

REGULATORY UPDATE

April–June 2023



Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 30 June 2023*.

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Regulatory and Legislative

REGULATORY

Consultation/Discussion Papers

The BMA issued the following consultation paper:

- *Proposed Recovery Planning Rules for Bermuda Commercial Insurers* (22 May)

The consultation period ended 21 July 2023.

Policy and Guidance

The BMA updated the following guidance during the second quarter:

- The Investment Business Act 2003 (IBA) *Guidance for Prospective Applicants for Licensing and Registration*

This guidance was updated with new guidance relating to excluded activities under the IBA.

Updates to Policy, Reporting Forms and Guidelines

The Authority published the following updated reporting forms and guidelines in Q2-2023:

- Discount Rates for insurers for the period ended 31 March 2023 (5 April)
- 2023 Quarterly Financial Return Template – Property and Casualty (6 April)
- 2023 Quarterly Financial Return Template – Long Term (6 April)
- Revised Discount Rates for the period ended 31 March 2023 (20 April)
- Stress Scenario R3 and R4 Discount Rates (20 June)
- 2022 Year-end Limited Purpose Insurers Supporting Documents (Revised) (29 June)

BMA Reports and Surveys

The Authority published the following reports and surveys in the second quarter of 2023:

- *Bermuda Cyber Underwriting Report 2022* (28 June)

LEGISLATIVE

Insurance Amendment Act 2023

This amendment to the Insurance Act 1978 was passed in May 2023; it empowers the BMA to require commercial insurers to develop a recovery plan. The amendment also empowers the BMA to designate, for the purposes of supervision, a member of an Internationally Active Insurance Group (IAIG) as its 'head of the IAIG'. This amendment came into force on 30 May 2023.

Digital Asset Business (Cyber Risk) Rules 2023 (Rules)

Following the development of the Digital Asset Business Operational Cyber Risk Management Code of Practice (Code) by the Authority, certain requirements in the Digital Asset Business (Cybersecurity) Rules 2018 have now become obsolete, given that such requirements are now included in the Code. The Rules replace the Digital Asset Business (Cybersecurity) Rules 2018 but maintain the requirement for filing cyber risk returns with the Authority. The Rules will become operable on 1 January 2024.

INTERNATIONAL AFFAIRS

The BMA played an active role on the international stage throughout Q2-2023.

International Association of Insurance Supervisors (IAIS)

The BMA is represented in nearly all IAIS committees and sub-committees. The Authority actively participated in the work conducted by these groups during the second quarter. The BMA is also a member of the IAIS Executive Committee (IAIS ExCo). At the most recent meeting in Seattle, USA, in March 2023, the IAIS ExCo achieved the following:

- Approved the adoption of the final report on the Member Assessment Programme Albania
- Approved the draft revised Insurance Core Principles (ICP) 14 (Valuation) and 17 (Capital Adequacy) and related terms for public consultation
- Approved the candidate Insurance Capital Standard as a prescribed capital requirement for public consultation
- Received updates on the recent activities of the Climate Risk Steering Group and the FinTech form
- Approved the publication of the updated Global Monitoring Exercise (GME) Level 2 Document
- With respect to the 2023 GME, agreed upon the scope of the collective discussion on the assessment of systemic risk in the global insurance sector and the appropriate supervisory response, to be held in September
- Received an update on the recent activities of the Strategic Plan and Financial Outlook Task Force
- Received an update on the latest activities to progress diversity, equity and inclusion within the IAIS

The Policy Development Committee, Macroprudential Committee 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 purview. The BMA continues to actively participate in all four of the aforementioned committees, as well as in a wide number of sub-committees that are working on the Common Framework for Supervision of IAIG's, holistic framework, ICPs and other material supervisory work.

Furthermore, the BMA attended several Sub-committee and Forum Meetings, e.g., the quarterly IAIS Financial Crime Forum, held on 8 June, where the main agenda item centred around a discussion on the recently issued Financial Action Task Force Report titled *Countering Ransomware Financing*, which focused on the insurance perspective.

Other International Affairs Activity

The BMA also attended the following meetings during the quarter:

- The Group of International Finance Centre Supervisors Plenary in April 2023
- The Caribbean Group of Banking Supervisors (CGBS) Annual Members' Meeting in June 2023. This meeting discussed the implementation of CGBS's strategy, reviewed action items from the strategic planning meeting held in February 2023, considered updates from various technical working groups and assessed the status of planned micro-projects
- The BMA took part in the Organization for Economic Cooperation and Development's Insurance and Private Pensions Committee meeting, held in Paris on 26 and 27 June 2023

Other Meetings

- The BMA attended the National Association of Insurance Commissioners International Forum in Washington D.C., in May 2023 and held a bilateral meeting with the Federal Insurance Office. Additionally, there were a number of bilateral meetings held with various peer regulators throughout the quarter.



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