19TH June 2012

NOTICE

Insurance Amendment (No. 2) Act 2012 (the "draft Bill")

The Bermuda Monetary Authority (the "BMA" or the "Authority") proposes to amend the Insurance Act 1978 to amongst other matters, amend provisions relating to existing commercial classes of insurers (namely Classes 4, 3B, E and 3A) that require such insurers to comply with enhanced reporting in connection with Solvency II principles and initiatives; to Classes C and D insurers. In this regard, please find attached the amending Bill for your review and comment.

Proposed Amendments to the Insurance Act 1978:

1. The Authority proposes to amend section 1 to insert new definitions of "actuary", "approved actuary", "loss reserve specialist" to provide clarity to the market in relation to persons looking to be appointed as required; and a definition of "non-insurance business" has been inserted for clarity. The definition of "Long-Term business" has been amended to remove the restriction for contracts to be required to be in place for a period or five years or more or contracts without time limit as agreed between the Authority and stakeholders. The term "Group actuary" has been defined as there will now be a requirement for the group actuary to be approved. The scope of the work of the group actuary varies from that of the actuaries for solo entities and the delineation had to be clarified.

2. Section 4EE is a housekeeping amendment to clarify the classes which are covered.

3. Section 4EF will now make provision for enhanced regulatory requirements applicable to insurer Classes C and D that only used to apply to Class E Long-Term insurers. Interpretations set out under section 4F shall apply to all old and new classes of insurer set out under sections 4B to 4EF which is a housekeeping measure.

4. Section 6 has been amended to make provision for enhanced regulatory requirements applicable to insurer Classes 4, 3B, 3A and E to now apply to insurer Classes C and D in furtherance of the implementation of Bermuda's Solvency II regime; and subsections (3) and (5) of section 6A shall be amended to make provision for the BMA to modify the requirements of a prudential rule as appropriate and to clarify that a Rule made under section 6 must not come into operation until the Authority has fulfilled its obligation to

publish such Rule for a 6 month period. The Authority proposes to amend section 6C to provide authority for the BMA to, on application (or upon its own initiative as required) to modify the requirements of a prudential rule where appropriate. As well there is provision to revoke any exemption or vary a modification that has been made by the Authority under this section.

5. The proposed amendment to section 7 (3) is a housekeeping matter to remove reference to section 7 (1) (e) as such provision was repealed in 2010. Section 14 (2) (a) and (b) proposes to delete the word “company” and insert the appropriate terms of “registered insurer or insurance manager, broker or agent” as an additional a housekeeping measure.

6. The proposals to amend sections 17A (1) and (5) will now require enhanced regulatory requirements applicable to insurer Classes 4, 3B, 3A and E to now apply to insurer Classes C and D in furtherance of the implementation of Bermuda’s Solvency II regime.

7. Section 19 proposes to make provision for non-insurance business to be separated from the conduct of insurance business. The transitional provision under section 19 allows insurers conducting both insurance and non-insurance business to do so until 1 January 2017 in order to ensure an orderly re-organisation of their business if required.

8. Section 26 has been updated to make provision for an actuary (approved by the Authority) to provide assessment of adequate total long-term insurance reserves for insurer Classes A, B, C, D and E. The section has been also amended to provide for approval of a group’s actuary. The BMA proposes to amend the definition of “specified insurer” under section 27B (9) (a) to make provision for such requirements to now apply to insurer Classes C and D in furtherance of the implementation of Bermuda’s Solvency II regime relating to group supervision.

9. Section 30JA refines those matters considered a “material change” to the conduct of existing licensed insurance business which shall require the approval of the Authority, prior to an insurer undertaking to conduct the new, additional or revised insurance business. Consequential amendments are made to section 30JB arising out of the amendments to section 30JA.

10. The notification period set out under section 31A is proposed to be amended by the Authority from “within 30 days” to “forthwith”. An obligation will now be imposed on an insurer to notify the Authority immediately upon becoming aware of a breach of its minimum margin of solvency. In connection with the notification, the insurer is required to file an action plan to remediate the contravention which will be approved by the Authority (and which may be amended by the Authority as required).

