

REGULATORY UPDATE

October–December 2023



Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 31 December 2023*.

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Regulatory and Legislative

REGULATORY

Consultation/Discussion Papers

The BMA issued stakeholder letters in response to feedback on consultation papers that were published during 2023 as follows:

- *Stakeholder Letter Re: Consultation Paper — Proposed Recovery Planning Rules for Bermuda Commercial Insurance Sector* (25 October)
- *Stakeholder Letter Re: Consultation Paper — Proposed Changes to the Statutory Financial Statements Reporting Framework for Commercial Insurers* (28 November)
- *Stakeholder Letter Re: Consultation Paper — Updates to Proposed Enhancements to the Regulatory Regime for Commercial Insurers* (30 November)

Policy and Guidance

The BMA issued the following consultation papers:

- On 25 October, the Authority published its Consultation Paper (CP) entitled *Guidance Note — Consultation Paper for Legacy Insurance Groups Accounting and Capital Treatment for Corporate Liabilities*. The due date for submitting comments to the Authority on this CP was 15 November, after which the Authority published the final Guidance Note on 28 December
- The Authority published its Discussion Paper (DP) entitled *Disclosure of Climate Change Risks for Commercial Insurers* in September 2023, and requested feedback from stakeholders by 15 December. The due date for submitting feedback on the DP was extended on 11 December to a new response deadline of 15 February 2024

The BMA issued the following guidance:

- On 28 December, the Authority published a Guidance Note (GN) entitled *Guidance Note — Legacy Insurance Groups Accounting and Capital Treatment for Corporate Liabilities*. The GN aims to guide Bermuda-regulated Legacy Groups on the supervisory requirements for Limited Liability Corporations and their treatment of transactions to ensure compliance with regulatory and capital requirements

Updates to Policy, Reporting Forms and Guidelines

The Authority published the following reporting forms and guidelines in Q4 2023:

- 2023 Bermuda Solvency Capital Requirements for Classes 3A, 3B, 4, C, D, E and Insurance Groups (20 December)
- 2023 Year-end Stress and Scenario Instructions for Classes 3A, 3B, 4, C, D, E, and Insurance Groups (20 December)
- 2023 Year-end Instructions Handbook for General Business (Classes 3A, 3B and 4) Insurers, Long-term (Classes C, D and E) Insurers and Insurance Groups (20 December)
- 2023 Year-end Filing Requirements for Classes 3A, 3B, 4, C, D, E and Insurance Groups (20 December)
- Schedule XXIII — Interest Rate Shocks for the 2023 Year-end (17 January)
- Insurance Marketplace Provider Annual Return (17 January)
- Discount Rates for Insurers for the period ended 31 December 2023 (17 January)

BMA Reports and Surveys

The Authority published the following reports and surveys in Q4 2023:

- *Bermuda's Coordinated Portfolio Investment Survey — 2022 Report* (28 November)
- *Macroprudential Risk: Annual Statutory Filings — 2022 BSCR Report* (4 December)
- *Bermuda Insurance Property and Casualty Market Catastrophe Risk and Stress Testing Analysis — 2022 Report* (7 December)
- *Catastrophe Risk Modelling — 2022 Report* (7 December)
- *Bermuda Insurance Sector Operational Cyber Risk Management — 2023 Report* (8 December)

BMA reports and surveys (continued)

- *2022 Captive Report* (11 December)
- *Bermuda Long-Term Insurance Market Analysis and Stress Testing Report* (24 January)

LEGISLATIVE

Bermuda Monetary Authority Amendment Act 2023

The Bermuda Monetary Authority Amendment Act 2023 (BMA Amendment Act) amends the Bermuda Monetary Authority Act 1969 to remove the provisions of the fees relating to the Insurance Act 1978 in the Fourth Schedule and to insert a new Fifth Schedule. The Fifth Schedule sets out existing fees payable by registered and designated persons and annual business fees payable by insurers for the years 2024 through 2026 and makes consequential amendments to the Insurance Act 1978. The BMA Amendment Act became operative on 1 January 2024.

