cio investment club

Whitepaper #19

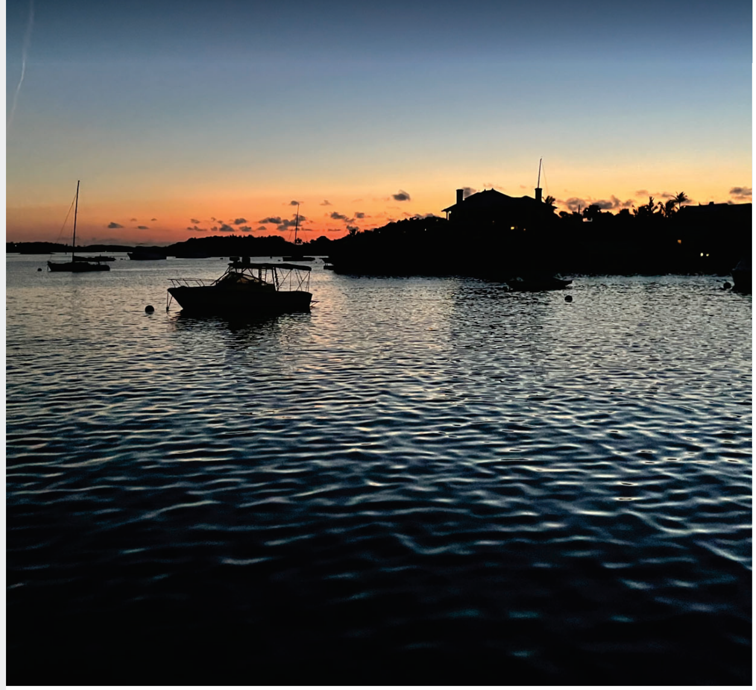
August 2025

Bermuda CIO (Re)Insurance Whitepaper: Tacking into macroeconomic headwinds

In association with

STEPSTONE

LOOMIS | SAYLES INSURANCE SOLUTIONS



Roundtable sponsors

Thank you to our sponsors for this edition of the Bermuda CIO (Re)Insurance Roundtable.

STEPSTONE

LOOMIS | SAYLES
INSURANCE SOLUTIONS

sean.thompson@cioinvestmentclub.com
chloe.irapah@cioinvestmentclub.com
www.cioinvestmentclub.com
cio-investment-club