11. Section 31AA amendments now clarify that such provisions are applicable to insurers where appropriate; and (where applicable) makes provision for a long-term business solvency certificate to be filed with the Authority along with unaudited interim statutory financial statements where there is failure by an insurer to comply with enhanced capital requirements.

Insurance Returns and Solvency Regulations 1980 and Insurance Accounts Regulations 1980:

12. Consequential amendments are proposed to be made to paragraph 9 (2) (i) of the Insurance Returns and Solvency Regulations 1980 to amend the reference to Line “19 (d)” to read “19 (e) (iv)” to correctly cross reference the Insurance Accounts Regulations 1980 re “Total Premiums and Other Considerations”.

13. Further consequential amendments are proposed to be made to the Insurance Accounts Regulations 1980 to:

    a. properly cross reference matters contained in the Act and
    b. to clarify references and ensure consistency of language in such Regulations.

14. Comments on the draft Bill are invited by 27th June 2012 and should be sent to policy@bma.bm

DRAFT
Insurance Amendment (No. 2) Act 2012
June 15, 2012

A BILL

entitled

INSURANCE AMENDMENT (NO. 2) ACT 2012

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WHEREAS it is expedient to amend the Insurance Act 1978, and to make consequential amendments;

Be it enacted by The Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Assembly of Bermuda, and by the authority of the same, as follows:

Citation

1 This Act, which amends the Insurance Act 1978 (the "principal Act"), may be cited as the Insurance Amendment (No. 2) Act 2012.

Amends section 1

2 (1) Section 1 of the principal Act is amended in subparagraph (1) by—

(a) repealing the definition of "actuary" and replacing it with "actuary" means a member in good standing of the Canadian Institute of Actuaries, the Casualty Actuarial Society (in the US), the Institute of Actuaries of Australia, the Institute and Faculty of Actuaries (for the UK), the Society of Actuaries (in the U.S); the American Academy of Actuaries; or a member in good standing of an actuarial body recognized by the Authority".

(b) by repealing the definition of "general business" and replacing it with-

""general business" means insurance business—

(a) that includes the business of effecting and carrying out contracts of insurance against risks of the persons insured –

(i) sustaining injury as the result of an accident or of an accident of a specified class or dying as the result of an accident or of an accident of a specified class or

(ii) becoming incapacitated or dying in consequence of disease or disease of a specified class,

being contracts that are expressed to be in effect for a period of less than five years or without limit of time and either not expressed to be terminable by the insurer before the expiration of five years from the taking effect thereof or are expressed to be so terminable before the expiration of that period only in special circumstances therein mentioned,

(b) but does not include—

(i) excepted long-term business

(ii) special purpose business or

(iii) long term business other than such business set out under subparagraph (a);";

(c) in the definition of the words "long-term business", by deleting in paragraph (b) the words beginning with "being contracts" and ending with "circumstances therein mentioned";

(2) The following definitions shall be inserted in their proper alphabetical order—

"approved actuary" means an individual approved by the Authority under section 26 (3).;

"loss reserve specialist" has the meaning in section 8B of the Act";

"group actuary" means an individual approved by the Authority under section 26 (7).

"non-insurance business" means business other than insurance business; conducted by the insurer not falling within the definition of insurance business and includes—

(a) carrying on investment business as defined under the Investment Business Act 2003, managing an investment fund as an operator as defined under the Investment Funds Act 2006, carrying on business as a fund administrator as defined under the Investment Funds Act 2006, carrying on banking business as defined under the Banks and Deposit Companies Act 1999;

(b) underwriting debt or securities or otherwise engaging in investment banking;

(c) engaging in commercial or industrial activities that are not ancillary to the carrying on of insurance business;

(d) carrying on the business of management, sales or leasing of real property that is not ancillary to the insurance business of an insurer.;".

Amends section 4EE

3 Section 4EE of the principal Act is amended by deleting "Class A or Class B" and inserting "Class A, Class B, or Class C insurer."

