BMA
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December 18, 2009

Dear Class 4 and Class 3B insurer,

Re: Bermuda's Group Supervision Framework – Information Request

The Bermuda Monetary Authority ("the Authority") would like to thank the insurance market for its continued co-operation and assistance as the Authority advances on its work towards the achievement of supervisory equivalence with key jurisdictions that are strategic to Bermuda and its stakeholders.

In March 2009, the Authority issued its Discussion Paper on Implementing Group-wide Supervision ("Discussion Paper"). In the Discussion Paper, the Authority indicated that, as it seeks to develop its group-wide supervisory regime, as well as achieve a greater understanding of insurance groups within Bermuda, it would be requesting certain information from the market.

Consequently, following information requested would assist the Authority as it formulates its policies governing group-wide supervision.

1. Are you currently subject to group-wide supervision?
2. Provide a list of legal entities operating within your group, categorised as follows:
    a. Regulated entities (include which financial sectors these entities operate in);
    b. Unregulated entities;
    c. Where the legal entities are located – group these entities by the following locations:
    d. Bermuda, the European Union, the United States, other G10 countries[1], and other non G10 countries.

[1] Group of 10 countries is made up of 11 industrialised countries – Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

3. Given the approach stated in the Discussion Paper[2], please indicate whether you believe that the Authority would be considered the Group-wide Supervisor for your group.
4. Is there another supervisor who has indicated their willingness or is able to undertake the role as your Group-wide Supervisor?
5. Does your group have to prepare a group solvency calculation for other supervisors (such as the EU)? If yes, please provide the details of your latest solvency calculations to the Authority.
6. Provide a list of material intra-group transactions for the period ending December 31, 2009. Please provide the values in US$.
   a. Intra-group Transactions will include, but not limited to the following:
      i. Loans and advances to affiliates/parent;
      ii. Investments in affiliates (regulated and unregulated entities);
      iii. Guarantees and off-balance sheet transactions;
      iv. Reinsurance and retrocession arrangements (***aggregate details would be required here, so the materiality definition would not apply in this case***);
      v. Other risk transfer arrangements within the group including with unregulated entities;
      vi. Investments in related parties debt instruments (e.g. bond instruments);
      vii. Encumbered assets to support group commitments;
      viii. Asset management services, which will include centralisation of invested assets;
      ix. Securities lending arrangements; and
      x. Insourcing and other servicing arrangements
      xi. Other
   b. With the exception of (iv) above, the details of these transactions would cover (where applicable):
      i. Exposure value (face value or market value, if the latter is available);
      ii. Counterparties involved including where are they located;
      iii. Summary details of the transaction – including purpose, terms, transaction costs etc.;
      iv. Duration of the transaction

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[2] Refer to Section 3.2 and Appendix II of the Discussion Paper.
http://www.bma.bm/uploaded/337-090331_Discussion_paper_-_Implementing_Group-Wide_Supervision.pdf

v. Performance triggers

c. The details surrounding reinsurance and retrocessions arrangements would cover:
    i. Aggregated values of the exposure limits (gross and net) by counterparties, broken down by counterparty rating;
    ii. Aggregated premium flows between counterparties (gross and net);
    iii. The proportion of the group's insurance business exposure covered by internal reinsurance, retrocession and other risk transfer arrangements.

d. Materiality will be defined as follows:
    i. an intra-group transaction whose impact can cause a reduction in the insurer's available statutory capital & surplus by 5% or more;
    ii. a series of linked intra-group transactions that can cumulatively reduce an insurer's available capital & surplus by 10% or more

The Authority is requesting that the above information be submitted on or before April 30, 2010. If you have any questions related to our information request, please contact Yvette Pierre (1-441-278-0294 or ypierre@bma.bm) or the undersigned (1-441-278-0331 or cswan@bma.bm).

Yours sincerely,

Craig Swan
Director
Policy, Research and Risk Assessment Department