America's Cup might be over, but there are new marketing initiatives in place and the island has many attractions, prominent amongst which are the stalactites and stalagmites of the Crystal Caves of Bermuda. "They are spellbinding and have been described as the most exquisite diminutive caves in the world," says David Summers, president of the real estate holding trust that owns the caves, along with a number of older buildings that provide a glimpse of this world-class contemporary island's past.



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