Amends section 4EF

4 Section 4EF of the principal Act is amended by inserting "Class C, Class D or" before "Class E".

Amends section 4F

5 Section 4F (1) of the principal Act is amended by deleting "4E" and inserting "4EF".

Amends section 6

6 Section 6 of the principal Act is amended by—

(a) deleting in subsection (1A) "Class B, Class C or Class D" and inserting "or Class B" where it occurs;

(b) deleting in subsection (4) "or Class E" and inserting ", Class C, Class D or Class E"; and

(c) deleting in subsection (5) "or Class E" and inserting ", Class C, Class D or Class E".

Amends section 6A

7 Section 6A of the principal Act is amended—

(a) in subsection (3) by deleting the word "adjust" and substituting "modify"; and

(b) by repealing and replacing subsection (5) as follows-

"Subject to subsection (6) a Rule made under this section shall not come into operation until a period of not less than 180 days has elapsed from the date of publication of draft Rules pursuant to section 6B".

Section 6C repealed and replaced

8 Section 6C of the principal Act is repealed and replaced as follows—

"Authority may exempt insurers from or modify prudential standards

6C (1) The Authority may, where it has made a determination or on the application of an insurer or the designated insurer, exempt the insurer or designated insurer from the requirement to comply with any prudential standard applicable to it by or under Rules made under section 6A; or modify any such prudential standard applicable to it by or under Rules made under section 6A.

(2) In granting an exemption or modification under this section, the Authority may impose such conditions on the exemption or modification as it considers appropriate.

(3) The Authority shall not grant an exemption or modification unless it is satisfied that it is appropriate to do so having regard to the obligations of the insurer towards its policyholders or the obligations of the designated insurer or insurance group of which the designated insurer is a member towards their policyholders."

(4) The Authority may revoke an exemption or vary any modification granted under this section and shall serve notice on the insurer or designated insurer of its proposal to revoke its approval and the reason for its proposal.

(5) An insurer or designated insurer served with a notice under paragraph (4) may, within a period of 28 days from the date of the notice make written representations to the Authority and where such representations have been made, the Authority shall take them into account in deciding whether to revoke its approval.

Section 7(3) repealed and replaced

9 Subparagraph (3) of section 7 the principal Act is repealed and replaced as follows—

"(3) The Authority may register a body corporate as a Class 4 insurer where it does not satisfy the requirement of paragraph (d) of subsection (1) if it has at least $120,000 paid up
share capital, but such body corporate shall not carry on insurance business until it satisfies the requirement of paragraph (d) of subsection (1).".

Amends section 14

10 Section 14 (2) of the principal Act is amended by deleting "company" and inserting "registered insurer or insurance manager, broker or agent," where it occurs.

Amends section 17A

11 Section 17A of the principal Act is amended by—

(a) deleting in paragraph (1) "or Class E" and inserting ", Class C, Class D or Class E"; and

(b) deleting in paragraph (5) "or Class E" and inserting ", Class C, Class D or Class E".

Section 19 repealed and replaced

12 Section 19 of the principal Act is repealed and replaced as follows—

"**Prohibition of non-insurance business to be carried on by insurers**

19 (1) Subject to subsection (2), no Class 4, Class 3B, Class 3A, Class E, Class D or Class C insurer shall engage in non-insurance business.

(2) An insurer may engage in non-insurance business only where such business is ancillary to the insurance business carried on by the insurer.".

Repeals and replaces section 26

13 Section 26 of the principal Act is repealed and replaced as follows—

"Appointment of Approved Actuary

26 (1) Every Class A, Class B, Class C, Class D and Class E insurer shall appoint an individual approved by the Authority under subsection (3) as a person qualified to assess the adequacy of total long-term insurance reserves, as that insurer's approved actuary.

(2) Before making any such appointment, an insurer shall submit particulars of such person to the Authority for approval.

(3) The Authority, on being satisfied that a person is fit and proper to hold such an appointment shall approve the appointment as that insurer's approved actuary.

(4) Subject to subsection (5), the Authority may revoke an approval of an approved actuary in respect of any insurer, if it is satisfied that he is no longer a fit and proper person to hold the appointment.

