BMA
BERMUDA MONETARY AUTHORITY

30 December 2013

NOTICE

Proposed amendments to be made to the Insurance Returns and Solvency Regulations 1980 (the "Regulations")

The Bermuda Monetary Authority (the BMA or the Authority) proposes to amend the Regulations to enhance reporting requirements in relation to the statutory financial return for Class 1, 2, 3, A and B insurers and Special Purpose Insurers; and to also make other general housekeeping and technical amendments in this regard.

1. Amendments shall be made to make provision for enhanced reporting for Classes 1, 2, 3, A, B insurers and Special Purpose Insurers such that said classes must submit the following additional schedules together with the existing statutory filing return:

   a. An enhanced Insurer Information sheet;
   b. A consolidated Annual Statutory Return Declaration;
   c. A Statement of Changes of Control;
   d. An Own Risk Assessment;
   e. Schedule of Underwriting Analysis;
   f. Schedule of Collateral Analysis;
   g. Schedule of Detailed Premium Information;
   h. Schedule of Support for Balance Sheet;
   i. Schedule of Support for Income Statement; and
   j. Schedule of Segregated Accounts.

2. The proposed amendments, designed to ensure consistency in the manner in which the Regulations are interpreted and administered once the above measures are adopted, will include:

   a. Regulation 5 shall be amended to remove the requirement under regulation 5(1) (iii) (as Regulation 13 "Declaration of Statutory Ratios is being repealed");
   b. Regulation 7 shall be amended to remove the requirement under regulation 7(1) (d) (as Regulation 13 "Declaration of Statutory Ratios is being repealed");
   c. Regulations 8 (1), 9 (1) and 9A (1) are proposed to be repealed as the requirement for directors of the relevant insurer to sign the "General Business Solvency

Certificate", "the Long-Term Business Solvency Certificate" and the "Special Purpose Business Solvency Certificate" shall now be incorporated into the new consolidated "Annual Statutory Return Declaration";

d. Regulation 13 "Declaration of Statutory Ratios" shall be repealed as such information is no longer used by the Authority; and
e. Schedule II of the Regulations shall be repealed (as Regulation 13 "Declaration of Statutory Ratios" is being repealed and this schedule was used to calculate the ratios).

All amendments noted above are expected to be in force prior to the filing of the statutory financial returns by these insurers for the financial year 2013. The next filing date is 30^{th} June 2014.

The Authority invites comments on the proposed draft of the amendments to the Regulations by 31^{st} January 2014. Comments may be sent to policy@bma.bm.

THE INSURANCE ACT 1978

2013 : XX

INSURANCE RETURNS AND SOLVENCY AMENDMENT REGULATIONS 2013

ARRANGEMENT OF REGULATIONS

In exercise of the powers conferred upon the Ministry of Finance by section 53 of the Insurance Act 1978, the following Regulations are made −

Citation and commencement
1. These Regulations may be cited as the Insurance Returns and Solvency Amendment Regulations 2013 and shall come into operation on 1 March 2014.

Interpretation
2. In these Regulations, "principal Regulations" means the Insurance Returns and Solvency Regulations 1980.

Regulation 5 amended
3. Regulation 5 of the principal Regulations is amended—

(a) in paragraph (1) by—

(i) deleting sub-paragraph (a) (iii); and

(ii) inserting after sub-paragraph (e) —

"(f) in the case of Class 1, Class 2, Class 3, Class A, Class B and Special Purpose insurers, the "Company information";

(g) in the case of Class 1, Class 2, Class 3, Class A, Class B and Special Purpose insurers, a Annual Statutory Return Declaration;

(h) in the case of Class 1, Class 2, Class 3, Class A, Class B and Special Purpose insurers, a Statement of Control and Changes of Control information;

(i) in the case of Class 1, Class 2, Class 3, Class A, Class B and Special Purpose insurers an "Own Risk Assessment";

(j) in the case of Class 1, Class 2, Class 3, and Special Purpose insurers "Underwriting Analysis- General Business";

(k) in the case of Class 1, Class 2, Class 3, Class A, Class B and Special Purpose insurers "Collateral Analysis- General Business" information;

(l) in the case of Class 1, Class 2, Class 3, Class A, Class B and Special Purpose insurers "Detailed Premium Information";

(m) in the case of Class 1, Class 2, Class 3, Class A, Class B and Special Purpose insurers "Support for Balance Sheet" information;

(n) in the case of Class A, Class B and Special Purpose insurers "Collateral Analysis- Long term";

(o) in the case of Class A, Class B and Special Purpose insurers an "Underwriting Analysis- Long term business";

(p) in the case of Class 1, Class 2, Class 3, and Special Purpose insurers “Support for Income Statement”; and

(q) in the case of all insurers “Segregated Accounts” information.