Design by Go Vicinity Creative

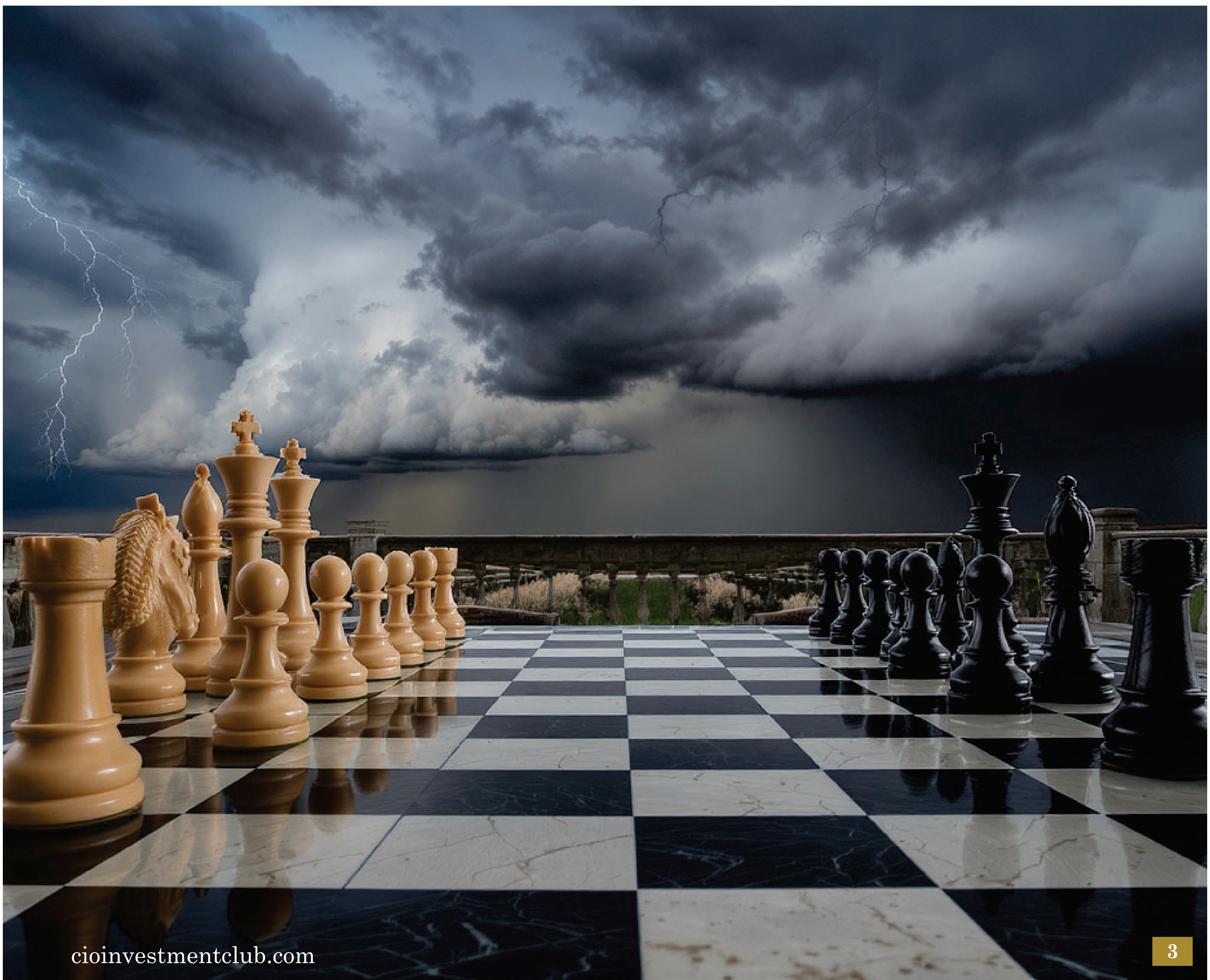
Contents

Bermuda CIO (Re)Insurance Whitepaper: Tacking into macroeconomic headwinds

Bermuda is a global powerhouse in the (re)insurance sector, known for its resilience, innovation, and strategic agility. The combined assets under management of the island's life, property & casualty, and captive sectors amount to $1.87 trillion, as of year-end 2023, according to the Bermuda Monetary Authority (BMA).

For the CIOs tasked with stewarding this capital, these are challenging times. In the face of persistent economic and geopolitical turbulence – from inflationary pressures and recession risk to international conflicts and trade uncertainty – CIOs must continuously reassess strategies to preserve value, generate returns and meet the needs of their underwriting colleagues.

The second Bermuda CIO (Re)Insurance Roundtable, hosted by the cio investment club, brought together asset management leaders and investment professionals from the island's (re)insurance community in June 2025. The discussion explored navigating volatility, finding opportunities, building portfolio resilience in the face of macroeconomic headwinds and Bermuda's competitiveness as an international (re)insurance centre.



Economic and Interest Rate Outlook

The opening question was whether the participants expected the United States to enter a recession, defined by two consecutive quarters of negative GDP growth, within the next 12 months. A majority said 'no', but the two who said 'yes' spoke of early warning signs appearing in economic data.

One who saw heightened risk of recession was John Bohill, partner, private debt at the StepStone Group, who gave his perspective as a private-markets specialist. "My lead indicator is the fundamental P&L of 6,000 to 7,000 middle-market borrowers in the US. We can see the declining trajectory in interest coverage, because P&Ls have been weakening. Of perhaps more concern is the slowdown in M&A activity and policy certainty, which is the lifeblood of private debt."

Tom Duggan, chief investment officer, Bermuda & US, at Catalina Re, concurred. "When you look at credit spreads and equity market performance, to say a recession or slow growth is most likely seems crazy. However, the more I consider the number of pockets of uncertainty, be they geopolitical, economic policy or soft/concerning data, the more concerned I get."

The consensus expectation around the table was for anaemic growth. Pramila Agrawal, insurance portfolio manager and board member at Loomis Sayles & Company, described her base case as "stallflation". She explained: "We're not expecting stagflation, where there is negative growth coupled with very high inflation. 'Stallflation' means you'll get a little bit of both – some decrease in growth and some increase in inflation."

The steady downward trajectory of inflation from its 2022 peak was unlikely to continue, Agrawal said. The future effective tariff rate, which remained highly uncertain at the time of the roundtable, would have a strong influence, she added. Agrawal expected economic growth of between 1% and negative 1% in the coming year. "Our probability on stallflation is 55% and on a mild recession is 25%," Agrawal added. "The outcome of either could be very similar."

> *'Stallflation' means you'll get a little bit of both – some decrease in growth and some increase in inflation.*

Matthew Roche, president of Serenova Re, a life reinsurance start-up, said his focus was on setting up his portfolio and getting coverage to a broad range of investment grade credit. He stressed the importance of agility for CIOs in today's environment. "When you're constantly getting premium in the door in a flow-type business, and things are moving month to month, you've got to be agile," Roche said. "Corporate spreads look attractive one week and then the next week, not so much."