Investment Fund Offering Document Amendment Rules 2023

The Investment Fund Offering Document Amendment Rules 2023 (Offering Document Rules) amends the Investment Fund Offering Document Rules 2019 to provide for a late fee to be paid by an operator of an investment fund that fails to publish an updated offering document or make it available to participants and potential participants of the investment fund. The Offering Document Rules became operative on 29 September 2023.

Investment Fund Amendment Rules 2023

The Investment Fund Amendment Rules 2023 (IFA Rules) amends the Investment Fund Rules 2019. It provides for a late fee to be paid by an operator of an investment fund that does not file valuations within the specified period and for an operator that fails to prepare a financial report in accordance with the Investment Fund Rules 2019, among other amendments. The IFA Rules became operative on 29 September 2023.

INTERNATIONAL AFFAIRS

The BMA played an active role on the international stage throughout Q4-2023.

International Association of Insurance Supervisors (IAIS)

The BMA is represented on nearly all IAIS committees and subcommittees and actively participated in the work conducted by these groups during the fourth quarter. The BMA participated in the IAIS Committee meetings and the IAIS Annual Conference and Annual General Meeting in November 2023 in Tokyo, Japan. The Executive Committee (ExCo) of the IAIS had discussions and made decisions on the below items:

- Preliminary Insurance Capital Standards (ICS) results from year four of the monitoring period and public consultation feedback on the candidate ICS and Insurance Core Principles (ICP) 14 (Valuation) and 17 (Capital Adequacy)
- Implementation assessment of the Holistic Framework (HF) supervisory material, including the approval of the 2023 progress monitoring report and next steps for 2024-2025
- A proposal to transition the IAIS Operational Resilience Task Force (ORTF) to a Working Group (ORWG), alongside a draft mandate for an ORWG, both of which were approved by ExCo
- The 2025-2029 Strategic Plan and 2024 Roadmap
- (Re)appointments to IAIS committees, ExCo subgroups and the Governing Council of the Access to Insurance Initiative

The Policy Development Committee (PDC), Macroprudential Committee (MPC) and Implementation and Assessment Committee provided input on the matters referenced above ahead of the IAIS ExCo meeting and received a myriad of updates on the projects under their purview. The BMA continues to actively participate in all of the aforementioned committees namely as Co-Vice Chair of MPC and PDC. The BMA also continued its participation on a number of subcommittees, assuming several leadership roles, namely working on the Common Framework for Supervision of IAIG's, HF, ICP and other material supervisory work.



International Affairs Activity

The BMA participated in the following international meetings and conferences during the quarter:

- Financial Stability Board Regional Consultative Group Americas meeting in Lima, Peru, presenting on Bermuda's experience with the Q1 2023 banking crisis
- Coordination Group and annual meeting of the Global Financial Innovation Network, hosted in Washington, DC, at the premises of the Commodities Futures Trading Commission and the Consumer Financial Protection Bureau. The FinTech Department delivered a presentation, providing insights into the recent innovations emerging within our markets
- The Caribbean Financial Action Taskforce 57th Plenary and Working Group Meetings in Aruba, as part of the Bermuda delegation
- Group of International Financial Centres Plenary, which took place in Basel, Switzerland
- The 18th IOSCO-FSI Conference on Securities Trading Issues and Market Infrastructure in Madrid, Spain
- The 112th session of the Insurance and Private Pensions Committee for the Organization for Economic Cooperation and Development (OECD), which took place at the OCED's headquarters in Paris, France
- A Regional Training Seminar for the Insurance Supervisors of Latin America organised jointly by the IAIS and the Latin American Association of Insurance Supervisors, which took place in El Salvador and where the BMA delivered a seminar on Reinsurance and Other Forms of Risk Transfer

Other International Affairs activity, included:

- The BMA attended a bilateral meeting with the European Insurance and Occupational Pensions Authority in Frankfurt, Germany, in December
- The BMA also attended the National Association of Insurance Commissioners fall meetings in Orlando, Florida where Bermuda was re-approved as Qualified and Reciprocal Jurisdiction
- Additionally, the BMA organised a number of meetings with various peer regulators throughout the quarter



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