30 May 2025

NOTICE
2025 GFC Stress Test

The Bermuda Monetary Authority (Authority or BMA) continues to monitor worldwide events and Bermuda's market developments. The Authority intends to gather market-wide information from Bermuda Commercial Long-Term Class C, D and E insurers (reinsurers) on their sensitivity to a severe economic crisis, such as the Global Financial Crisis (GFC) of 2008. The aim is to assess the market resilience in the face of a severe market event. This specific analysis will complement the regular stress tests performed by these insurers as part of their annual filings.

Requirements

The approach to assessing this impact is for reinsurers to calculate the impact on their financial strength by testing a GFC-style stress (the stress or stresses). In addition to the impact on their financial condition, companies will consider the appropriate triggers for treaty recaptures and the range of contractually enforceable or otherwise highly plausible management actions that may mitigate the risk of recapture.

For clarity, the BMA does not use the stress testing exercise to set regulatory capital requirements.

The Authority is issuing the Instructions: 2025 Global Financial Crisis Stress Test to clarify the stress specification and how the submission should be made.

Scope

All BMA regulated commercial insurers (reinsurers) – Classes C, D and E – are expected to submit the GFC stress test. Non-insurance bearing entities (such as Insurance Groups) are excluded. Dual commercial insurers (reinsurers) are expected to perform the GFC stress test for both the long-term and general insurance segments of their business, understanding that recapture triggers are related to entity-level ECR performance.
A reinsurer with no in-force reinsurance treaties at the valuation date, or otherwise agreed by the Authority, shall be defined as an out-of-scope reinsurer. Applications for this designation shall be made via email to RiskAnalytics@bma.bm by 1 June 2025.

‘Out-of-scope reinsurers’ should provide a submission on a best endeavours basis and note the lack of reinsurance treaties in the section titled Disclosure (Sheet 4) of the submission template. The submission will still quantify the impact of the stress on the reinsurer’s financial strength as a minimum, with the impact of appropriate management actions welcomed.

Submission Deadline

Unless otherwise agreed with the Authority, reinsurers must complete the GFC-style stress test using the supplied submission template and submit it by email to RiskAnalytics@bma.bm by the submission deadline of 16 June 2025.

An extended deadline of 30 June 2025 may be permitted for reinsurers who engage with the Authority ahead of the submission deadline with a draft of the stress test results and management actions.