Persistently tight spreads have presented challenges for (re)insurance CIOs, including Jamie Steeves, deputy CIO of Axis Capital, whose team manages a relatively short-duration portfolio in line with the P&C (re)insurer's liability profile. "As high-yield corporate credit spreads moved toward historical lows," Steeves said, "we naturally trimmed back. We didn't necessarily sell, but generally stopped reinvesting. However, it's amazing how long credit markets can remain tight."

Michael Grayston, Group treasurer and CIO of Ascot Group, has also made changes based on the tightening spreads in investment grade corporate bonds. "Over the last couple of years, we gravitated away from traditional corporate allocations and boosted up our structured securities allocation," Grayston said. "It's a diversifier in terms of spread and you're getting some pick-up. We also have exposure to private placements within our IG portfolio and are looking for further opportunities in that market across the capital stack."

Private opportunities

Private debt is a growing segment of the capital market and is playing an increasing role in Bermuda (re)insurers' investment portfolios, both in the life and P&C sectors. All but one of the CIOs present expected to increase their private allocations over the next year. Morgan Stanley projects the private credit market will grow to around $2.8 trillion by 2028, from approximately $1.5 trillion at the start of 2024.

Bohill said he viewed private investments as a long-term asset class, intended to be invested over potentially decades, and with a strong track record of performing relatively well during economic downturns. "In statistically relevant portfolios of several thousand loans, we can see that for an investor who stayed invested through difficult periods such as the Global Financial Crisis and Covid, the compounding return will more than offset the empirical loss rates. That's the basis of our overall investment philosophy," Bohill said.

However, investors seeking to build private debt allocations will need patience. "There are very attractive asset classes out there, whether asset-backed finance (ABF) or direct lending, but getting and maintaining deployment has to be a deliberate and persistent goal – you can't switch into it on a dime," Bohill said. "Capacity is key factor and maintaining deployment over several years builds momentum behind compounding returns of this asset class be that through primary direct investments, coinvestments or the growing market for credit secondaries."

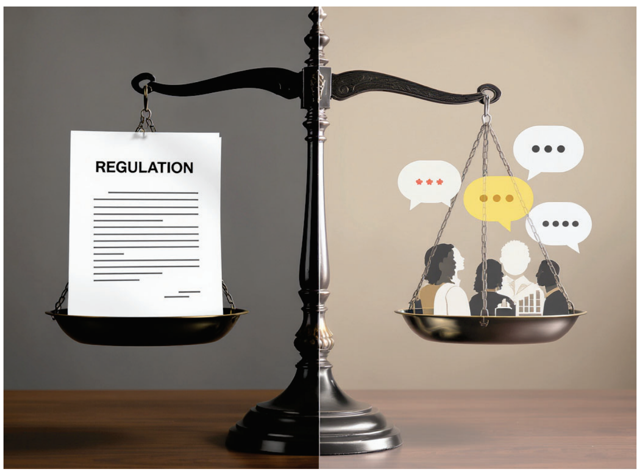
Grayston said Ascot had been focused on expressing risk appetite through its underwriting book during a period of expansion. "We've been through a pretty

> *an investor who stayed invested through difficult periods such as the Global Financial Crisis and Covid, the compounding return will more than offset the empirical loss rates.*

significant period of growth, and I think now we feel comfortable, given the size of our portfolio and the maturity of our liability book, that we can start thinking about diversifying our investment portfolio.

"I see us as a significant liquidity provider to the market. We have a very liquid portfolio, and we can afford to focus on ways to deploy that excess in areas that may be less liquid. Privates are attractive to us, because of the spread pick-up and lower volatility."

Agrawal said Loomis Sayles' insurance clients were attracted to the additional yield and diversification offered by ABF, offering exposure to sectors such as infrastructure, housing, utilities and sports, while a growing secondary market was bringing greater transparency on pricing.



Considering the trend of greater liquidity in private markets, Roche said: "That could be a big change over the next few years. If we see more secondary trading on things like private credit, private ABS, leading to spread compression in the asset class, investors may increase allocations, because they know you can get out at some price level."

Amar Singh, investment director of L&G Re, said he viewed private assets as long-term holdings in line with his company's liabilities. "It's important to be disciplined about what you're adding to the portfolio, making sure that you get paid for the risk you are adding and, at the same time, managing liquidity for short-term opportunities arising in public fixed income markets," Singh said. "Adding idiosyncratic risk in the portfolio and then trying to get rid of it is not an ideal scenario."

