

20 March 2026

Dear Stakeholders,

Re: Public Consultation on the Guidance Note for Recovery Planning Requirements for Bermuda Commercial Insurers

On 10 April 2025, the Bermuda Monetary Authority (Authority or BMA) issued a Consultation Paper entitled *Guidance Note for Recovery Planning Requirements*. The Guidance Note (GN) provides additional guidance on the requirements set out in the Insurance (Prudential Standards) (Recovery Plan) Rules 2024 (the Rules). The GN provides an overview of the Authority's expectations regarding both the structure and content of a Recovery Plan.

The Authority would like to thank industry stakeholders for their engagement with this consultation exercise. The Authority is committed to working with stakeholders to strengthen Bermuda's insurance regulation, align with global standards, protect policyholders and uphold Bermuda's reputation.

In the appendix below, we have detailed responses to stakeholder feedback and, where appropriate, made amendments to the GN. We have also published the updated GN (including a tracked-change version), as referenced in the paragraph below. Updates made include minor changes to improve alignment with the Rules and to clarify how the GN support them. In addition, the GN structure has been amended in certain areas to better reflect the rules' structure. As a result, some sections of the GN have been reorganised. The movement of content is not fully reflected in the tracked-changes version, which only highlights changes to the relevant sections.

Next Steps

The GN is intended to be a living document. The Authority will periodically review and update it to incorporate any relevant information, ensuring it remains accurate and reflective of current practices and developments. Therefore, as updates to the recovery planning framework are implemented, the Authority will continue to facilitate engagement with all stakeholders. Stakeholders who require further clarification or additional information may contact the BMA at enquiries@bma.bm.

Sincerely,

The Bermuda Monetary Authority

Summary of Stakeholder Feedback and BMA Responses

General Feedback

Stakeholder Feedback:

- Stakeholders requested clarification on the effective date of the GN and asked the BMA to consider streamlining the recovery planning requirements, noting that some elements may be excessively detailed or prescriptive

BMA Response:

- The GN is effective as soon as it is finalised. In addition, it does not prescribe a specific recovery planning process for insurers. Instead, it provides guidance on the requirements established in the Rules. It also outlines the Authority's expectations regarding the structure and content of a Recovery Plan, as well as the Authority's supervisory engagement with insurers regarding Recovery Plans, in a principled manner, with illustrative examples where applicable. The GN is intended to help (re)insurers meet the purpose of a Recovery Plan, which, as detailed in paragraph 14, is to assist the insurer in effective risk management and serve as a framework for the insurer to prepare for and navigate severe stress situations. The Authority allows sufficient flexibility for insurers to meet its expectations, given the wide variety of business models in Bermuda. Thus, the level of detail within the Recovery Plan should be proportionate to the insurer's nature, scale and complexity

Clarification on Recovery Plan Submission and Engagement

Stakeholder Feedback:

- Stakeholders sought clarification on how the BMA will notify insurers that a recovery plan is required, including whether preliminary engagement will occur and the timeframe for submission

BMA Response:

- As per Section 5 of the Rules and paragraph 17 of the GN, insurers within the scope of the Rules will receive formal communication from the Authority on the requirement to prepare a Recovery Plan. The insurer should produce a Recovery Plan in accordance with the Rules and within the timeframe specified in the Notice. The BMA is available for proactive engagement from registrants on any topic, including recovery planning. Paragraph 17 of the GN has been amended to provide better alignment with Section 5 of the Rules

Details of Consideration Criteria

Stakeholder Feedback:

- Stakeholders requested details on the quantitative criteria used to determine which insurers must prepare a recovery plan

BMA Response:

- In line with Section 3 of the Rules, the Authority will have regard to any or all of the listed factors. For the noted quantitative criteria:
 - Total Assets: Based on total assets of the Form 1SFS and or Form 4EBS tab of the Bermuda Solvency Capital Requirement (BSCR) (includes Funds Withheld assets), or equivalent
 - Total GWP: Based on relevant fields within the 2SFS tab of the BSCR, or equivalent
- Additionally, paragraph 16 has been added to provide more detail regarding the reference in the Rules to ‘enhanced supervisory monitoring’, repeating content which was included in the Authority’s previous Stakeholder letter dated 25 October 2023 regarding the *Proposed recovery planning rules for the Bermuda commercial insurance sector*.