(b) in paragraph (2) by—

(i) deleting the words “the declaration of the statutory ratios,” where it occurs; and

(ii) deleting the words “and 14A” and inserting “14A 14B, 14C, 14D, 14E, 14F, 14G, 14H, 14I, 14J, 14K, 14L and 14M” .

Regulation 7 amended

4. Regulation 7 of the principal Regulations is amended—

(a) by repealing Regulation 7 (1) (d); and

(b) in Regulation 7 (3) (c) by deleting the words “ or the declaration of the statutory ratios” where they occur.

Regulation 8 amended

5. Regulation 8 (1) of the principal Regulations is amended by repealing sub-paragraphs (a) and (b).

Regulation 9 amended

6. Regulation 9 (1) of the principal Regulations is amended by repealing sub-paragraphs (a) and (b).

Regulation 9A amended

7. Regulation 9A (1) of the principal Regulations is amended by repealing sub-paragraphs (a) and (b).

Regulation 10 amended

8. Regulation 10 (1) of the principal Regulations is amended by deleting the words “and figure C,” and inserting “, figure C and figure D,”.

Regulation 13 repealed

9. Regulation 13 of the principal Regulations is repealed.

Regulation 14B through 14M inserted

10. Regulations 14B through 14M are inserted after paragraph 14A of the principal Regulations as follows:

"Insurer information

14B The insurer information sheet shall bear the name "Insurer Information" and shall –

(a) state the financial year end;
(b) state the name of the insurer;
(c) state the class of registration;
(d) state the number of employees employed in Bermuda
(e) state the name of the approved Principal Representative;
(f) state the name of the approved Insurance Manager;
(g) state the name of the approved Auditor;
(h) state the name of the approved Loss Reserve Specialist;
(i) state the name of the approved Actuary;
(j) confirm whether or not the insurer is an affiliated reinsurer;
(k) confirm whether or not the insurer is in run-off;
   i. number of years in run-off and effective date insurer entered into run-off;
   ii. estimated remaining years of life;
   iii. estimated settlement period for losses and expiration of residual exposure;
(l) state the type of insurer;

(m) state whether the insurer operates as a segregated accounts company and if so, state whether the segregated accounts are governed by a private act (and state the title of the Act) or the Segregated Accounts Company Act 2000.

(n) state whether or not the insurer discounts its loss and loss expense provisions and confirm:
   i. the amount of discount (in Bermuda dollars);
   ii. the discount rate (by percentage);

(o) confirm whether or not the Authority has directed in accordance with section 56 of the Act that the insurer is exempt from filing the Statutory Financial Return required under section 18 of the Act for the relevant year
(p) state the contact person – first and last name;
(q) state street number or P.O. Box number;
(r) state city or parish;
(s) state country;

(t) state postal code;
(u) state phone number;
(v) state email address.

Annual Statutory Return Declaration

14C The annual statutory return declaration shall –

(a) state the name of the insurer;
(b) state the year end date;
(c) declare that the information contained in the statutory return, including any supporting schedules and attachments, fairly represents the financial condition and position of the insurer in all material respects;
(d) declare that the insurer has considered its actual capital and surplus, the own risk assessment and the insurer's actual solvency margin and confirm that the insurer has sufficient resources as at the relevant year of the statutory balance sheet submitted under section 15 of the Act to enable the insurer to continue as a going concern and to satisfy its obligations as and when they fall due for a period of twelve months post the relevant year of the statutory balance sheet;
(e) declare that the information reported in the General business solvency certificate or Special purpose business solvency certificate or Long-Term business solvency certificate is true and accurate;
(f) declare that the signatories are familiar with the insurance business written by the insurer and have examined the insurer's compliance with the Insurance Code of Conduct, having reviewed the same with such relevant personnel and/or service providers as deemed necessary in order to satisfy the directors that the insurer maintains on-going compliance with the Insurance Code of Conduct
(g) confirm that particulars as set out in this submission are true;
(h) be signed and dated–
  i. by at least two directors of the insurer (one of whom must be a director resident in Bermuda).
  ii. by the insurer's principal representative in Bermuda;

iii. each director and the principal representative shall include their title and current employer.