Steeves said private assets perform well over the long term and price volatility was smoother than publicly traded securities over the short term. Disadvantages of private debt included higher fees, ramp-up time, and tax withholding challenges when various entities in a pool were based in different jurisdictions, he added.

"We find it challenging to secure an allocation that neatly fits into a P&C world," Steeves said. "There is an abundance of long-duration assets and 5 to 7 year tenors, making it time-consuming to ramp up a short-duration portfolio, which then naturally rolls off faster" Steeves said.

Bohill responded that implementation of an efficient, diversified portfolio was key. Bohill was then asked the provocative question on whether choice of asset manager mattered, since diversified portfolios could perform similarly through a recession, regardless of who was managing them.

Indeed, manager choice mattered, Bohill countered, arguing that over time there would be substantial manager-by-manager variance in cashflows and losses. StepStone's research had found huge differences in performance between the top and bottom quartiles of private equity portfolios, he added. In private debt, differences were smaller, but volumes mattered, meaning that the top private debt managers were "very hard to avoid if you want a credible portfolio".

Duggan said the complexity of private assets meant back-office resources were an important differentiator between asset managers. "It's easy to say: 'I like higher spread, lower defaults and better companies – sign me up'," Duggan said. "But there are many hurdles and constraints – origination is the obvious one, but there are also important differentiators when it comes to structures and tax.

"The larger players are like banks – they have a ton of legal, tax, and back-office expertise they can leverage. Maybe we can say there is a resource premium to add to the illiquidity and complexity premium."

Singh gave his insight into such complexity, saying it was necessary to build a "bridge" between a targeted asset class and the insurance balance sheet. Every insurance portfolio comes with its own set of complexities around risk constraints, operational readiness, regulatory concerns, hedging requirements and asset class accessibility.

"Adding a new asset class involves governance, structuring, legal and tax due diligence and operational setup, which takes a lot of time," Singh said. "At the same time, we need to factor in the characteristics of the asset classes – it maybe illiquid, or lumpy, or unattractive from a return perspective.

"For example, you may be researching a data centre ABS and are trying to figure out whether this will work. And you do all the work, and it works for a time but then you realise there's no volume, or spreads have tightened such that the asset class has become unattractive. And so, you start looking at newer asset classes."

US assets – still the safest bet?

In May, the US lost its last remaining AAA credit rating with a downgrade from Moody's, reflecting concerns about a worsening debt-to-GDP ratio. The US dollar's relative value has also slumped in 2025, amid concerns that US tariffs could fuel a resurgence of inflation. In this environment, are Bermuda (re)insurance CIOs looking to reduce their exposures to US assets, or find "safe haven" alternatives to US treasuries?

There were no fears of a US debt default around the table. Grayston, who was the only CIO to expect a reduction in exposure to US treasuries over the next month, said: "That's not because I view it as less of a safe asset class, but I'd rather take some of that US government risk exposure through agency mortgages and get paid more."

Roche said: "The question is not about whether US treasuries are secure – it's that, given my other opportunities as an investor, are they the safest option? For me, the answer is 'yes'. Europe is improving, but it's still not as safe as the US and there's nothing like US treasuries anywhere else.

"However, there has been a big change in the term premium this year, which makes sense, when you think about the new tax bill, etc. There's clearly a lot of uncertainty and I could see long treasury yields increasing, and even more curve steepening happening from here."

Safe-haven asset choices are also influenced by liabilities. Singh said: "The currency of the liability is, I believe, the most important – for L&G Reinsurance, that is the Canadian dollar. So, if I have to pick up a safe asset, I'll be looking at Canadian provincial and government bonds. That doesn't necessarily mean they're the safest assets out there, but for us it makes more sense than investing cash in US treasuries."

Steeves said: "Despite recent volatility stemming from the US market, US assets are still one of the safest bets."

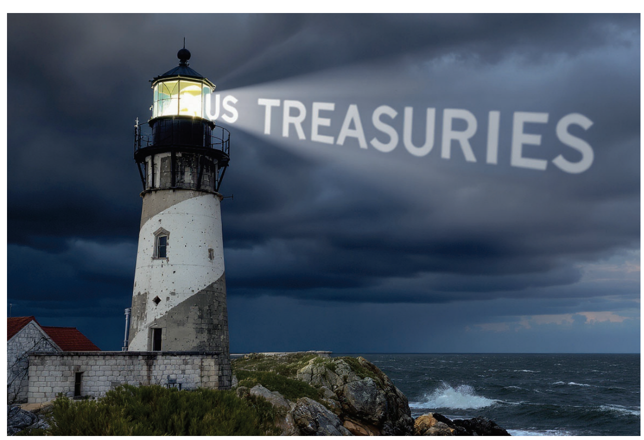
Duggan said he had seen no empirical data suggesting that allocators were divesting US assets on a significant scale, but anecdotally he was aware that some were considering other government bonds. "I think the momentum around this discussion stems from the political environment and commentary, rather than the asset itself," Duggan added.

