

Bermuda investment funds – autumn 2024 update

Briefing Summary: Our investment funds team outline the latest developments within the investment funds market in Bermuda, addressing the recent statistics from Q2 2024 published by the Bermuda Monetary Authority (the "BMA") as well as the updated Guidance Note for General Business Insurers with Segregated Accounts and Separate Accounts ("Guidance Note").

Service Area: Investment Funds

Sector: Investment and Wealth Management

Location: Bermuda

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Bermuda Monetary Authority Investment Fund statistics (Q2 2024)

Bermuda continues to consolidate its status as a leading international financial centre with growth in the investment funds sector during Q2 2024. The Bermuda Monetary Authority (the "BMA") has published its Q2 2024 Investment Fund Statistics (see [here](#)), which indicate an increase in both the total number of funds and the net asset value (NAV) of those funds.

The total number of funds saw a modest increase of 0.52% in Q2 2024, growing from 774 funds in Q1 2024 to 778 funds. The NAV of the regulated funds also experienced a significant uptick, rising by 3.09% to a total of BMD \$286.46 billion in Q2 2024, compared to BMD \$277.90 billion in Q1 2024.

However, the market did witness some fluctuations across different fund categories:

- Professional closed funds increased from 100 in Q1 to 115 in Q2 2024.
- Private funds decreased from 191 in Q1 to 187 in Q2 2024.
- Overseas funds saw a decline, reducing from 129 in Q1 to 124 in Q2 2024.

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BMA updated Guidance Note for General Business Insurers with Segregated Accounts and Separate Accounts ("Guidance Note")

In insurance-linked securities ("ILS") structures, investors' funds are typically used to collateralise reinsurance obligations in an underlying insurer, with investment often made by way of a segregated account in that underlying insurer. For many of Bermuda's ILS fund managers and operators, the BMA's updated Guidance Note will be relevant where the ILS fund and the underlying insurer are managed as part of the same structure and that underlying insurer carries on general business. In the Guidance Note, the term 'insurer' includes 'reinsurer' and 'insurance' includes 'reinsurance' and 'insurance business'.

Effective from January 1, 2025, the Guidance Note emphasizes the responsibilities of the insurer's board in governance, risk management, compliance with Bermuda's regulatory regime, and the clear application of collateral to meet reinsurance funding obligations.

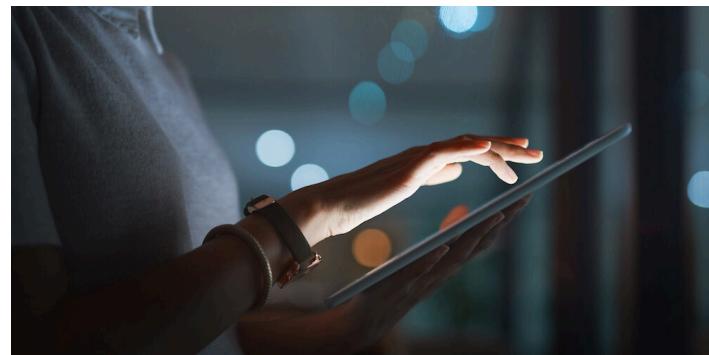
Key changes include:

- **Enhanced governance and reporting:** an insurer registered under the Segregated Account Companies Act 2000 that is conducting insurance business using cells should ensure its board of directors understand its responsibility to ensure that the business, including the business in the cells, is effectively directed and operated by the insurer's management team or, if such insurer outsources such function to a service provider, by the insurance manager.
The board must ensure that the management team has compliance processes in place to access and document the fitness and property of its members, controllers, officers, and insurance manager. In addition, the board is responsible for providing oversight of the insurer's governance and management framework, risk management and internal controls frameworks, including any activities and functions that have been outsourced.
- **Licensing and capital requirements:** the statutory financial statements for insurers with cells now includes a schedule of 'segregated accounts' and 'separate accounts'. The schedule of the 'segregated accounts' template contains a minimum cell information that insurers should provide in the statutory financial statements.
- **Auditing and compliance:** an insurer's statutory financial statements should be audited annually by the insurer's approved auditor. The audit should include in its scope the schedule of 'segregated accounts' and 'separate accounts' as it forms part of the statutory financial statements.
- **The loss reserve specialist opinion:** the insurer's appointed Loss Reserve Specialist is now required to opine on the reserves in the general account of insurer's segregated account company in addition to the reserves reported at the cell level.
- **Collateral:** where the ILS Fund invests in a cell that is writing fully-collateralised insurance business, the collateral must be contributed to the cell on or before the effective date of the insurance contract.

If you need additional advice relating to the Guidance Note, please get in touch with your usual Carey Olsen contact.

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