(5) The Authority shall not revoke its approval unless it has first notified the approved actuary and the insurer of its intention to do so.

(6) This section applies to a designated insurer and the actuary of an insurance group as it applies to insurers and approved actuaries, as if reference to an approved actuary were a reference to an actuary of an insurance group.

(7) For the purposes of this section, a group actuary is an individual approved by the Authority to provide an opinion as to the adequacy of an insurance group's insurance reserves as reported in its statutory financials."

Amends section 27B

14 Section 27B of the principal Act is amended by deleting in paragraph (9)(a) "or Class E" and inserting ", Class C, Class D or Class E".

Amends section 30JA

15 Section 30JA of the principal Act is amended—

(1) in section (1) by inserting after subparagraph (d)—

"(e) acquisition of controlling interest in anon-insurance business which offers services and products to persons who are not affiliates of the insurer;

(f) outsourcing all or substantially all of functions of actuarial, risk management, compliance and internal audit;

(g) outsourcing of all or a substantial part of an insurer's underwriting activity;

(h) transfer of all or substantially all of a line of business;

(i) expansion into a material new line of business.";

(2) by inserting the following new section after section (2) —

"(3) For the purposes of section 30JA (1) (e) "controlling interest" means the acquisition of 50% or more of the voting shares in or formation of, an entity conducting non-insurance business by a Class 4, Class 3B, Class 3A, Class E, Class D or Class C insurer."

Amends section 30JB

16 Section 30JB (2) of the principal Act is amended by deleting "and" where it appears and inserting after "(d)"; "(e)", "(f)" ("g"), "(h)" and "(i)".

Amends section 31A

17 (1) Section 31A of the principal Act is amended—

(a) in subsection (1) by deleting the words beginning with "within 30 days" and ending with "the Authority" and substituting the following—

"after becoming aware of that failure or having reason to believe that such a failure has occurred forthwith notify the Authority of such occurrence, and, within 14 days of such notification furnish the Authority with"

(b) by repealing subparagraph "(b)" and inserting—

"(b)a plan detailing the manner, specific actions to be taken and time frame in which the insurer intends to rectify the failure".

(c) by inserting after subsection (1) —

"(2) The Authority may require an insurer to modify the plan filed in accordance with subsection (1) (b) if it is satisfied that it is appropriate to do so in order for an insurer to satisfy its policyholder obligations."

Amends section 31AA

18 (1) Section 31AA of the principal Act is amended—

(a) in subsection (1) (a) by —

i. by deleting the words "within 14 days" and inserting "Upon";

ii. by deleting "file with the Authority" and inserting "forthwith notify the Authority in writing and within 14 days of such notification file with the Authority";

iii. by repealing subparagraph "(ii)" and inserting "(ii) a plan detailing the manner, specific actions to be taken and time within which the insurer intends to rectify the failure and;"

(b) in paragraph (1) (b) by —

i. in subparagraph (ii) by deleting "lines 17 and 18" and inserting "line 17 (d)"; and by inserting "where applicable" at the end of the paragraph;

ii. in subparagraph (iii) by inserting "where applicable" at the end of the paragraph;

iii. in subparagraph (iv) by inserting "where applicable" at the end of the paragraph;

iv. by inserting after subparagraph (iv) —

"(v) a long-term business solvency certificate in respect of those statements where applicable;

(vi) the opinion of an approved actuary in relation to line 27(d) of those statements where applicable".

(2) by inserting after subsection (2) —

"(3) The Authority may require an insurer to modify the plan file in accordance with subsection (1) (a) (ii) if it is satisfied that it is appropriate to do so in order for an insurer to satisfy its policyholder obligations."

Consequential Amendments

19 Schedule 1 which amends the Insurance Accounts Regulations 1980 has effect.

Transitional and savings

20 (1) Section 12 of this Act which repeals and replaces section 19 of the principal Act shall not apply to an insurer that carries on non-insurance business provided that the insurer was registered on or before 31 December 2012.

(2) Subsection (1) shall cease to have effect on 1 January 2017.