Agrawal has seen some movement out of US assets, but not among Bermuda clients. "The place we are seeing weaker demand is with our Yen investors," Agrawal said. "For banks, insurers, and other financial institutions, their hedging cost from USD to Yen has been quite elevated. So, we are seeing a weaker demand in US treasuries and corporate bonds, especially given higher local yields."

For private-debt investors, US exposure was almost a necessity, Bohill said. "The US is the largest market, where smaller businesses are the most financially astute, compared with other locations, where you have the greatest credit authority and the most transactions. Even European investors recognise that if you want to scale a serious private-debt programme, you can't avoid the US."

The need for diversification was another reason drawing investors to US assets, Agrawal said, citing European insurer clients, who had "bought every name in the European public credit market and now they need the diversification that the US offers".

"I'd rather take some of that US government risk exposure through agency mortgages and get paid more"



Artificial intelligence

Participants agreed that generative AI is becoming useful in their organisations, with Microsoft Copilot the preferred tool for most, but CIOs said they were not yet using it for strategic asset allocation or modelling.

"AI is not yet part of our modelling suite on the investment side," Duggan said. "Are we using elements of it across our business? Yes. Is it changing the way data flows to us, from banks or research reports? Almost certainly. Is it a tool that we are likely to look to use and implement to a greater extent in the near future? Sure, but it is not actively driving core activities at this point."

Grayston said that at Ascot, AI was being used for help with drafting e-mails and summarising documents, but not on the investment side. He added: "We've appointed an individual in our IT team, who is charged with figuring out how our organisation can leverage AI – it's starting to get some momentum, but not yet in our modelling."

Singh said: "At L&G Re, we find AI can be useful to translate trade ideas or portfolio-management action items into summary memos for stakeholder consumption. We also use it for summarising legal documents or reading through term sheets at times. It's also very helpful in providing talking points for presentations."

> *So, we do limited, internal AI analysis for things like ESG investment assessment*

While participants recognised the potential of AI, they were also wary of its potential pitfalls. Bohill, for example, said it was important that AI's output was checked by a human with appropriate knowledge and experience. He was also mindful of data security.

"We need to be very careful about our proprietary data sets," Bohill said. "So, we do limited, internal AI analysis for things like ESG investment assessment, lower order stuff and nothing significant without human intervention."

Agrawal said Loomis Sayles had been using machine learning for a long time for models in areas including macroeconomics, inflation, relative value and risk, while AI was proving valuable in summarising research notes and reports.

AI output could become more robust, with the use of differing AI models trained on different data sets and using different heuristics to make interpretations and conclusions, Agrawal added.

Bermuda's prospects

Bermuda's (re)insurance industry has enjoyed almost uninterrupted growth since a slew of new reinsurers set up on the island in the wake of Hurricane Andrew in 1992. In an increasingly competitive world – and after implementing a 15% corporate income tax for larger multinationals this year – can it maintain its attractiveness to the industry?

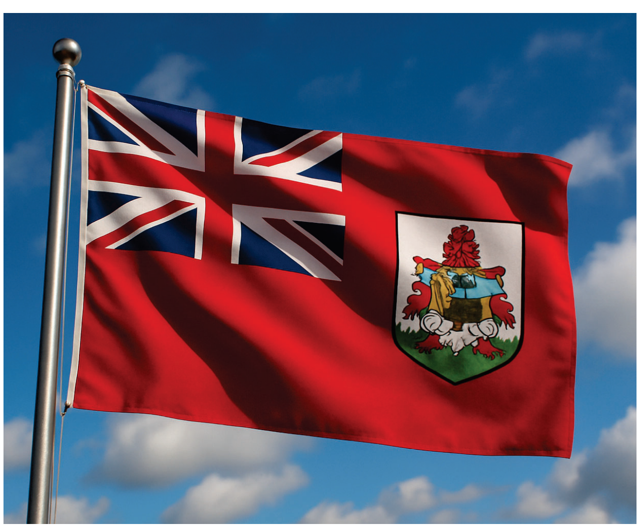
The group felt that as a genuine marketplace with a global talent base, Bermuda is well positioned, but there are challenges to address.

Grayston said: "Bermuda is adaptive. From a regulatory perspective, Bermuda's got a long way to go before it loses its attractiveness as a jurisdiction – for both the P&C and life industries – because of our emphasis on a regulator that is adapted to industry needs, but also provides substance.