Application of Proportionality

Stakeholder Feedback:

- Stakeholders sought clarification on how proportionality will be applied in implementing the GN for individual insurers

BMA Response:

- In line with existing BMA regulatory framework and supervisory practices, the Authority will consider any representations made by insurers commensurate with the nature, scale and complexity of the insurer’s business/operations, as detailed and clarified in paragraph 18 of the GN

Group Recovery Plan

Stakeholder Feedback:

- Some stakeholders questioned the need for an individual Recovery Plan when a Group Recovery Plan is already in place

BMA Response:

- As per Section 6 of the Rules, insurers may make a written application to adopt a Group Recovery Plan filed with a relevant supervisory authority. The GN includes a section on ‘The Use of a Group Recovery Plan’. This section emphasises that the Authority’s approval for the insurer to adopt a recovery plan filed with a group-wide supervisor, in response to a request from the Authority under the Rules, is subject to the Authority’s satisfaction that the Recovery Plan meets the requirements of the Rules. The BMA notes that, in instances where a Bermuda insurer is deemed immaterial within the Group, it may not be included in a Group Recovery Plan to the extent required by the Rules. Therefore, the adoption of a Group Recovery Plan will not be suitable for every insurer

Integration with ERM Framework

Stakeholder Feedback:

- Stakeholders requested further guidance regarding the integration of the Recovery Plan into the Enterprise Risk Management (ERM) Framework

BMA Response:

- Paragraph 31 of the GN states that a Recovery Plan should complement and enhance the insurer’s existing ERM framework and that the insurer may use existing ERM tools as a starting point for the Recovery Plan, including preventive or corrective measures already in place. Consequently, recovery planning should be embedded into the overall risk management framework as noted in paragraph 32. Furthermore, paragraph 33(b) expects insurers to align the governance structure of the Recovery Plan with that of the ERM framework

Outline of Future Enhancements to the Recovery Plan

Stakeholder Feedback:

- A stakeholder questioned the requirement for a Recovery Plan to identify areas for further improvement and include an outline schedule to address them, expressing concern that this could result in the need for an additional document beyond the Recovery Plan

BMA Response:

- The Authority clarifies that no additional document is required or expected under paragraph 36, and that the Recovery Plan itself should include an outline schedule indicating when identified areas for further improvement will be addressed. The Authority reiterates that a Recovery Plan is a living document that should accurately reflect the (re)insurer's processes and business operations and should be evaluated,

developed, maintained and owned by the (re)insurer. The Authority further emphasises that proactively documenting limitations and associated remediation timelines strengthens the governance of the Recovery Plan, as doing so supports transparency, facilitates board and senior management oversight, ensures accountable tracking of remediation actions and demonstrates that the (re)insurer has a structured approach to continuous improvement and governance. This proactive articulation of constraints and planned enhancements helps ensure that recovery capabilities remain credible, operationally feasible and aligned with the Authority's expectations. The Authority also recognises that while many items are expected to be resolved in the next iteration of the Recovery Plan, certain enhancements may be multi-year initiatives (e.g., updates to stress testing or implementation of operational testing) or may not be prioritised for the next version of the Recovery Plan. Accordingly, insurers are expected to implement planned improvements on a phased or staggered basis across multiple versions of the Recovery Plan, particularly as recovery planning-related practices continue to mature within the insurer. The Authority has amended paragraph 36 accordingly to reflect this clarification

Executive Summary

Stakeholder Feedback:

- A stakeholder requested flexibility on the content of the Executive Summary, especially for smaller insurers

BMA Response:

- As per paragraph 12, a Recovery Plan should reflect the insurer's actual processes and business operations, and as per paragraph 18, the level of detail should be proportionate to the insurer's scale and complexity. The Authority's experience shows that an Executive Summary is helpful for navigation and understanding the structure of the Recovery Plan. Paragraph 38 has been amended to emphasise the purpose of the Executive Summary

Application to Branches

Stakeholder Feedback:

- Stakeholders requested clarification regarding the application of Recovery Plan Rules to branches and how recovery plans required by host supervisors of branches can be leveraged

BMA Response:

- As per Section 3 of the Rules, the Rules apply to all insurers licensed by the BMA within specified classes or as an insurance group for which the BMA serves as Group Supervisor. Accordingly, the scope of a Recovery Plan should include any overseas branches forming part of the insurer licensed by the BMA. As per paragraph 18, ‘the level of detail in the Recovery Plan should be proportionate to the insurer’s nature, scale and complexity of their business/operations. The insurer should include information necessary to understand its key vulnerabilities, recovery capacity and the governance arrangements for developing and operating the Recovery Plan. The level of detail should be sufficient to enable the Recovery Plan to be understood on a standalone basis by a reasonably informed reader of the plan

Description of the Insurer

Stakeholder Feedback:

- Some stakeholders queried whether the information required under the 'Description of the Insurer' section is excessively detailed

BMA Response:

- Paragraph 40 notes that a ‘high-level description’ of the insurer is expected. The description should provide a concise overview of the insurer’s structure, key jurisdictions, covered entities, critical functions and dependencies to help decision-makers and supervisors evaluate the impact of recovery actions on the insurer and its group. The Authority does not consider this requirement onerous as it pertains to information necessary to understand factors relevant to the insurer's viability, in line with the purpose of a Recovery Plan, as detailed in paragraph 14. Paragraphs 40 and 41 have been amended to explicitly state that the information provided under the description of the insurer should specifically relate to the insurer's viability

Operational Elements of Recovery Planning

Stakeholder Feedback:

- Several stakeholders asked the BMA to consider whether the existence of Business Continuity Plans and Disaster Recovery Plans rendered the operational elements of a Recovery Plan redundant. For those elements that remain necessary, stakeholders also queried the level of detail that should be included in the Recovery Plan

