



AN INNOVATION NATION PROVING ITS GLOBAL RELEVANCE



A combination of innovation, embracing technology and hard work means that Bermuda's economy is strengthening and the outlook is increasingly positive, says Andy Burrows of the Bermuda Business Development Agency.

Bermuda's overall economy is strengthening, and the outlook for international business in Bermuda continues to be positive in 2019. Figures from the Bermuda Monetary Authority (BMA) show a 5.5 percent increase in the number of international companies and partnerships registering on-Island in 2018 compared to the previous year.

This trend is expected to continue as Bermuda cements its global dominance in its traditional powerhouse industries while diversifying into new, emerging sectors that will shape the future of international commerce.

While the growth in Bermuda's economy has been propelled, among other drivers, by sustained demand for financial services—in particular insurance (the BMA witnessed a 29.3 percent year-on-year increase in company registrations from new insurers across multiple sectors)—the Island's bold and pioneering strides into the emerging fintech sector saw a total of 55 fintech companies incorporate in Bermuda in 2018.

As a world-leading financial jurisdiction, ideally located, and with a political and legal system more than 400 years old, Bermuda is celebrated for providing stability, consistency and quality. Despite an increase in the intensity of competition from other international jurisdictions, Bermuda remains a domicile of choice.

In a world that continues to evolve at a pace previously unseen, what has always differentiated Bermuda is its dynamic, forward-thinking approach and proven ability to create a business environment that fosters innovation, with industry, government and regulators working together to respond to market needs in a pragmatic and progressive fashion.

Surging into life

Starting with Bermuda's traditional pillar of strength, one area of the re/insurance market that has experienced a rapid surge in capital flows and registrations is in the long-term re/insurance market. Globally this sector continues to gain importance on the back of shifting demographic trends.

The number of Bermuda-based life re/insurance companies more than doubled in 2018, such that it is now the fastest-growing sector in the Bermuda market and, with more than \$400 billion in total assets, also the largest. According to Bermuda International Long Term Insurers and Reinsurers (BILTIR), the majority of these companies cover life risks, followed by deferred annuities, immediate annuities and other longevity risks, accident and health, and all others.

With more than 500 Bermuda-based staff now working within life re/insurance, companies can benefit from Bermuda's strong and growing talent pool.

In addition, Bermuda continues to maintain its position as the number one captive insurance domicile. The BMA registered 19 new entities by year-end, taking the total number of licences to 711, with \$40 billion in net premiums.

Tech-savvy and focused on the future

With a long history and track record of originating creative solutions for industry issues—from developing the world's first captive insurance model to the evolution of a best-in-class insurance-linked securities (ILS) market—Bermuda is now leading the way in emerging technologies, specifically fintech and insurtech.

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In 2018 Bermuda became the first country in the world to enact comprehensive legislation and regulation governing initial coin offerings (ICOs) and digital asset businesses. Modelled on laws already in place for insurance and investments funds companies in Bermuda, the Companies and Limited Liability Company (Initial Coin Offering) Act 2018 and the Digital Asset Business Act 2018 (DABA) have been thoughtfully developed to uphold Bermuda's stellar reputation as a blue chip financial centre and to attract quality startup businesses.

Bermuda's burgeoning fintech ecosystem is already acting as a catalyst for growth. Through our concierge service at the Bermuda Business Development Agency (BDA), we were directly involved in assisting 35 of the 55 fintech companies to incorporate on the Island last year, and we have been helping yet more new entrants in 2019.

DABA has already piqued the interest of the ILS market, an area which continued along its growth path in 2018 and whose global market capacity Bermuda dominates—with 2019 potentially seeing the ILS market expand into cyber risks.

DABA has also created the potential for a new breed of Bermuda-based incorporations from tokenised/digital asset funds. Currently paving the way for cryptocurrency and digital asset innovation, the Bermuda government provided its first licence under DABA to a global crypto financial services company which will base its international operations in Bermuda and expand its product offerings.

This tech-savvy and modern business culture that Bermuda is inculcating will enhance Bermuda's brand appeal and relevance in the eyes of the next generation of business leaders, entrepreneurs, investors and high net worth individuals.

Innovation and regulation working hand in hand

Supporting the Bermuda government's vision for economic diversification and evolution in the world of technology and finance, the BMA has been a key player and is an important benefit Bermuda offers. Underscoring Bermuda's ability to be nimble in the face of change, it is rare to find a globally respected financial services regulator willing to keep pace and demonstrate its support to enable innovative startups the quick route to market that is so crucial.

An example of the regulator's pragmatic approach is that the BMA launched two innovation tracks in 2018, the Regulatory Sandbox and the Innovation Hub, targeted at insurtech companies. These are

beta testing grounds for new technologies where the corresponding products or services can be tested and vetted by the BMA before they are offered to a limited number of customers in a controlled environment and for a set period. In this manner, Bermuda can continue to attract dynamic startups in the reinsurance space while ensuring that the underlying regulatory principles of transparency, fitness, propriety and policyholder protection are not compromised.

A real success story in this space has been the development of the RiCap (risk meets capital) platform by a blockchain technology company. The RiCap platform supports the intercompany processes for an insurance/reinsurance market covering placement, accounting, settlement and claims. Interested participants will be able to use and test the platform for six months during the production trial which commenced in Bermuda in July.

Blockchain technologies currently being deployed and tested in Bermuda have the potential to transform the global insurance industry. With the market maturing and adoption on the horizon, the World Economic Forum forecasts worldwide spending on blockchain solutions to be nearly \$2.9 billion in 2019, before surging to \$12.4 billion in 2022.

Optimistic outlook

It is inevitable there will be challenges this year. The rise of disruptive technologies presents both risks and opportunities, and other external factors, including EU regulations and Brexit uncertainties, will need to be navigated, but Bermuda remains well-positioned and prepared to tackle what lies ahead, setting a robust course for its future with reason for real optimism.

Bermuda's traditional pillars of economic growth in international business remain resilient and the government's drive to diversify the economy is paying dividends and setting Bermuda apart on the world stage.

As Bermuda's Premier David Burt highlighted during an industry forum in London last year: "You can find accelerators and incubators anywhere in the world, but there's only one place where the entire country is itself an innovation hub—and that is Bermuda." ■

Andy Burrows is chief executive officer of the Bermuda Business Development Agency.

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