BERMUDA MONETARY AUTHORITY

1st July 2013

NOTICE

Insurance Returns and Solvency Regulations 1980 (“IRSR”) and the Insurance Accounts Regulations 1980 (“IAR”) (collectively, the “Regulations”)

The Bermuda Monetary Authority (the “Authority”) proposes the following amendments be made to the Regulations:

IRSR

1. The requirements of Paragraph 8A have been clarified to confirm that they also apply to insurer classes 3A, 3B and 4.

2. Amendments are proposed to Paragraph 10 to make provision for a new minimum margin of solvency floor for Class 4, 3B and 3A insurers.

3. Amendments Paragraph 14 of the IRSR to reflect the requirements of paragraph 8A, to ensure consistency across the board for the manner in which approved actuaries and loss reserve specialists submit certificates/opinions of an insurer to the Authority.

4. Amendments to Paragraph 12 to make provision for a new minimum margin of solvency floor for Class E, D and C insurers.

5. Amendments to Schedule I to make provision for the minimum margin of solvency floor for Class 4, 3B and 3A insurers to be based on the insurer’s enhanced capital requirement.

6. Amendments to Schedule III to make provision for the minimum margin of solvency floor for Class C, D and E insurers to be based on the enhanced capital requirement of the relevant insurer. Such provisions are proposed to come into operation on 1st January 2017.

IAR

7. Amendments are proposed for Schedule I, Form 4 STATUTORY BALANCE SHEET (Long-Term business) as follows:
   a. Line 4 to be replaced with a more granular classification of investments in affiliates
   b. Line 13 (Segregated accounts companies) to be split into those related to variable annuities and others.

8. Amendments are proposed for Schedule I, Form 6 STATUTORY BALANCE SHEET (Composite and Special Purpose Insurer) as follows:
   a. Line 4 to be replaced with a more granular classification of investments in affiliates
   b. Line 13 (Segregated accounts companies) to be split into those related to variable annuities and others.

9. Schedule III Part III "Additional instructions to Long-Term insurers" under the IAR, to make provision for reserving instructions under paragraphs 23 and 26 to require reserves to be "adequate and "actuarially computed", as opposed to only "actuarially computed".

10. Comments on the Regulations are invited by 6th September 2013 and should be sent to email address: policy@bma.bm.

11. It is proposed that all amendments will become effective as of 1st January 2014.

BERMUDA

INSURANCE ACCOUNTS AMENDMENT REGULATIONS 2013

BR / 2013

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The Minister of Finance, in exercise of the power conferred by section 53 of the Insurance Act 1978 makes the following regulations:

Citation

1 These Regulations which amend the Insurance Accounts Regulations 1980 (the "principal Regulations") may be cited as the Insurance Accounts Amendment Regulations 2013.

Amends Schedule I

2 The Schedule 1 of the principal Regulations is amended—

(a) in Form 4 "STATUTORY BALANCE SHEET (Long term Business) of Schedule I by—

(i) deleting Statement Line 4 "INVESTMENTS IN AND ADVANCES TO AFFILIATES"; and inserting—

"4. INVESTMENTS IN AND ADVANCES TO AFFILIATES:
(a) Unregulated entities that conduct ancillary services
(b) Unregulated non-financial operating entities
(c) Unregulated financial operating entities
(d) Regulated non-insurance financial operating entities
(e) Regulated insurance financial operating entities
(f) Total investments in affiliates (equity method)
(g) Advances to affiliates
(h) Total investments in and advances to affiliates (equity method)"

(ii) deleting the word "Affiliates" in Statement Line 12 (a) "FUNDS HELD BY CEDING REINSURERS" and inserting the word "Affiliated".

(iii) repealing and replacing Statement Line 13 "SUNDY ASSETS" as follows―

"13. SUNDRY ASSETS:

(a) Derivative instruments	XXX	XXX
(b) Segregated accounts companies – variable annuities	XXX	XXX
(c) Segregated accounts companies - others	XXX	XXX
(d) Deposit Assets	XXX	XXX
(e) ________	XXX	XXX
(f) Total sundry assets	XXX	XXX

(iv) inserting the word "PREMIUMS" after the word "REINSURANCE" in Statement Line 19 (d);

(b) amending FORM 6 STATUTORY BALANCE SHEET by―

(i) deleting Statement Line 4 "INVESTMENTS IN AND ADVANCES TO AFFILIATES"; and inserting―

"4. INVESTMENTS IN AND ADVANCES TO AFFILIATES:
(a) Unregulated entities that conduct ancillary services
(b) Unregulated non-financial operating entities
(c) Unregulated financial operating entities
(d) Regulated non-insurance financial operating entities
(e) Regulated insurance financial operating entities
(f) Total investments in affiliates (equity method)
(g) Advances to affiliates
(h) Total investments in and advances to affiliates (equity method)"

(ii) deleting the word "Affiliates" in Statement Line 12 (a) "FUNDS HELD BY CEDING REINSURERS" and inserting the word "Affiliated".

