22nd January 2015

NOTICE

Insurance Amendment Act 2015 (the "Act")

The Bermuda Monetary Authority (the "Authority") proposes to amend the Insurance Act 1978 and related regulations (the "Act"), to revise the current statutory capital and surplus requirements for Class 3A, Class 3B, Class 4, Class C, Class D and Class E insurers and insurance groups; whereby such insurers shall be required from 31st December 2016 (with some requirements not being enforced until 2018) to now report to the Authority on a statutory economic capital and surplus basis. In this connection, consequential amendments have been made to the Act as follows:

1. Paragraph 1 provides a citation for the Bill and defines "principal Act" as the Insurance Act 1978.

2. Paragraph 2 makes provision for a new definition for "statutory economic balance sheet" and "total statutory economic capital and surplus" in relation to Class 3A, Class 3B, Class 4, Class C, Class D and Class E insurers and insurance groups.

3. Paragraph 3 proposes to amend section 18B and limits the existing Loss Reserve Specialist Opinion (LRSO) to Class 2 and Class 3 insurers. The LRSO for Class 3A, Class 3B and Class 4 insurers is now derived from calculations made in accordance with statutory economic balance sheet requirements under applicable prudential standards.

4. Paragraph 4 seeks to amend section 27, to limit the existing Approved Actuary Opinion (AAO) to Class A and Class B insurers, as the AAO for Class C, Class D and Class E insurers is now required in accordance with requirements under the Insurance (Prudential Standards) (Class C Class D and Class E Solvency Requirement) Rules 2011.

5. Paragraph 5 proposes to amend section 27G 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.

6. Paragraph 6 seeks to amend section 31AA to make provision for failure by an insurer to comply with enhanced capital requirements. Upon failure, an insurer shall be required to provide to the Authority an interim "statutory economic balance sheet", in addition to unaudited interim GAAP financial statements, and any other requirements in accordance with relevant prudential standards.

7. Paragraph 7 proposes to make provision for consequential amendments to the Insurance Returns and Solvency Regulations 1980.

The Authority proposes for the aforementioned amendments 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.

A BILL

entitled

INSURANCE AMENDMENT ACT 2015

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WHEREAS it is expedient to amend the Insurance Act 1978, and to make consequential amendments;

Be it enacted by The Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Assembly of Bermuda, and by the authority of the same, as follows:

Citation

1 This Act, which amends the Insurance Act 1978 (the "principal Act"), may be cited as the Insurance Amendment Act 2015.

Amends section 1

2 Section 1 of the principal Act is amended by —

(a) inserting in alphabetical order the words ""statutory economic balance sheet" means the balance sheet required to be produced in accordance with the prudential standards made under section 6A of this Act; that is applicable to any Class 3A, Class 3B, Class 4, Class C, Class D or Class E insurer or insurance group";

(b) inserting in alphabetical order the words ""total statutory economic capital and surplus" means the total statutory economic capital and surplus of a Class 3A, Class 3B, Class 4, Class C, Class D or Class E insurer or insurance group; calculated in accordance with prudential standards made under section 6A of this Act;".

Amends section 6A

3 Section 6A(1)(c) of the principal Act is amended by deleting the words "insurance reserves" and inserting the words "insurance technical provisions".

Amends section 6D

4 Section 6D of the principal Act is amended –

(a) by deleting the words "statutory capital and surplus" wherever they appear and inserting the words "statutory economic capital and surplus"; and

(b) in paragraph (2) deleting the words "insurance reserves" and inserting the words "insurance technical provisions".

Amends section 8B

5 Section 8B of the principal Act is amended by deleting the words "insurance loss reserves" and inserting the words "insurance loss reserves or insurance technical provisions".

Amends section 18B

6 Section 18B of the principal Act is amended in —

(a) paragraph (1) by deleting the words "Class 2, Class 3, Class 3A, Class 3B or 4 insurer" and replacing it with the words "Class 2 or Class 3 insurer";

(b) paragraph (2) (a) by deleting the words ", Class 3A, Class 3B or Class 4".

