BERMUDA MONETARY AUTHORITY

24th January 2014

Dear Groups:

RE: Consultation Paper on Group Actuary's Opinion (GAO) Guidance Note (GN)

The Bermuda Monetary Authority (the Authority or BMA) wishes to thank stakeholders for their continued support in furthering the development of the Bermuda regulatory framework for insurance. The Authority appreciates the feedback received and is committed to working closely with (re)insurance groups to ensure an effective and efficient transition to the new standards.

The Authority received comments in connection with the Group Actuary's Opinion (GAO) Guidance Note (GN) from the major industry associations representing commercial (re)insurers in Bermuda; Association of Bermuda Insurers & Reinsurers (ABIR), Bermuda International Long-Term Insurers and Reinsurers (BILTIR) as well as from two professional services firms.

The feedback, overall, was supportive of the approach taken by the Authority in drafting the GN. It has been suggested that the Authority closely monitor the implementation phases of the new regime, noting any issues that may arise during preparation and review of the first set of Group Actuary Opinion submissions, due in May 2015. The Authority will be happy to review the workings of the GN with industry during 2015.

A few comments were made suggesting that references to the Actuarial Standards Board (ASB) in paragraphs 15-18 and 26 might be interpreted to apply only to US-credentialed actuaries. The Authority's rationale in making reference to the ASB was to demonstrate actuarial precedent in our policy decisions. Some minor modifications have been made to the wording, relegating references to the ASB to footnotes. No material change in intent should be inferred as a result of these changes.

The Authority confirms that in the context of the definition of "materiality", a Group's surplus is to be associated with the BMA's regulatory standard, and paragraph 18 has been clarified in this regard.

Some concerns were raised that the requirement to comment on the risk of material adverse deviation (RMAD) (paragraph 57) for Long-Term Business (LTB) could lead to all LTB groups opining in the affirmative in relation to RMAD due to the uncertainties associated with LTB cash flows covering events that may occur many years into the future. As a result, the Authority has removed the RMAD requirement for LTB in paragraph 57.d and will revisit any particular issues that may arise as a result of this removal during the 2015 review.

A comment was raised as to whether the definitions of an accredited actuarial body should be extended beyond the relatively narrow list stated. This list is the same as that contained within the Insurance Act 1978, and so a change would require an amendment to the primary legislation. In practice, and as is intended to be inferred from the language in the GN, the Authority will carefully consider applications for Group Actuary from candidates with credentials from other professional actuarial organisations, subject to them being considered fit and proper and having the requisite professional experience of the business to be opined on.

Finally, in response to comments made, there has been a clarification of the definition of "adequate" in paragraph 16, a small wording change in the last sentence of paragraph 22.a, and an internal document reference has been corrected in paragraph 22.c.v.

NEXT STEPS

The Authority now invites all Bermuda Groups to submit applications in respect of their Group Actuaries. This should be done by sending the relevant documents, as detailed in paragraph 22, to the Group's usual supervisory contact at the Authority. Groups should ensure that the approvals for their proposed Group Actuaries have been received from the Authority by the end of 2014, in time for the first Opinions to be issued along with the required statutory filings in 2015.

Yours sincerely,

Bermuda Monetary Authority