



BERMUDA MONETARY AUTHORITY

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## **EXPLANATORY MEMORANDUM**

### **Insurance (Prudential Standards) (Class 4 Solvency Requirement) Amendment Order 2009 (“the Order”) and Insurance Accounts Amendment Regulations 2009 (“the Accounts Regulations”)**

1. The proposed changes to the Order and the Accounts Regulations correspond with the proposals for 2009 set out in the Bermuda Monetary Authority’s Consultation Paper on Disclosure and Transparency. Additionally, the Order is being amended to incorporate guidance issued in Guidance Note #17 on the Commercial Insurer Risk Assessment.
2. The proposed changes clarify terminology in the existing Order, provide a more detailed description of risk management filing requirements and impose additional filing requirements with respect to governance structure and material intra-group transactions to assist the Authority in its risk assessment of insurers. Further, it provides more detail with respect as to how the operational risk charge in Schedule I is calculated.
3. Since the capital and solvency return is unaudited, the Authority proposes to assign responsibility for its content to the board of directors (“directors”) and Principal Representative by requiring that two directors and the Principal Representative make declarations that the information filed, in all material respects, is a fair presentation of the financial condition of the insurer to the best of their knowledge and belief. The Authority also proposes to make knowingly misleading statements a summary offence liable on conviction to a fine of \$50,000 as provided for under Section 6A (4) of the Insurance Act 1978.
4. Lastly, the statutory balance sheet (Form 1A) was amended in 2008 to include a line item solely for derivatives. The Authority proposes to standardize the disclosures in the Accounts Regulations.