"There's a lot of concern about the corporate tax assessment and that makes Bermuda less attractive, but not unattractive. And in some ways, it makes us a more credible jurisdiction, while still maintaining a competitive advantage."

Steeves agreed that Bermuda's competitiveness was holding up. A significant factor was the BMA, the insurance regulator, which, in Steeves' opinion, regards itself as a business partner as well as an overseer. "They listen and understand the regulatory needs in a competitive global marketplace," Steeves said.

Duggan said Bermuda's great strength was that "it's a real market", but he would love to see more momentum behind the build-up of a strong investment analyst pool, encouraging more young Bermudians to see it as a career.



"I think the regulatory environment is what's really contributed to the growth of the life sector. Clearly, it's important to have that regulatory oversight..."

Attracting talent was seen as a major challenge for Bermuda, particularly young talent. Bohill said creating a clear branding for young people was key for smaller jurisdictions seeking to appeal to them. He cited Dubai as a jurisdiction that had built an image of an exciting place to work.

Steeves stressed the industry was playing its part in creating opportunities for young Bermudians. "I would bet there is no other country in the world that has so much to offer young students," Steeves said.

Agrawal raised the topic of enhancements in Bermuda's regulatory framework to support the life reinsurance sector and what this may mean for Bermuda's appeal. In particular, the BMA has enhanced its framework for sensitivity analysis and detailed reporting for long-tailed liabilities and more complex and illiquid investments.

Grayston said: "I think the regulatory environment is what's really contributed to the growth of the life sector. Clearly, it's important to have that regulatory oversight, to demonstrate that Bermuda is a well-regulated, respected jurisdiction for companies to operate in."

Participants

Matthe Roche

President, Serenova Re

Mr. Roche leads the Bermuda based team for Serenova Re, developing and executing the Company's strategy along with oversight of day-to-day operations and financial management.

Previously, Matt served as the Chief Investment Officer for L&G Re in Bermuda, where he managed the company's diverse portfolios with responsibilities including asset allocation, manager oversight, asset-liability management (ALM), and investment strategy development across various asset classes.

Jamie Steeves

Deputy CIO, AXIS Capital

Jamie is the Deputy Chief Investment Officer at AXIS Capital Holdings Limited, with 30 years of industry experience across a broad range of investments.

As a core member of the AXIS team for the past 21 years, Jamie leads fixed income and credit investments.

Jamie began his professional career at PricewaterhouseCoopers and is a Chartered Professional Accountant of Canada and a CFA charter holder.

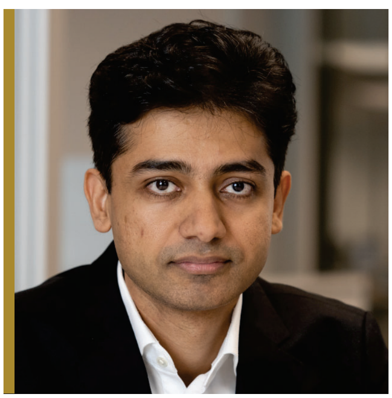
Tom Duggan

CIO, Catalina Re

Tom has over 10 years of experience managing investments. His investment experience has been obtained as a credit research analyst, from which he has advised Pension Funds, Insurance Companies, Endowments and Family Offices on their asset allocation and investment portfolios.

His investment career started following a professional sporting career, during which undergraduate and postgraduate degrees were obtained.

He holds a B.A. in Business Management and Accounting from the University of Sheffield and an MSc in Accounting and Finance from the University of Surrey.



Amar Singh

Deputy CIO, L&G Re

Amar Singh is the Investment Director of Portfolio Strategy with Legal and General Reinsurance, located in Hamilton, Bermuda. In this role, he leads the development and execution of investment strategy for L&G Re multi-asset investment portfolios. Prior to his current role, he was responsible for building out illiquid asset sourcing platform and developing FX hedging program for LGRe to support growth initiatives.

Prior to joining LGRe, Amar worked in Investment Strategy and Portfolio Management roles with National Life Group, a life and annuity provider, and was based out of Vermont. Amar started his career with Deutsche Bank and worked with credit and equity derivatives structuring teams.

