



Bermuda Introduces Incorporated Segregated Account Companies

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The Incorporated Segregated Accounts Companies Act 2019 (**ISAC Act**) received assent on 26 November 2019, introducing a new company structure product – the incorporated segregated account company (**ISAC**). This legislation has been developed to create a new and innovative product to meet the needs of business stakeholders in Bermuda. The jurisdiction originally developed segregated account companies (**SACs**) as a solution for the (re)insurance industry and saw the use of the concept grow beyond its original origins which enhanced Bermuda's attractiveness as an offshore jurisdiction. The ISAC Act is a standalone piece of legislation which complements the Segregated Accounts Companies Act 2000.

In an ISAC structure, each segregated account constitutes an incorporated entity distinct from the other incorporated segregated accounts (**ISAs**) within the same structure. The premise that incorporated entities enjoy separate legal personality is a widely accepted and upheld legal principle. The ISAC provides greater certainty via a statutory and common law basis for the segregation of assets and liabilities by creating separate bodies corporate.

ISACs provide the ability to create corporate group structures and operate multiple types of businesses with separate legal identities but each under one umbrella. This offers greater flexibilities and enhanced efficiencies which include facilitating structured finance, increased control, effectively monitoring operations, and pooling professional support. ISACs may be useful in various sectors including (re)insurance, investment funds, investment holding, multinational enterprises, family offices, asset ownership, and securitisation.

Some key features of the ISAC are as follows:

- An ISA is a legal person. However, an ISA may not itself be an ISAC.
- An ISAC must include the letters "ISAC" in its name.
- An ISA must have the same registered office as its ISAC.
- The Companies Act 1981 applies generally with respect to an ISAC and with respect to an ISA.

- An ISA may:
 - own shares, rights or interests in its own ISAC;
 - own shares, rights or interests in, or be the account owner of, any other incorporated segregated account of its own ISAC; and
 - enter into contracts with other ISAs (of its ISAC) and with the ISAC itself.
- Each ISA must have a memorandum of incorporated segregated account, and its memorandum must state that it is an incorporated segregated account.
- The Registrar of Companies will maintain a register of ISACs and ISAs which will be available for inspection by members of the public.
- An ISAC and its ISAs must keep the assets and liabilities of the ISAC separate and separately identifiable from the assets and liabilities of any of its ISAs; and must keep the assets and liabilities of each ISA distinguished, separate and separately identifiable (i) from the assets and liabilities of the ISAC; and (ii) from the assets and liabilities of any other ISA.
- ISACs must appoint and retain an incorporated segregated account representative in Bermuda.
- Each ISA must appoint directors and officers for the ISA. Hence, each ISA must have its own board of directors, separate from the ISAC board (although there may be common directors).
- An ISA may be transferred from one ISAC to another ISAC.
- An ISAC can amalgamate or merge with another ISAC and an ISA may amalgamate or merge with another ISA of its ISAC.

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