(iii) repealing and replacing Statement Line 13 "SUNDY ASSETS" as follows―

"13. SUNDRY ASSETS:

(a) Derivative instruments	XXX	XXX
(b) Segregated accounts companies - variable annuities	XXX	XXX
(c) Segregated accounts companies - others	XXX	XXX
(d) Deposit Assets	XXX	XXX
(e) ____	XXX	XXX
(f) Total sundry assets	XXX	XXX

(c) amending FORM 7 STATUTORY STATEMENT OF INCOME (Section 24 (6) Composite and Special Purpose Insurer) in Statement Line 19 (d) by inserting the word "PREMIUMS" after the word "REINSURANCE".

Amends Schedule III

3 The principal Regulations are amended in Part III of Schedule III "**Additional instructions for insurers carrying on long-term business only**" in―

(a) paragraph 23 "**Policy reserves- accident & health"** by deleting the words "These reserves shall be actuarially computed" and inserting the words "These reserves shall be an amount, actuarially computed, which are considered adequate,";

(b) paragraph 26 "**Other insurance reserves- long term business"** by deleting the words "These must be actuarially determined". and by inserting after the word "sheet." the words, "These must be actuarially determined and be considered adequate.”

Commencement

3 These Regulations come into operation on 1 January 2014.

Made this day of 2013

Gerald Simons
Chairman
Bermuda Monetary Authority

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 January 2014.

Interpretation

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

Regulation 8A amended

3. Regulation 8A (2) of the principal Regulations is amended by inserting after the words "Part II" the words " (Classes 1, 2, and 3) and Part IV (Classes 3A, 3B and 4)".

Regulation 10 amended

4. Regulation 10 of the principal Regulations is amended —

(a) in sub-paragraph (1) by deleting the words "and figure C," and inserting ", figure C and figure D,";

(b) by inserting the following after sub-paragraph (1)—

"(1A) In the case of a Class 4, 3B and 3A insurer, the minimum amount prescribed by paragraph (1) shall not be less than that of figure D, where this letter represents a value calculated, in relation to an insurer, in accordance with Schedule I."

Regulation 12 amended

5. Regulation 12 of the principal Regulations is amended by inserting after paragraph (1)—

"(1A) In the case of a Class C, D or E insurer, the amount prescribed in paragraph (1) shall not be less than the MMS floor specified in Scheduled III."

Regulation 13 repealed

6. Regulation 13 of the principal Regulations is repealed.

Regulation 14 repealed and replaced

7. Regulation 14 of the principal Regulations is repealed and replaced as follows-

"**Actuary's certificate**

14. (1) The actuary's certificate shall relate to the long-term business of the insurer and shall be signed and dated by the insurer's approved actuary.

(2) In such an opinion the insurer's approved actuary shall state to what extent the instructions in Part III of Schedule III to the Insurance Accounts Regulations 1980 relating to Line 27(d) of the statutory balance sheet, in so far as those instructions call for the opinion of an approved actuary, have been complied with."

Schedule I amended

8. Schedule I of the principal Regulations is amended by inserting a new paragraph 4 after paragraph 3 as follows—

"Figure D

4. For the purposes of regulation 10 (2), figure D shall be calculated by a Class 3A, Class 3B or Class 4 insurer as 25% of that insurer's ECR reported at the end of its relevant year.

Schedule III repealed and replaced

9. Schedule III of the principal Regulations is repealed and replaced as follows:

"SCHEDULE III **(Reg. 12 (1))**

MINIMUM MARGIN OF SOLVENCY FOR LONG-TERM BUSINESS

Class	**Minimum Margin of Solvency ('MMS')**
A	greater of $120,000 or 0.5% of assets;
B	greater of $250,000 or 1% of assets;
C	greater of $500,000 or 1.5% of assets;
D	greater of $4,000,000 or 2% of first $250,000,000 of assets plus1.5% of assets above $250,000,000;
E	greater of $8,000,000 or 2% of first $500,000,000 of assets plus1.5% of assets above $500,000,000;

where assets shall be the total assets reported on an insurer's balance sheet in therelevant year less the amount held in a segregated account.

Application

1. The MMS shall be phased in over a period of three years from the coming into force of this Schedule.

2. The applicable MMS for the financial year ending in 2011 shall be 50% of the amount specified above 3.

3. The applicable MMS for the financial year ending in 2012 shall be 75% of the amount specified above.

4. The applicable MMS for the financial year ending in 2013 and beyond shall be the full amounts specified above.

Class	**MMS Floor**
C	25% of ECR
D	25% of ECR

E 25% of ECRApplication

The MMS Floor shall come into operation on 1 January 2017.”