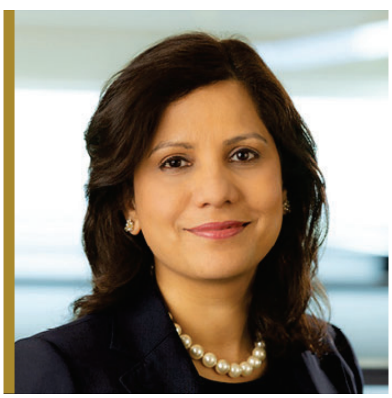
Michael Grayston

Group Treasurer and CIO, Ascot

Michael Grayston joined Ascot in April 2018 and assumed responsibility for the treasury functions and investment activities of the Ascot Group. During this time, he developed and implemented the Group investment strategy though a period of significant growth in investment portfolio. He has managed the liquidity needs of an increasingly complex global insurance and reinsurance business and oversees the Ascot banking relationships and credit facilities.

Michael has over 25 years of investment and treasury experience in the Bermuda insurance market. Prior to Ascot, he held senior treasury and investment roles with Ironshore Inc, the ACE Group (now Chubb) and the XL Group. Michael holds the Chartered Financial Analyst (CFA) designation.

ascot



Pramila Agrawal

Portfolio Manager & Director of Custom Income Strategies

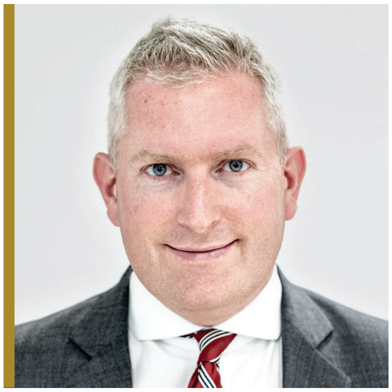
Pramila Agrawal is a Portfolio Manager at Loomis, Sayles & Company, where she is responsible for managing specialized fixed income mandates primarily for insurance companies. In this role, she works closely with clients to design customized solutions that meet their specific objectives and constraints. Pramila is also a member of the firm's Board of Directors.

She has over 17 years of investment industry experience and joined Loomis Sayles in 2007 as an Analyst on the Applied Integrated Quant (Applied IQ) Team. Later, Pramila joined the Relative Return Team as a Strategist and was promoted to Portfolio Manager in 2018.

Prior to Loomis Sayles, she was in a research and development position at Metis Design. Pramila earned a bachelor's degree in Engineering from Birla Institute of Technology and Science, Pilani, in India, and a master's of science degree and PhD in Robotics from Vanderbilt University, in Nashville, TN.

She is a CFA charterholder.

LOOMIS | SAYLES
INSURANCE SOLUTIONS



John Bohill

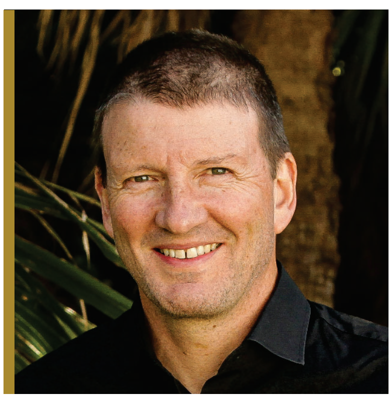
Partner, StepStone Group

Mr. Bohill is a Partner and member of the private debt investment committees for private debt primary, secondary and coinvestments.

Since Mr. Bohill joined StepStone in 2013, he has assisted in the growth of private debt offerings, with a particular focus on opportunistic credit and credit secondaries. He has acquired and operated several businesses and real estate projects on his own behalf, and was co-head of European technology and communications at BancBoston Capital, a principal private equity investor.

Mr. Bohill graduated with first-class honors with a BBs in finance from Trinity College, Dublin.

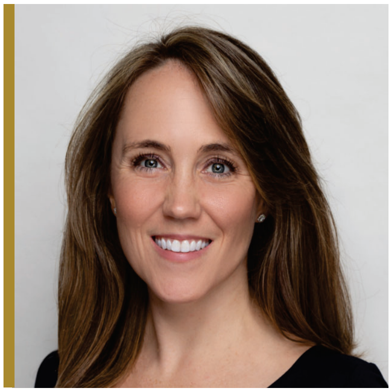
In attendance



Jonathan Kent (Moderator)

Director, JDK Medi

Jonathan is a freelance corporate writer for clients in the international business sector and a business journalist. He previously worked as Deputy Editor and Business Editor of The Royal Gazette, Bermuda's daily newspaper. He started his career in the UK, where he covered news and sports for national and regional newspapers and magazines.



Lauren McDermott

Loomis Sayles

Lauren McDermott is a director within Insurance Solutions at Loomis, Sayles & Company, where she is responsible for business development and relationship management with insurance companies in the United States, the Bermuda offshore markets and EMEA region. She joined Loomis Sayles in 2022 and has 17 years of investment industry experience.