Commencement

21 This Act comes into operation on 1 January 2013.

SCHEDULE 1 (Section 19)

AMENDMENTS TO THE INSURANCE ACCOUNTS REGULATIONS 1980

Amends Regulation 9

1 Regulation 9 (2)(i) of the Insurance Accounts Regulations 1980 (the "principal Regulations") is amended by deleting "19 (d)" and inserting "19 (e) (iv)".

Amends Schedule I

2 The principal Regulations is amended—

(a) in Schedule I by repealing "Form 8" under Schedule I and replacing it as follows—

"FORM 8

STATUTORY STATEMENT OF CAPITAL AND SURPLUS

[*blank*] name of Company

as at [*blank*] (day/month/year)

expressed in [*blank*] (currency used (vide Reg. 10(2)))

STMT.

LINE No.		**20XX**	**20XX**
1. STATUTORY CAPITAL:			
(a) Capital Stock			
(i) Common shares: authorized shares of par value each issued			
and fully paid shares		XXX	XXX
(ii) Preferred shares: authorized shares of par value each issued			
and fully paid shares aggregate liquidation value for:			
20xx	XXX		
20xx	XXX	XXX	XXX
(iii) Treasury shares Repurchased shares of par value each			
Issued and fully paid		XXX	XXX
(b) Contributed surplus		XXX	XXX
(c) Any other fixed capital			
(i) Hybrid capital instruments		XXX	XXX
(ii) Guarantees and others		XXX	XXX

(iii) Total any other fixed capital	<u>XXX</u>	<u>XXX</u>
(d) Total Statutory Capital	XXX	XXX
2. STATUTORY SURPLUS:		
(a) Statutory Surplus — Beginning of Year	XXX	XXX
(b) Add: Income for the year	XXX	XXX
(c) Less: Dividends paid and payable	XXX	XXX
(d) Add (Deduct) change in unrealized appreciation (depreciation) of investments	XXX	XXX
(e) Add (Deduct) change in non-admitted assets	XXX	XXX
(f) Add (Deduct) change in appraisal of real estate	XXX	XXX
(g) Add (Deduct) change in any other statutory surplus	XXX	XXX
(h) Statutory Surplus — End of Year	XXX	XXX
3. TOTAL STATUTORY CAPITAL AND SURPLUS	<u>**XXX**</u>	<u>**XXX”**</u>

(b) in Form 1A STATUTORY BALANCE SHEET (General Business Class 4, Class 3B and Class 3A insurer) by repealing Line No. 4. “INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD):” and replacing it as follows—

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

Amends Schedule II

3 The principal Regulations is amended—

(a) in Part V by inserting the following after Note 17 (b) —

"20. **Reserves for Reported Claims**

The method of determining reserves for reported claims.

21. **Reserves for Unreported Claims**

The method of determining reserves for unreported claims.

22. **Policy Reserves – Life**

The method of calculation, and the range of significant or material interest rates and mortality factors used in the calculations.

23. **Policy Reserves – accident and health**

The method of calculation of the reserves.

25. **Liability for future policyholders' dividends**

The method of determining the policyholders' dividends.

26. **Other insurance reserves - long-term**

The method of calculation of the reserves."

(b) in Part IV by repealing the "Matters to be set for in Notes to the Statutory Statement of Capital and Surplus" and replacing it as follows—

"PART IV

Matters to be set forth in Notes to the Statutory Statement of Capital and Surplus

Information required to be given

[Note: *The numerals in bold type and letters in bold type in parentheses refer to the numbers of the line of the statutory statement of capital and surplus*]

1(a). Capital stock

As respects authorized capital stock there shall be disclosed severally—

(a) the number of common shares and preferred shares of each class, the par value, if any, of each class and a brief description of each class;
(b) the dividend rates applicable to any preference shares, and whether the dividends are cumulative, including the liquidation values of the preference shares;
(c) the redemption price of any redeemable shares;
(d) any conversion provisions.

As respects issued capital stock there shall be disclosed severally—

(a) the number of shares in, and the capital stock amounts for, each class of common and preferred shares;
(b) the amounts called and unpaid or otherwise due in respect of those shares;
(c) the amounts not called on those shares that will become receivable in due course when called.

