BERMUDA MONETARY AUTHORITY

22nd January 2015

NOTICE

Insurance (Group Supervision) Amendment Rules 2015 (the “Rules”)

The Bermuda Monetary Authority (the “Authority”) proposes to amend the Rules to reflect the changes proposed in the Consultation Paper on the “Economic Balance Sheet Framework” issued in December 2014. Insurance groups shall be required to now report to the Authority on a statutory economic capital and surplus basis. In this connection, consequential amendments have been made to the Rules as follows:

1. Paragraph 2 makes provision for a new definition for “statutory economic balance sheet” and “insurance technical provisions.”

2. Proposed to amend paragraph 21 for Eligible Capital schedule to be completed on a statutory economic capital and surplus basis.

3. Proposed to amend Schedule 2 as a proposal is being made to require the group actuary to submit the group actuary opinion under the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011.

The Authority proposes for the aforementioned amendment to commence on 31st December 2016.

Comments on the Rules are invited by 27th February 2015 and should be sent to email address: policy@bma.bm.

BERMUDA

INSURANCE (GROUP SUPERVISION) AMENDMENT RULES 2015

BR / 2015

The Bermuda Monetary Authority, in exercise of the powers conferred by section 27F of the Insurance Act 1978, makes the following Rules:

Citation

1 These Rules, which amend the Insurance (Group Supervision) Rules 2011 (the “principal Rules”), may be cited as the Insurance (Group Supervision) Amendment Rules 2015.

Paragraph 2 amended

2 Paragraph 2 of the principal Rules is amended by:

(a) deleting the words ““insurance reserves” means the aggregate comprising amounts shown on lines 17(d) and line 27(d) of Form 1 of Schedule 1”;

(b) inserting the words in alphabetical order ““insurance technical provisions” means the aggregate of amounts shown on Lines 19 and 27C of the Group Statutory Economic Balance Sheet set out in Schedule XIV of the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011.”

Paragraph 10 amended

3 Paragraph 10 of the principal Rules is amended –

(a) in sub-paragraph (1)(d) by deleting the words “insurance reserves” and inserting the words “insurance technical provisions”;

(b) in sub-paragraph (2) by deleting the words “insurance reserves” and inserting the words “insurance technical provisions.

Paragraph 19 amended

4 Paragraph 19(1) of the principal Rules is amended by deleting the words “assets exceeds the group’s liabilities by the sum of” and inserting the words “total statutory economic capital and surplus calculated in accordance with Schedule XIV of the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, exceeds the aggregate of”.

Paragraph 21 amended

5 Paragraph 21 of the principal Rules is amended –

(a) in sub-paragraph (3)(a)) by deleting the words “statutory surplus as set out in Line 2(h) of Form 8, Group Statutory Statement of Capital and Surplus of Schedule 1” and inserting the words “statutory economic surplus as set out under Line 40 of the Group Economic Balance Sheet of Schedule XIV of the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, less Line 1(d) of Form 8, Group Statutory Statement of Capital and Surplus of Schedule1”;

(b) in sub-paragraph (3)(a)(ii)(A)1 deleting the words “Form 1 Lines 16, 17(a), 18 and 27(a), Group Statutory Balance Sheet of Schedule 1” and inserting the words “Lines 16(a), 17(a), 18 and 27(a), of the Group Statutory Economic Balance Sheet as set out in Schedule XIV of the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011";

(c) in sub-paragraph (3)(a)(iii) by deleting the words "Form 1, Group Statutory Balance Sheet of Schedule 1" and inserting the words "Group Statutory Economic Balance Sheet set out under Schedule XIV of the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011";

(d) by deleting the words "January 1, 2024" and inserting the words "January 1, 2026" where they occur.

Paragraph 22 amended

6 Paragraph 22 of the principal Rules is amended by deleting the words "statutory capital and surplus" where they occur and inserting the words "statutory economic capital and surplus".

Paragraph 25 amended

7 Paragraph 25 of the principal Rules is amended-

(a) in sub-paragraph (3) by deleting sub-paragraph (c)";

(b) in sub-paragraph (5) by deleting the words "the group actuary's opinion,".

Paragraph 27 repealed and replaced

8 Paragraph 27 of the principal Rules is ~~is~~ repealed and replaced as follows: "

"27. The capital and solvency return required in accordance with the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011 shall include an annual opinion of the group actuary in accordance with the requirements of Schedule XV in of those Rules."

Schedule 2 amended

9 Schedule 2 of the principal Rules is amended by deleting paragraph 3 "GROUP ACTUARY'S OPINION".

Commencement

10 These Rules come into operation on 31 December 2016

Made this day of 2015.

Chairman
The Bermuda Monetary Authority