Prior to Loomis Sayles, Lauren held a number of positions that drove third party insurance asset growth. Most recently, Lauren was director of insurance client solutions at Aviva Investors, where she developed new business within the insurance and hospital/healthcare markets.

Previously, Lauren was at Brown Brothers Harriman, as the head of Business Development and led their strategic efforts, with an emphasis on growth within the insurance market. Prior to that, she was a director within Global Business Development at Barings. In that position, she served as a key member of the insurance team responsible for building and expanding a broader set of capabilities to serve their growing client base across life, property & casualty, health and re-insurers. Lauren began her career on the sell-side in fixed income sales for Bear Stearns.

She earned a BS from Georgetown University.

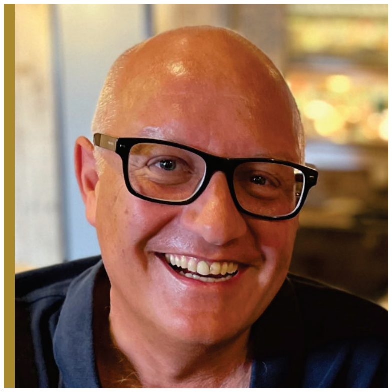
Nick Gardner

Managing Director, StepStone Group

Nicholas Gardner is a member of StepStone's Business Development team with coverage across the UK Institutional and Wealth channels.

Prior to StepStone, Mr Gardner was Co-Head of Insurance Business Development at AllianceBernstein responsible for strategy, sales and product development. Prior to this, Mr Gardner was a Director on the UK Client Group with business development coverage across insurers, local authorities and corporate defined benefit pensions. Mr Gardner started his career as a cash equities Trader for UniCredit AG, covering Western European large cap equities.

Mr Gardner received a BA Hons in Business and Finance from Edinburgh University.



Sean Thompson

Founder & Director, cio investment club

Sean has nearly 40 years of experience working in London's financial services sector and the insurance market. After 10 years as Managing Director of CAMRADATA, Sean launched the cio investment club on 1st January 2024.

The cio investment club's mission is to become the voice of chief investment officers and investment professionals at institutional firms. To help achieve this the club hosts events throughout the year that educate and inform, whilst providing thought-provoking content to its members.

cio investment club

Loomis Sayles Disclosure

This marketing communication is provided for informational purposes only and should not be construed as investment advice. Any opinions or forecasts contained herein, reflect the subjective judgments and assumptions of the authors only, and do not necessarily reflect the views of Loomis, Sayles & Company, L.P. Investment recommendations may be inconsistent with these opinions. There is no assurance that developments will transpire as forecasted and actual results will be different. Data and analysis does not represent the actual, or expected future performance of any investment product. Information, including that obtained from outside sources, is believed to be correct, but we cannot guarantee its accuracy. This information is subject to change at any time without notice.

Diversification does not ensure a profit or guarantee against a loss.

LS Loomis | Sayles® is a trademark of Loomis, Sayles & Company, L.P., registered in the US Patent and Trademark Office.

8114319.1.1

Important Notice

This document is produced by Instaconnect Limited, trading as cio investment club, a company registered in England & Wales with registration number 15262951.

Instaconnect Limited is neither authorised nor regulated by the Financial Conduct Authority in the United Kingdom nor the Securities and Exchange Commission in the United States of America.

This document is a marketing documentation and is not intended to constitute an invitation or an inducement to engage in any investment activity. It is not intended to constitute investment advice and should not be relied upon as such. It is not intended and none of Instaconnect Limited, its holding companies or any of its or their associates, or any of the participants in the documentation, shall have any liability whatsoever for (a) investment advice; (b) a recommendation to enter into any transaction or strategy; (c) advice that a transaction or strategy is suitable or appropriate; (d) the primary basis for any investment decision; (e) a representation, warranty, guarantee with respect to the legal, accounting, tax or other implications of any transaction or strategy; or (f) to cause Instaconnect Limited to be an advisor or fiduciary of any recipient of this report or other third party.

The content and graphical illustrations contained in this document are provided for information purposes and should not be relied upon to form any investment decisions or to predict future performance. Instaconnect Limited recommends that recipients seek appropriate professional advice before making any investment decision. Although the information expressed is provided in good faith, Instaconnect Limited does not represent, warrant or guarantee that such information is accurate, complete or appropriate for your purposes and none of them shall be responsible for or have any liability to you for losses or damages (whether consequential, incidental or otherwise) arising in any way for errors or omissions in, or the use of or reliance upon the information contained in this document.

To the greatest extent permitted by law, we exclude all conditions and warranties that might otherwise be implied by law with respect to the document, whether by operation of law, statute or otherwise, including as to their accuracy, completeness, or fitness for purpose.