As respects repurchased capital stock there shall be disclosed severally—

(a) the number of shares repurchased, and the capital stock amounts for, each class of common and preferred shares;

1(b) Contributed surplus

The nature of any change in contributed surplus during the relevant year.

1(c) Any other fixed capital

The nature, terms and conditions comprising any other fixed capital approved by the Authority, including any material change during the relevant year.

2(c) Dividends paid and payable

The amount and nature of any dividend paid during the relevant year that was other than a cash dividend.

B. There shall also be disclosed in notes the following information—

(a) details of any change in the authorized capital stock of the insurer during the relevant year;

(b) where an insurer has contracted to issue or re-issue shares or has given options to purchase shares, the class and number of shares affected, the price and date of the issue or re-issue of the shares or the exercise of the options and (shown separately) the total number of shares in respect of which options are held by directors and officers of the insurer;

(c) details of any share transactions during the relevant year including—

(i) the number of shares of each class issued since the date of the last statutory balance sheet, giving the value attributed thereto and distinguishing—
  (aa) shares issued for cash (showing separately shares issued pursuant to options or warrants);
  (bb) shares issued directly or indirectly for services; and
  (cc) shares issued directly or indirectly for other considerations;

(ii) the number of shares of each class redeemed since the date of the last statutory balance sheet and the consideration given and, where the consideration was other than cash, the nature of the consideration given and the value attributed thereto."

Amends Schedule III

4 (1) Part III of Schedule III "Additional instructions for insurers carrying on long-term business only" of the principal Regulations is amended—

(a) in Note 26 **"Other insurance reserves- long term business"** by deleting "25" and inserting "26"; and

(b) under "Gross long-term business insurance reserves" in Note 27 by—

(i) repealing paragraph (a) and substituting the following—

"(a) Total gross long-term business insurance reserves: <u>Total lines 20 through 26 before the said amounts are reduced by any amount recoverable under a contract of reinsurance in respect of the gross amount provided for.</u>

(ii) deleting in paragraph (b) ": Unpaid and/or paid losses and loss expenses recoverable";

(iii) deleting "the total of (i) and (v)" and inserting "the total of (i) through (iv)" in paragraph (c); and

(iv) by deleting "25" and inserting "26" in paragraph (d).

(2) Part IV of Schedule III is amended by repealing Line No. "4 a) INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD):" and replacing it as follows—

"4. INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD):

a) there shall be disclosed severally—

(i) Unregulated entities that conduct ancillary services

(ii) Unregulated non-financial operating entities

(iii) Unregulated financial operating entities

(iv) Regulated non-insurance financial operating entities

(v) Regulated insurance financial operating entities

(vi) Total investments in affiliates (equity method)

(vii) Advances to affiliates

(viii) Total investments in and advances to affiliates (equity method)"

Amends Schedule V

5 Schedule V to the principal Regulations is amended—

(a) by deleting paragraph 1 (a). "Capital Stock" and inserting the following—

"1(a). Capital stock

This shall comprise—

(a) where common shares, preferred shares and treasury shares have a par value, the par value;

(b) where common shares, preferred shares ad treasury shares have no par value, the stated value, of shares issued and called.

Where shares have only been partially called, only the called portion shall be included.

Where any capital stock has been called but not received, a corresponding receivable shall be reflected in the statutory balance sheet.

In this Schedule "stated value", in relation to shares in an insurer, means the value attributed to the shares in the books of the insurer."

(b) by deleting paragraph 1 (c). "Any other fixed capital" and inserting the following —

"(c). Any other fixed capital

This shall comprise any other fixed capital approved by the Authority which has not been allocated to line 1(a) or 1(b), and must take into account any amount required by the instruction in Part I of Schedule III relating to line 14 or line 37 of the statutory balance sheet to be credited to, or, as the case may be, charged against, capital.—

(i) Hybrid capital instruments

(ii) Guarantees and others

(iii) Total any other fixed capital – the sum of (i) and (ii)."

