

Group Supervision Bulletin

Updates on Implementation of Bermuda's Group Supervision Regime

July 2012

Current Actions and Deadlines

Refinements to Group Rules

The Authority is finalising amendments to the Insurance (Group Supervision) Rules 2011 and the Insurance (Prudential Standards) (Insurance Groups Solvency Requirement) Rules 2011, known as the Groups Rules. All aspects of the Groups Rules will become effective as of 1st January 2013.

- The amendments incorporate feedback received from the last round of market consultation on the Groups Rules.
- They aim to provide further clarity for the market on certain technical aspects of the group solvency and reporting requirements applicable under the Rules, including permitted use of certain capital instruments in relation to establishing regulatory capital.
- The consultation period for these amendments began on 19th June 2012 when the draft revised Insurance (Group Supervision) Rules were made available on the Authority's website. Comments from the market on these Rules should be submitted to policy@bma.bm by **15th August 2012**. Comments on the Insurance (Prudential Standards) (Insurance Groups Solvency Requirement) Rules should be submitted by **17th September 2012**.

Group BSCR Reporting

Group BSCR reporting is now in effect insurance groups (where Class 4 and Class 3B insurers are specified insurers) for year-end 2011 filings.

- The annual Group BSCR filing should have been submitted to the Authority by 31st May 2012. This submission should also have included the first group quarterly financial return for 2012.
- Any queries regarding the filing process, or requests for further information or training to complete Group BSCR filings, should be forwarded to riskanalytics@bma.bm.

<p>Specific Updates: On 12th June 2012 the Authority issued information and guidance that provides details of how it will apply Bermuda’s group supervision regime, and conduct its role as Group Supervisor. This guidance is available on the Authority’s website Document Centre/Policy And Guidance/Insurance/Group Supervision. The guidance aims to assist companies that will be subject to group supervision as they transition to compliance with the regime:</p>	
<p><u>Insurance Group Supervision Statement of Principles</u></p> <p>The Statement of Principles (“SoP”) issued in June 2012 covers the Authority’s role and responsibilities in exercising its power and discretion as Group Supervisor.</p> <p>The SoP sets forth the criteria for determining whether the Authority will assume the role of Group supervisor for an insurance group or Bermuda group on both a going concern basis and in crisis situations, as well as how it will identify the scope of the group to be subject to group supervision.</p>	<ul style="list-style-type: none"> • The SoP explains the Authority’s power to obtain information and reports and require the production of documents in order to facilitate the monitoring of group financial condition, solvency and risks. • It details how the Authority will conduct supervisory reviews and assessment of a group’s governance systems and compliance with solvency rules • With respect to capital adequacy, the SoP outlines how the Authority can make adjustments to a group’s enhanced capital requirement (“ECR”) and/or available statutory capital and surplus. • The SoP also outlines the power of the Authority to issue directions to a designated insurer
<p><u>Guidance Note on the Role of the Designated Insurer</u></p>	<ul style="list-style-type: none"> • The Guidance Note on the Role of the Designated Insurer (“DI”) issued in June 2012 sets forth the duties and responsibilities of the DI appointed by the Bermuda Monetary Authority as part of its administration of insurance groups under the Insurance Act and the group rules. • The Authority selects a DI based upon a number of criteria, including an insurer’s financial position, strategic and operational importance to the group, ability to fulfill its duties and responsibilities in an effective and efficient manner, its access to group information and data, and its management capabilities.
<p><u>Guidance Note on Supervisory Colleges</u></p> <p>The Authority will undertake supervisory colleges both as Group Supervisor and participant (host supervisor) during 2012</p> <p>This Guidance Note, released in July, is designed to assist the Bermuda insurance industry, and other stakeholders, to understand how the Authority intends to conduct its supervisory colleges when</p>	<ul style="list-style-type: none"> • The Guidance Note provides operational guidance, explanatory text, and differentiates among the duties and responsibilities of the Authority with respect to leadership or membership in a supervisory college. • Details include the use of memoranda of understanding and confidentiality agreements, as well as rules of engagement

<p>acting as the group supervisor for an insurance group or Bermuda group.</p> <p>It also discusses the Authority's responsibilities and obligations as a participant, or host supervisor, in a supervisory college.</p>	<p>for decision-making, dispute resolution and supervisory cooperation.</p>
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Status and Timelines - Implementation

Component	Status and Notes	Upcoming
Groups Register	<p><u>Registrations and next steps</u> – based on registration submissions from groups received to date, the Authority has contacted relevant supervisors overseas to advise that it is the Group Supervisor, and will be following up in August to begin establishing supervisory college Memoranda of Understanding to form the structure of supervisory colleges.</p>	<p>The Authority will be contacting a Bermuda groups to formally request permission to share information with certain regulators where necessary, i.e. in the absence of an existing Memorandum of Understanding between the BMA and a relevant supervisor. This is an interim measure until formal agreements are in place to allow the Authority to share information.</p>
Supervisory Colleges	<p><u>Supervisory colleges 2012</u> - supervisory colleges are due to take place throughout 2012.</p> <p>Broadly, there are several forms of colleges:</p> <ul style="list-style-type: none"> • Physical meetings with other supervisors that require Bermuda group participation, i.e. attendance by representatives of the group • Physical meetings between the BMA and other supervisors not requiring Bermuda group participation • ‘Virtual’ meetings between the BMA and other supervisors, e.g. teleconference or other mechanisms that facilitate bilateral or multilateral dialogue 	<p>Generally, the Authority will notify groups required to participate in a college six to nine months beforehand. If a group has not yet received a notice, they will not be required to participate in any of the BMA’s supervisory colleges in 2012.</p> <p>N.B. A shorter notification period for groups required to participate in colleges may occur under exceptional circumstances, e.g. emergency or crisis situations, a major restructuring of the group, etc. To learn more, read the “Guidance Note on Supervisory Colleges” currently posted on the BMA website under: Document Centre/Policy & Guidance/Insurance/Group Supervision.</p>
Group Rules and Group Prudential Standards	<p><u>Class E and Class 3A assessments</u> - The Authority is in the process of assessing whether it will be group supervisor for any Class E and Class 3A insurers. Analysis from the current round of BSCR filings for these classes will be considered part of this assessment. The Authority anticipates completing this work by the end of the first quarter of 2013.</p>	<p><u>Transitional Provisions for insurance groups</u> - Transitional arrangements will be in place for groups to achieve compliance with certain elements of eligible capital, risk management and governance requirements of the group supervision regime by the time they become effective on 1st January 2013.</p>