



16 December 2021

NOTICE

Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Amendment Rules 2022

The Bermuda Monetary Authority (Authority or BMA) proposes to amend the Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 (Rules) to:

1. Include a new Schedule IV(F) “*Schedule of Risk Exposure*” to require Class D and E insurers to provide information and reporting to the Authority in relation to their underwriting activities based on the location of business being underwritten, and to make provision for a similar new Part IVF “*Schedule of Risk Exposure*” to be imposed on Class C insurers pursuant to Schedule XIII.
2. Introduce a requirement for all Class D and E insurers to submit quarterly financial returns not more than two months after their quarter-end.

The Authority proposes these amendments to become effective as of 1 July 2022.

Comments to the proposed amendments to the Rules are invited by 16 January 2022 and should be submitted to riskanalytics@bma.bm.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS
E SOLVENCY REQUIREMENT) AMENDMENT RULES 2022

The Bermuda Monetary Authority, in exercise of the powers conferred by section 6A of the Insurance Act 1978 (Act), makes the following Rules:

Citation

1 These Rules (which amend the Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 (principal Rules) may be cited as the Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Amendment Rules 2022.

Amends paragraph 6

2 Paragraph 6 of the principal Rules is amended in subparagraphs (1), (2) and (3) (b) by inserting the reference “IV(F),” after “IV(A)” where it occurs.

Insert new paragraph 6A

3 The principal Rules are amended by inserting the following new rule after Rule 6—

“6A Quarterly financial return

6A (1) Every Class D and E insurer, where such insurer is not a member of an insurance group for which the Authority is the group supervisor, shall prepare and file quarterly financial returns with the Authority on or before the last day in the months of May, August and November of every year.

(2) A Class D and E insurer’s quarterly financial return shall comprise the following—

- (a) quarterly unaudited financial statements in respect of its business for each financial quarter, such statements should be the most recently produced and must not reflect a financial position that exceeds two months; and
- (b) intra-group transactions that the insurer is a party to and the insurer’s risk concentrations, which include—
 - (i) details of material intra-group transactions that have materialised since the most recent quarterly or annual financial returns prepared and filed, as the case may be, with the Authority by the insurer including (where applicable)—
 - (A) exposure value (face value or market value, if the latter is available);
 - (B) counterparties involved, including where they are located;
 - (C) summary details of the transactions, including purpose, terms and transaction costs;
 - (D) duration of the transaction; and
 - (E) performance triggers;
 - (ii) details surrounding all intra-group reinsurance and retrocession arrangements, and other intra-group risk transfer insurance business arrangements that have

materialised since the most recent quarterly or annual financial returns prepared and filed as the case may be, with the Authority by the insurer including—

- (A) aggregated values of the exposure limits (gross and net) by counterparties broken down by counterparty rating;
 - (B) aggregated premium flows between counterparties (gross and net); and
 - (C) the proportion of the insurer's insurance business exposure covered by internal reinsurance, retrocession and other risk transfer insurance business arrangements;
- (iii) details of the 10 largest exposures to unaffiliated counterparties and any other unaffiliated counterparty exposures or series of linked unaffiliated counterparty exposures exceeding 10% of the insurer's statutory capital and surplus, including—
- (A) name of unaffiliated counterparty, including where the counterparty is located;
 - (B) exposure values (face value or market value, if the latter is available); and
 - (C) transaction type.
- (c) Enhanced Capital Requirement (ECR) ratio for the financial quarter;
- (d) Commercial Insurer Solvency Self-Assessment requirement for the financial quarter;
- (e) Total quoted bonds and total unquoted bonds allocated by the Bermuda Solvency Capital Requirement (BSCR) Rating for the financial quarter;

(3) Quarterly unaudited financial statements shall minimally include a balance sheet and income statement.

(4) The information required to be included in the quarterly unaudited financial statements shall be information calculated to fulfil (in addition to any other purposes for which these Rules may require) the following purposes—

- (a) to give as early a warning as possible to any person examining the said statements (whether by way of notice of the observance or non-observance by the insurer of any ECR, or in any other way) of any financial or operational difficulties into which the insurer's business has fallen or might appear likely to fall; and
- (b) to provide the basis on which the Authority or any other authority may in good time take action under the Act or any other statutory provision to exercise any statutory power available to it for the safeguarding of any element of the public interest involved in or affected by the insurer's business.

