

## REGULATORY UPDATE

April–June 2022



## Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 30 June 2022\*.

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## REGULATORY

### BMA Responds to Stakeholder Feedback on Proposed Enhancements to Insurance Regime

On 9 June 2022, the Authority issued a response to the stakeholder feedback on the consultation paper entitled *Legislative Enhancements to Innovative Classes, Introduction of Innovative Long-Term Insurer Class and Enhancements to Section 24 Dual-licensed Insurers to Maintain Separate Accounts*.

### Updates to Reporting Forms and Guidelines

The Authority published the following reporting forms and guidelines in Q2-2022:

- Discount rates for insurers for the period ended 31 March 2022 (13 April)
- 2022 Sanctions Data Call (18 April)
- Brokers and Agents Annual Return 2022 (20 April)
- Insurance Managers Annual Return 2022 (20 April)
- 2021 Year-End Limited Purpose Insurers Supporting Documents Revised (20 April)
- 2022 Sanctions Data Call Updated (16 May)
- Discount rates for insurers for the period ended 30 June 2022 (30 June)

### BMA Reports and Surveys

On 12 April 2022, the BMA issued the *Bermuda Cyber Underwriting Report 2021* based on the 2020 annual filings of commercial (re)insurers, insurance groups and limited purpose (re)insurers. The report outlines key statistics, findings and general recommendations regarding cyber underwriting.

On 10 May 2022, the BMA issued the *2021 Climate Risk Exposure Survey Report* based on climate risk exposure data collected from the 2021 survey of insurance groups and commercial insurers. The report outlines statistics, findings, challenges based on physical risk exposures, transition risk exposures and a qualitative assessment.

## LEGISLATIVE

### BMA issues consultation paper to enhance innovation regulatory regime and the regime for dual-licensed insurers

On 31 May 2022, the Authority issued a consultation paper entitled *Legislative Enhancements to Innovative Classes, Introduction of a New Innovative Class for Long-Term Business and Enhancements to Section 24 Dual-licensed Insurers to Maintain Separate Accounts*.

## INTERNATIONAL AFFAIRS

### Global Financial Innovation Network (GFIN), Regulatory Technology (RegTech) and Supervisory Technology (SupTech) 2022 Virtual Showcase

During the second quarter, the BMA participated in a three-part virtual showcase series with the GFIN on regulatory reporting, the RegTech ecosystem and SupTech. This series highlighted works conducted by the BMA's regulatory counterparts worldwide, with an invitation to contribute to those projects that serve the BMA's priority areas.

### GFIN SupTech Academic Forum

The BMA partnered with the United States Securities and Exchange Commission to host the first SupTech Academic Forum for the GFIN as part of the BMA's work in leading the GFIN's Academia workstream. The BMA moderated a panel of regulators and academic community members worldwide to ascertain better how meaningful partnerships can be made and present on topics crowdsourced from the GFIN. The Academia workstream prepared two key documents as deliverables, highlighting a repository of academic affiliations and covering those subject areas essential to members within the community.

### 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 second quarter.

During this period, the IAIS Executive Committee (ExCo):

1. Discussed work underway to progress the IAIS' commitment to Diversity, Equity and Inclusion
2. Approved the publication of the report 'Supervisors' use of Key Indicators to Assess Insurer Conduct'

3. Discussed the outcome of the monitoring of identification of Internationally Active Insurance Groups (IAIG) in 2022 and the status of public disclosure of the identification of IAIGs by groupwide supervisors
4. Agreed upon the public communication to be issued with respect to the consultation on the draft criteria for the Aggregation Method Comparability Assessment
5. Received an update on progress with finalising the Targeted Jurisdictional Assessments of implementation of the Holistic Framework supervisory material
6. Provided initial feedback on the final report on the Member Assessment Process: Mexico
7. Agreed upon the scope of the collective discussion on the assessment of systemic risk in the global insurance sector and the appropriate supervisory response regarding the 2022 Global Monitoring Exercise, to be held in September
8. Provided initial steer on the 2023-2024 Roadmap
9. Discussed certain proposals from the ExCo small group on internal governance relating to internal policies and procedures (the IAIS Member Handbook) and initial work on a mid-term review of the 2020-2024 financial outlook

The Policy Development Committee (PDC), Macroprudential Committee (MPC) and Implementation and Assessment Committee (IAC) 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 actively participating 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.



During the quarter, BMA representatives also attended the IAIS Global Seminar, which addressed key issues concerning the resilience of the insurance sector as the industry moves forward from Covid-19 and the challenging global economic outlook. A panel on climate risk assessment discussed the urgency of addressing risks due to climate change, particularly after the United Nations' 'red alert' release. The importance of building supervisory capacity was also highlighted. Additionally, cyber risk was a major area of focus, where panellists discussed increasing cyber underwriting and maturity of models, silent coverage and the challenges of talent shortages.

Key IAIS reforms were also discussed, such as the Holistic Framework, which aims to address and mitigate risks to the global insurance sector from a sector-wide and entity-focused outlook. In addition, the ExCo described the progress of the Insurance Capital Standard (ICS) as it moves from concept to implementation. This session also allowed the organisation to provide the background to its consultation on draft criteria that will be used to assess whether the Aggregation Method offers comparable outcomes to the ICS.



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