Amends section 26

7 Section 26 of the principal Act is amended by deleting the words “long term insurance reserves” and inserting the words “long term insurance reserves or long term insurance technical provisions”.

Amends section 27

8 Section 27 of the principal Act is amended in paragraph (1) by deleting the words “An insurer to which this Part applies” and replacing it with the words “Every Class A and Class B insurer”.

Amends section 27G

9 Section 27G (1) of the principal Act is amended by deleting the words “insurance reserves as reported in its statutory financials” and replacing it with the words “insurance technical provisions in accordance with the requirements of Schedule XIV “Group Statutory Economic Balance Sheet” of the Insurance (Prudential Standard) (Insurance Group Requirements) Rules 2011”.

Amends section 31AA

10 Section 31AA (1) (b) of the principal Act is amended—

(a) in subparagraph (i) by deleting the words “unaudited interim financial statements” and replacing it with the words “unaudited statutory economic balance sheet and unaudited interim financial statements prepared in accordance with GAAP”;

(b) in subparagraph (ii) by deleting the words “in relation to line 17(d) of those statements” and replacing them with the words “in relation to line 19 of the statutory economic balance sheet”;

(c) in subparagraph (vi) by deleting the words “in relation to line 27(d) of those statements” and replacing them with the words “in relation to line 27C of the statutory economic balance sheet”.

Consequential amendment

11 Schedule 1 which amends the Insurance Returns and Solvency Regulations 1980 has effect.

Commencement

12 This Act comes into operation on 31 December 2016.

SCHEDULE 1 (Section [ ])

AMENDMENTS TO THE INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

The Insurance Returns and Solvency Regulations 1980 are amended—

(a) in paragraph 8A (2) by deleting the words "and Part IV (Classes 3A, 3B and 4) of Schedule III";

(b) in paragraph 14 (1) by deleting the words "of the insurer" and inserting the words "of a Class A or Class B insurer"; and

(c) in paragraph 14 (2) by deleting the words "The insurer's" and inserting the words "A Class A or Class B insurer's".

INSURANCE AMENDMENT BILL 2015

EXPLANATORY MEMORANDUM

This Bill seeks to amend the Insurance Act 1978 (the "principal Act") by making a number of changes to the regulation of insurance business.

It seeks to address matters relating to aligning Bermuda's insurance framework to take into account Solvency II standards and initiatives.

Clause 1 provides a citation for the Bill and defines "principal Act" as the Insurance Act
1978.

Clause 2 makes provision for a new definition for "statutory economic balance sheet" and "total statutory economic capital and surplus" in relation to Class 3A, Class 3B, Class 4, Class C, Class D and Class E insurers and insurance groups

Clause 3 proposes to amend section 18B and limits the existing loss reserve specialist opinion (LRSO) to Class 2 and Class 3 insurers. The LRSO for Class 3A, Class 3B and Class 4 insurers is now derived from calculations made in accordance with statutory economic balance sheet requirements under applicable prudential standards.

Clause 4 seeks to amend section 27, to limit the existing approved actuary opinion (AAO) to Class A and Class B insurers, as the AAO for Class C, Class D and Class E insurers is now required in accordance with requirements under the Insurance (Prudential Standards) (Class C Class D and Class E Solvency Requirement) Rules 2011.

Clause 5 proposes to amend section 27G as proposal is being made to require the group actuary to submit the group actuarial opinion under the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011.

Clause 6 seeks to amends section 31AA to make provision for failure by an insurer to comply with enhanced capital requirements. Upon failure, an insurer shall be required to provide to the Authority an interim "statutory economic balance sheet", in addition to unaudited interim GAAP financial statements, and any other requirements in accordance with relevant prudential standards.

Clause 7 proposes to make provision for consequential amendments to the Insurance Returns and Solvency Regulations 1980.

Clause 8 provides for the commencement date of the Act.