Statement of Changes of Control

14D The insurer shall provide a statement of changes of control relating to the relevant year which shall –

(a) confirm any change to the name of the insurer;
(b) state the year end date;
(c) attach a register of shareholder controllers of the insurer confirming the following:
 i. any increase or decrease in the number of shareholder controllers;
 ii. changes to the position that a shareholder controller is appointed to or holds an office in;
 iii. changes in the ownership percentage of a shareholder controller (whether increase or decrease);
 iv. the date a person became a new shareholder controller;
 v. the date a person ceased to be a shareholder controller;
(d) state the name of the ultimate parent company;
(e) state the industry of operation of the ultimate parent company;
(f) state the origin and name of the direct parent company;
(g) state the origin of the ultimate parent company;
(h) state whether or not there has been any change of directors since the filing of the last statutory financial return; if yes, provide:
 i. the number of new directors;
 ii. the first and last name of each new director and his title;
 iii. date of birth;
 iv. the date a director was appointed;
 v. the date a director ceased to act;
(i) state whether or not a registered insurance manager has been appointed to manage the insurer's affairs; if not, provide:
 (a) the number of officers;
 (b) the first and last name of each officer and his title;
 (c) date of birth;

(j) state whether or not there has been any change of officers since the filing of the last statutory financial return if yes, provide:

   i. the number of new officers;
   ii. the first and last name of each new officer and his title;
   iii. date of birth;
   iv. the date an officer was appointed;
   v. the date an officer ceased to act.

Own Risk Assessment

14E The own risk assessment shall –

(a) state the name of the insurer;
(b) state the year end date;
(c) describe business purpose of the insurer;
(d) describe the underwriting activities including methods to limit risk;
(e) describe the investment activities and how investment risks are managed;
(f) describe the sources of loss data and reserving practices, including a description of claims administration practices;
(g) describe any other sources of significant risk and how they are managed;
(h) confirm whether or not the insurer writes any risks that are not related to its parent company or any other affiliates within the same group, or not related to its shareholders;
(i) if answer to (h) is yes, describe the business and any relevant connections and/or mitigating factors;
(j) confirm whether or not the insurer writes any business on a direct basis:
(k) if answer to (j) is yes, describe business and any relevant connections and/or mitigating risk factors.

Schedule of Underwriting Analysis- General Business

14F The schedule of underwriting analysis- general business shall –

(a) state the name of the insurer;
(b) state the financial year end;
(c) state the reporting currency;
(d) state the following balances by line of business set out in (e) below and segregated by direct business written as related,

connected and/or unrelated and/or reinsurance business written as related, connected and/or unrelated in the reporting currency -

i. gross premiums written;
ii. reinsurance premiums ceded;
iii. net premium written;
iv. unearned premium reserves;
v. net earned premium;
vi. net known loss and loss adjustment expense provisions; and
vii. net incurred but not reported loss and loss expense provisions.

(e) the lines of business to be stated as set out in (d) above shall be as follows –

i. property and business interruption;
ii. property catastrophe;
iii. workers compensation;
iv. other liability (including but not limited to general liability and employers liability);
v. auto personal damage and liability;
vi. professional liability;
vii. credit and surety; and
viii. other.

Schedule of Collateral Analysis – General Business

14G. The schedule of collateral analysis shall –

(a) state the name of the insurer;
(b) state the financial year end date;
(c) state the reporting currency;
(d) state the amount of collateral posted in the relevant year as –

i. cash
ii. trust arrangement
iii. letter of credit
iv. by the parent company or other affiliate
v. third party
vi. other;

(e) state the net premiums, reserves and collateral posted for those insurance and/or reinsurance contracts which were deemed to be fully collateralized to the ultimate aggregate limit in the relevant year;

(f) state the net premiums, reserves and collateral posted for those insurance and/or reinsurance contracts which were not fully collateralized.