(5) In the exercise of its powers under section 6C of the Act, and without prejudice to the generality of that section, the Authority may direct that a Class D or E insurer be exempt from filing the information required to be filed or modify the requirements under subparagraph (1) where—

- (a) the insurer is able to file with the Authority relevant information that is filed with the Group Supervisor of the group for which the insurer is a member that would satisfy the filing requirements under subparagraph (1) and with the timelines as directed under that subparagraph; or
- (b) the Authority is able to obtain relevant information from the Group Supervisor of the group for which the insurer is a member pertaining to the information required to be filed under subparagraph (1) and within the timelines as directed under that subparagraph.”.

Inserts Schedule IVF

4 (1) Paragraph 6 of the principal Rules are amended by inserting a new Schedule IVF “Schedule of Risk Exposure” after Schedule “IV(A)”.

(2) The Schedule inserted by this paragraph shall be published separately on the website of the Authority at www.bma.bm.

Amends Schedule XIII

5 (1) The principal Rules are amended in Schedule XIII by inserting a new Part IVF “Schedule of Risk Exposure” after Part IVA.

(2) The Part inserted by this paragraph shall be published separately on the website of the Authority at www.bma.bm.

**Schedule IVF
(Paragraph 5)**

SCHEDULE OF RISK EXPOSURE

[blank] name of Insurer

As at [blank] (day/month/year)

All amounts expressed in (currency used)

1. Provide jurisdiction of ultimate parent company of insurer:
2. All insurers shall provide the following information for the reporting period:

	Location	Number of Subsidiaries	Gross Reserve – Mortality Risk	Gross Reserve – Longevity Risk	Gross Reserve – Deferred Accumulation Annuities	Gross Reserve – Disability	Gross Reserve – Group	Gross Reserve – Variable Annuities	Gross Reserve – Other Products	Claims and Benefits Paid
1	Austria	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2	Belgium	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3	Bulgaria	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4	Croatia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
5	Cyprus	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
6	Czech Republic	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7	Denmark	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8	Estonia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9	Finland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
10	France	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
11	Germany	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
12	Greece	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
13	Hungary	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
14	Ireland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
15	Italy	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
16	Latvia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
17	Lithuania	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
18	Luxembourg	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
19	Malta	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
20	Netherlands	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
21	Poland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
22	Portugal	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
23	Romania	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
24	Slovakia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
25	Slovenia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
26	Spain	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
27	Sweden	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
	Sub Total European Union	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
28	Bermuda	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
29	United Kingdom	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
30	Switzerland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
31	United States of America	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
32	Canada	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
33	China	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
34	Japan	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
35	Hong Kong	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
36	Australia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
37	All Other Locations	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
38	Total	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

Instructions to Schedule IVF

- (a) “Location” shall be the location of the risk being underwritten. If the location of the risk being underwritten is not available, then insurers are to allocate based on the location of the cedant;

- (b) The “number of subsidiaries” refers to the number of subsidiaries licensed within the jurisdiction;
- (c) “mortality” refers to –
 - (i) mortality (term assurance, whole life, universal life);
 - (ii) critical illness (including accelerated critical illness products);
- (d) “longevity” refers to:
 - (i) longevity immediate pay-out annuities, contingent annuities, pension blocks;
 - (ii) longevity [(deferred pay-out annuities, future contingent annuities, future pension pay-outs);
 - (iii) annuities certain only;
- (e) “deferred accumulation annuities” refers to:
 - (i) deferred accumulation annuities;
- (f) “disability” refers to:
 - (i) disability income: active lives - including waiver of premium and long-term care;
 - (ii) disability income: active lives - other accident and sickness;
 - (iii) disability income: claims in payment - including waiver of premium and long-term care;
 - (iv) disability income: claims in payment - other accident and sickness;
- (g) “group” refers to:
 - (i) group life;
 - (ii) group disability;
 - (iii) group health;
- (h) “variable annuities” refers to:
 - (i) variable annuities;
- (i) “other products” refers to:
 - (i) stop loss;
 - (ii) rider (other product riders not included above);
- (j) all amounts shall be reported on a consolidated basis only.

**PART IVF
(Paragraph 5)**

SCHEDULE OF RISK EXPOSURE

[blank] name of Insurer

As at [blank] (day/month/year)

All amounts expressed in (currency used)

1. Provide jurisdiction of ultimate parent company of insurer:
2. All insurers shall provide the following information for the reporting period:

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1	Austria	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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4	Croatia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
5	Cyprus	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
6	Czech Republic	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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9	Finland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
10	France	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
11	Germany	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
12	Greece	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
13	Hungary	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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16	Latvia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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19	Malta	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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21	Poland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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23	Romania	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
24	Slovakia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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26	Spain	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
27	Sweden	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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28	Bermuda	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
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30	Switzerland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
31	United States of America	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
32	Canada	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
33	China	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
34	Japan	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
35	Hong Kong	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
36	Australia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
37	All Other Locations	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
38	Total	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

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