

## REGULATORY UPDATE

January – March 2022



## Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 31 March 2022\*.

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## REGULATORY

### BMA Responds to Stakeholder Feedback on the Cyber Risk Management Code of Conduct

In October 2021, the Authority published a consultation paper entitled Cyber Risk Management Code of Conduct – Banks, Deposit Companies, Corporate Service Providers, Trust Companies, Money Service Businesses, Investment Businesses and Fund Administration Providers. The Code seeks to formalise the minimum requirements and expectations of licensed entities in the aforementioned categories regarding the management and reporting of cybersecurity risks and incidents. On 14 March 2022, the BMA issued a response to the industry feedback on these proposals.

### BMA Published Cyber Risk Management Code of Conduct

On 15 March 2022, the BMA published the Cyber Risk Management Code of Conduct for Corporate Service Providers, Trust Companies, Money Service Businesses, Investment Businesses and Fund Administration Providers. The Code came into force on 15 March 2022, and relevant licensed entities are required to become compliant by 15 February 2023.

### Updates to Reporting Forms and Guidelines

The Authority published the following reporting forms and guidelines in Q1-2022:

- Discount rates for insurers for the period ended 31 December 2021 (5 January)
- Insurance Marketplace Provider Annual Return 2021 Year-end (3 February)
- Collateralized Insurers 2021 Year-End Model (3 February)
- 2022 Quarterly Financial Return template – Property and Casualty (24 February)
- 2022 Quarterly Financial Return template – Long-Term Insurers (24 February)
- The 2021 Year-End Stress and Scenario Instructions for Classes 4, 3B and Insurance Groups (8 March)
- The 2021 Year-End Stress and Scenario Instructions for Class 3 (8 March)
- Innovative Insurer-General Business 2021 Year-End BSCR (23 March)
- The 2021 Innovative Insurer-General Business Handbook (23 March)
- The 2021 Year-End Filing Requirements for Innovative Insurer-General Business (23 March)

## LEGISLATIVE

### **BMA Responds to Stakeholder Feedback on the Insurance (Prudential Standards) (Solvency Requirement) Amendment Rules 2022 for Insurance Groups, Class 4, Class 3B, Class 3A, Class C, Class D and Class E Insurers**

On 24 March 2022, the BMA issued a response to the feedback on the proposed revisions to the Insurance (Prudential Standards) (Solvency Requirement) Amendment Rules 2022.

## INTERNATIONAL AFFAIRS

### **International Association of Insurance Supervisors (IAIS)**

The BMA is represented in nearly all IAIS committees and sub-committees and actively participated in the work conducted by these groups during the first quarter.

During this period, the IAIS Executive Committee (ExCo) approved the following: Insurance Capital Standard (ICS) data collection package for year three of the monitoring period, a recommendation to pursue a differentiated ICS capital treatment for investments in infrastructure debt and equity, proposals on the climate workplan, scenario analysis and recommendations for the inclusion of climate data in the Global Monitoring Exercise (GME). Additionally, ExCo received an update on the status of the financial markets in light of the conflict in Ukraine.

The Policy Development Committee (PDC), Macroprudential Committee (MPC) and Implementation and Assessment Committee provided input on the matters referenced above ahead of the ExCo meeting and received a myriad of updates on projects under their respective domains. The BMA continued to actively participate in all four mentioned committees, namely as

Co-Vice Chair of MPC and PDC. The BMA also continued its participation on a number of sub-committees, assuming several leadership roles, namely working on the Common Framework for Supervision of Internationally Active Insurance Groups, Holistic Framework, Insurance Core Principles (ICP) and other supervisory material work.

Several highlights have been noted in relation to climate change. For example, the IAIS ExCo has agreed on the next steps for the multi-year work plan to address climate-related risks in the insurance sector. As such, ExCo has agreed to progress in the following three areas over the coming years:

1. While the IAIS has concluded that the ICPs are broad enough to cover climate risks, the IAIS will make limited changes to the guidance in the ICPs and develop further supporting material to highlight that climate risk needs to be addressed within the scope of the ICPs. The IAIS will begin with developing detailed proposals and will continue to engage and consult with stakeholders on these changes.
2. The IAIS has an agreed programme of work focused on supporting members as they address challenges within the emerging field of climate risk scenario analysis. Over the course of this year, and together with the Sustainable Insurance Forum, the IAIS will organise a series of workshops with members and stakeholders to gather practical intelligence on emerging best practices. In addition, lessons will be shared with members and embedded in the training to provide supervisors with tangible scenario analysis skills.
3. The IAIS has added climate data elements to the GME, building on the lessons learned from last year's data collection exercise in support of the special topic edition of the Global Insurance Market Report. The climate data elements review the impact on insurers' investments and underwriting activities and will become a regular feature of the annual GME.



## **Bilateral Meeting with the Global Financial Innovation Network (GFIN) Chair**

In the first quarter, the GFIN Chair conducted a series of meetings with GFIN Coordination Group members. The BMA held a bilateral meeting with the GFIN Chair to discuss the mission, vision and strategy of GFIN for 2022.

## **GFIN Co-ordination Group Meeting**

The first GFIN Co-ordination Group meeting was held in Q1, wherein members discussed and aligned on GFIN's mission, primary functions and priority areas for the network in 2022.



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