Schedule of Detailed Premium Information

14H. The schedule of detailed premium information shall –

(a) state the name of the insurer;
(b) state the financial year end date;
(c) state the reporting currency;
(d) state the gross premium written as related business, connected business and/or unrelated business for the relevant year and the previous relevant year ;
(e) state the gross premiums written on a direct and assumed basis by lines of business for the relevant year;
(f) lines of business to be reported in (e) above shall include –

i. property: property damage and business interruption
ii. property: auto personal damage
iii. property: marine hull and cargo
iv. property: aviation hull and cargo
v. property: offshore energy physical damage
vi. property: terrorism
vii. property: all risk to equipment
viii. property: product warranty
ix. property: credit risk
x. property: crime and fraud
xi. property: all risk to builders and contractors
xii. property: environmental risk
xiii. property: agriculture
xiv. property catastrophe: wind
xv. property catastrophe: earthquake
xvi. property catastrophe: terrorism
xvii. casualty: general liability
xviii. casualty: auto liability
xix. casualty: workers compensation and/or employee liability
xx. casualty: umbrella
xxi. casualty: medical malpractice
xxii. casualty: professional liability (other)
xxiii. casualty: products liability
xxiv. casualty: personal accident and travel

xxv. general business: marine liability
xxvi. general business: aviation liability
xxvii. general business: offshore energy liability
xxviii. general business: Life (general)
xxix. general business: accident and health
xxx. US specialty
xxxi. retro specialty
xxxii. structured finite reinsurance
xxxiii. other business

Schedule of Support for Balance Sheet-General Business

14I. The schedule of support for balance sheet shall –

(a) state the name of the insurer;
(b) state the financial year end date;
(c) state the reporting currency;
(d) list the following quoted investments for the reporting period and the previous relevant year:
I. bonds and debentures;
i. government;
ii. high investment grade;
iii. medium investment grade;
iv. low investment grade;
v. non-investment grade;
vi. mortgage backed securities;
vii. mutual funds;
viii. non-rated;
ix. other;
II. equities (common);
III. equities (preferred);
IV. equities (mutual funds);
V. other quoted investments.

(e) list the following unquoted investments for the relevant year and the previous relevant year:
I. bonds and debentures;
i. government;
ii. high investment grade;
iii. medium investment grade;
iv. low investment grade;
v. non-investment grade;
vi. mortgage backed securities;
vii. mutual funds;

viii. non-rated;
ix. other;

II. equities (common);
III. equities (preferred);
IV. equities (mutual funds);
V. other unquoted investments.

(f) list the following investment in and advances to affiliates for the relevant year and the previous relevant year;
   i. investments in affiliates;
   ii. advances and/or loans to affiliates;

Schedule of Support for Balance Sheet-Long-Term

14I. The schedule of support for the Long- term balance sheet shall –

(a) state the name of the insurer;
(b) state the financial year end date;
(c) state the reporting currency;
(d) list the following quoted investments for the reporting period and the previous relevant year:
   I. Bonds and debentures, held to maturity:
      i. government;
      ii. high investment grade;
      iii. medium investment grade;
      iv. low investment grade;
      v. non-investment grade;
      vi. mortgage backed securities;
      vii. mutual funds;
      viii. non-rated;
      ix. other.
   II. Other bonds and debentures (i.e. not held to maturity):
      i. government;
      ii. high investment grade;
      iii. medium investment grade;
      iv. low investment grade;
      v. non-investment grade;
      vi. mortgage backed securities;
      vii. mutual funds;
      viii. non-rated;

ix. other;

(e) list the following unquoted investments for the relevant year and the previous relevant year;

I. Bonds and debentures, held to maturity;

i. government;
ii. high investment grade;
iii. medium investment grade;
iv. low investment grade;
v. non-investment grade;
vi. mortgage backed securities;
vii. mutual funds;
viii. non-rated;
ix. other.

II. Other bonds and debentures (i.e. not held to maturity)

i. government;
ii. high investment grade;
iii. medium investment grade;
iv. low investment grade;
v. non-investment grade;
vi. mortgage backed securities;
vii. mutual funds;
viii. non-rated;
ix. other.

Schedule of Support for Balance Sheet -Special Purpose Insurer

14I. The schedule of support for balance sheet shall –

(a) state the name of the insurer;
(b) state the financial year end date;
(c) state the reporting currency;
(d) list the following quoted investments for the reporting period and the previous relevant year:

I. Bonds and debentures, held to maturity:
  i. government;
  ii. high investment grade;
  iii. medium investment grade;
  iv. low investment grade;
  v. non-investment grade;
  vi. mortgage backed securities;
  vii. mutual funds;
  viii. non-rated;
  ix. other.

II. Other bonds and debentures (i.e. not held to maturity)
  i. government;
  ii. high investment grade;
  iii. medium investment grade;
  iv. low investment grade;
  v. non-investment grade;
  vi. mortgage backed securities;
  vii. mutual funds;
  viii. non-rated;
  ix. other.