INSURANCE AMENDMENT BILL 2012

EXPLANATORY MEMORANDUM

This Bill seeks to amend the Insurance Act 1978 (the "principal Act") by making a number of changes to the regulation of insurance business.

It seeks to address housekeeping issues to ensure the principal Act is appropriately referenced and matters relating to Solvency II initiatives arising out of consultation with industry.

Clause 1 provides a citation for the Bill and defines "principal Act" as the Insurance Act 1978.

Clause 2 amends section 1 to insert new definitions of "actuary", "approved actuary", "group actuary" and "loss reserve specialist" to provide clarity to the market in relation to persons looking to be appointed as required. The definition of "long-term business" has also been amended to delete paragraph (b) of that definition to remove the prohibition of contracts required to be in force for a period of five years or more or contracts without time limit and to make provision for a definition of "non-insurance business" and "general business" has been updated after consultation with Industry.

Clause 3 makes housekeeping amendments to include references to specific classes.

Clause 4 amends section 4EF to make provision for enhanced regulatory requirements applicable to Class C and D insurers that only used to apply to Class E long-term insurers.

Clause 5 is a housekeeping matter which makes provision for interpretations set out under section 4F to apply to all old and new classes of insurer set out under sections 4B to 4EF.

Clause 6 amends section 6 to make provision for enhanced regulatory requirements applicable to insurer Classes 4, 3B, 3A and E to now apply to insurer Classes C and D in furtherance of the implementation of Bermuda's Solvency II regime.

Clause 7 amends subsections (3) and (5) of section 6A to make provision for the BMA to modify the requirements of a prudential rule as appropriate and to clarify that a Rule made under section 6 must not come into operation until the Authority has fulfilled its obligation to publish such Rule for a 6 month period.

Clause 8 amended section 6C to make provision for the BMA to, on application or on its own as required; modify the requirements of a prudential rule where appropriate in addition to the existing power to exempt.

Clause 9 amends section 7(3) as a housekeeping matter to remove reference to section 7 (1) (e) as such provision was repealed in 2010.

Clause 10 amends section 14 (2) (a) and (b) to delete the word "company" and insert the appropriate terms of "registered insurer or insurance manager, broker or agent" as a housekeeping measure.

Clause 11 amends sections 17A (1) and (5) to make provision for enhanced regulatory requirements applicable to insurer Classes 4, 3B, 3A and E to now apply to insurer

Classes C and D in furtherance of the implementation of Bermuda's Solvency II regime.

Clause 12 amends section 19 to make provision for the segregation of non-insurance business from insurance business.

Clause 13 repeals and replaces section 26 to make provision for an actuary to be approved in relation to the assessment of adequate total long-term insurance reserves for insurer Classes A, B, C, D and E.

Clause 14 makes housekeeping amendments to include references to specific classes.

Clause 15 Amends section 30JA to further expand the matters relating to material changes required to be approved by the Authority.

Clause 16 makes consequential amendments to section 30JB arising out of the changes to section 30JA.

Clause 17 amends the notification period under section 31A from 30 days to immediately and requires the Authority to be notified by an insurer where the minimum margin of solvency has not been met and in accordance with such failure, to file an action plan setting out rectification of the failure within proposed timelines. The Authority shall further be provided with the power to require an amendment to the action plan in certain circumstances.

Clause 18 amends section 31AA to clarify that such provisions are applicable to insurers where appropriate; and (where applicable) makes provision for a long-term business solvency certificate to be filed with the Authority along with unaudited interim statutory financial statements where there is failure by an insurer to comply with enhanced capital requirements.

Clause 19 provides for consequential amendments to be made to paragraph 9 (2) (i) of the Insurance Returns and Solvency Regulations 1980 to amend the reference to Line "19 (d)" to read "19 (e) (iv)" to correctly cross reference the Insurance Accounts Regulations 1980 re Total Premiums and Other Considerations and to provide for outstanding housekeeping matters.

Clause 20 makes provision for a transition and savings clause that shall allow insurers conducting non-insurance business at 31 December 2012 to continue conducting such business until 1 January 2017.

Clause 21 provides for the commencement date of the Act.