(e) list the following unquoted investments for the relevant year and the previous relevant year:

III. Bonds and debentures, held to maturity;
  i. government;
  ii. high investment grade;
  iii. medium investment grade;
  iv. low investment grade;
  v. non-investment grade;

vi. mortgage backed securities;
vii. mutual funds;
viii. non-rated;
ix. other.

IV. Other bonds and debentures (i.e. not held to maturity)
i. government;
ii. high investment grade;
iii. medium investment grade;
iv. low investment grade;
v. non-investment grade;
vi. mortgage backed securities;
vii. mutual funds;
viii. non-rated;
ix. other.

Schedule of Collateral Analysis – Long-term

14J. The Schedule of Collateral Analysis- Long Term shall –

(a) state the name of the insurer;
(b) state the financial year end date;
(c) state the reporting currency;
(d) state the amount of collateral posted in the relevant year as –
i. cash
ii. trust arrangement
iii. letter of credit
iv. by the parent company or other affiliate
v. third party
vi. other

(e) state the net premiums, reserves and collateral posted for those insurance and/or reinsurance contracts which were deemed to be fully collateralized ultimate aggregate limit i.e. collateralized to the policy limit in the relevant year.

(f) state the net premiums, reserves and collateral posted for those insurance and/or reinsurance contracts which were fully collateralized to the in the relevant year

Schedule of Underwriting Analysis – Long-Term Business

14K. The schedule of underwriting analysis- Long-Term business shall–

(a) state the name of the insurer;
(b) state the financial year end;
(c) state the reporting currency;
(d) state the following balances by line of business set out in (e) below and segregated by direct business written as related, connected and/or unrelated and/or reinsurance business written as related, connected and/or unrelated in the reporting currency -
   i. gross premiums written;
   ii. reinsurance premiums ceded;
   iii. net premium written;
   iv. unearned premium reserves;
   v. net earned premium;
   vi. net known loss and loss adjustment expense provisions; and
   vii. net incurred but not reported loss and loss expense provisions;

(e) the lines of business reported in (d) above shall be as follows –
   i. life;
   ii. annuities;
   iii. accident and health.

Schedule of Support for Income Statement

14L. The schedule of support for income statement shall –

(a) state the name of the insurer;
(b) state the financial year end date;
(c) state the reporting currency;
(d) state the gross direct premiums written by geographical region for the relevant year and the previous relevant year;
(e) state the gross assumed premiums written by geographical region for the relevant year and the previous relevant year;
(f) state the total gross premiums written by geographical region for the relevant year and the previous relevant year;
(g) state the reinsurance premiums ceded by geographical region for the relevant year and the previous relevant year;
(h) state the gross direct losses incurred and loss expenses incurred for the relevant year and the previous relevant year;

(i) state the gross assumed losses incurred and loss expenses incurred for the relevant year and the previous relevant year;

(j) state the total gross losses incurred and loss expenses incurred for the relevant year and the previous relevant year;

(k) state the ceded direct and assumed losses incurred and loss expenses incurred for the relevant year and the previous relevant year;

(l) state the net direct and assumed losses incurred and loss expenses incurred for the relevant year and the previous relevant year;

(m) state the general business investment income for the relevant year and the previous relevant year segregated as follows –

   i. fixed maturities and short-term investments,
   ii. equity securities,
   iii. income from loans to or from investment in affiliates,
   iv. other

Schedule of Segregated Accounts

14M. The schedule of segregated accounts shall –

(a) indicate the total number of segregated accounts excluding the general account;

(b) state the following information and account balances per each individual segregated account for the relevant year and the previous relevant year:

   i. account type;
   ii. account status (whether the business written is direct, reinsurance or a mixture);
   iii. type of business written;
   iv. indicate whether or not the (re)insurance contract contains a provision limiting the recourse of the cedant to the aggregate amount in the segregated account at any one time;
   v. indicate whether or not there is any inter-relationship between cells;
   vi. cash;
   vii. quoted investments;
   viii. investments in affiliates;

ix. letters of credit;
x. other assets;
xi. indicate whether or not the segregated account has access to the general account assets;
xii. total assets;
xiii. technical provisions;
xiv. gross written premiums;
xv. net written premiums;

(c) if any (re)-insurance business is written in the general account, report said business as a separate cell in the first line of the schedule of segregated accounts."