BMA Response:

- Paragraph 6 explains that a Recovery Plan supports an insurer’s viability under severe stress, which consists of both financial and operational elements. Business Continuity Plans and Disaster Recovery Plans, referenced in paragraphs 31, 60 and 62, are

important components of an ERM framework and may form part of the insurer's recovery strategy for operational-driven severe stresses. However, they are unlikely to be sufficient on their own in most severe scenarios, as the Authority's experience indicates that these plans typically address only the initial stages of a severe stress event. As such, they must be complemented by additional recovery actions to ensure the insurer can restore its viability under the types of severe conditions contemplated in a Recovery Plan

- Paragraph 18 further clarifies that sufficient detail must be included within the Recovery Plan itself to enable the Recovery Plan to be understood on a standalone basis by a reasonably informed reader of the plan. Therefore, reliance solely on references to other documents, without summarising their relevance to the Recovery Plan, is unlikely to facilitate the required level of understanding regarding how the insurer prepares for and navigates severe stress situations, in line with the purpose of a Recovery Plan as detailed in paragraph 14

Operational Resilience Interlinkages

Stakeholder Feedback:

- Stakeholders proposed that the BMA consider interlinkages with the Operational Resilience framework, especially for operational scenarios or recovery options

BMA Response:

- The Authority notes that its Operational Resilience requirements (as detailed in the Operational Resilience and Outsourcing Code) are designed to ensure the continuity of Important Business Services during operational disruptions. In contrast, Recovery Plan requirements address the broader set of actions needed to stabilise and restore an insurer's viability under severe stress. While the two frameworks are complementary in practice, they remain distinct in purpose, scope and application, even where natural interlinkages exist between operational disruptions considered under Operational Resilience and the wider severe stress scenarios addressed through Recovery Plans. Accordingly, the Authority notes that the Operational Resilience framework is part of a (re)insurer's ERM framework. In line with paragraph 31, 'The Recovery Plan should complement and enhance the insurer's existing ERM framework. The insurer may use existing ERM tools as a starting point for the Recovery Plan, including risk appetites and tolerances, the capital management approach, business continuity and disaster recovery plans, contingency plans and any other preventive or corrective measures already in place. The Authority further highlights, as stated in paragraph 34: 'An insurer

should carefully consider the appropriateness of using aspects of existing ERM tools and should not simply look to replicate existing documentation’

- The Authority will continue to ensure alignment between the evolving Recovery Plan and Operational Resilience frameworks, where relevant to do so, recognising that both elements form complementary but distinct components of an insurer’s risk management and crisis preparedness capabilities

Trigger Framework

Stakeholder Feedback:

- Stakeholders requested clarification on the specific metrics expected within the trigger framework and queried the expectations regarding the frequency of trigger monitoring and the need for forward-looking indicators

BMA Response:

- As per paragraph 12 of the proposed GN, a Recovery Plan should reflect the insurer’s actual processes and business operations, which means that the Authority is unable to specify minimum metrics, beyond the examples listed in paragraph 46, as potentially being relevant. The Authority notes that paragraph 52 of the GN states: ‘The number of triggers developed and employed by an insurer should be appropriate for the insurer’s business and risk profile and sufficient to ensure that the insurer is alerted to deteriorating conditions in various areas without becoming impractical’. The Authority also notes that paragraph 49 of the GN states that ‘the insurer should implement reliable management information systems that allow them to monitor various indicators relevant to potential recovery actions in a timely manner’. As per paragraph 51 of the GN, triggers should also be sufficiently forward-looking to provide ample time for recovery actions to be taken, in line with the purpose of the Recovery Plan detailed in paragraph 14

Recovery Options

Stakeholder Feedback:

- Stakeholders queried the breadth of analysis expected for Recovery Options, including the requirement to detail excluded options, and suggested that the BMA reconsider the relevance of incorporating 'lessons learned' regarding identified Recovery Options in Recovery Plans

BMA Response:

- Paragraph 38 states that the objective of a Recovery Plan is to allow the board and senior management to promptly understand and assess triggers, Recovery Options and

communication strategies. The list in paragraph 63 contains details that may be considered for inclusion within the description of each recovery option, but it is not prescriptive. The intention is that the Recovery Options are proactively considered, in line with the desired outcome for recovery planning, as detailed in paragraph 14. Paragraph 65 has been amended to link analysis with the overriding purpose of the Recovery Plan

- In addition, the Authority notes that past experience in activating proposed Recovery Options may serve as a useful indicator of credibility. Paragraph 70(a) has been amended to reflect the rationale for detailing such activities

Scenario Analysis

Stakeholder Feedback:

- Stakeholders asked for clarity regarding the severity of scenarios anticipated in the Recovery Plan, the need to consider operational scenarios and the usefulness of a timeline of how a scenario evolves

BMA Response:

- Paragraphs 77, 81 and 82 have been amended to provide clarification regarding the purpose of scenario analysis in Recovery Plans and how the inclusion of a scenario timeline can be helpful to relevant stakeholders. Additionally, paragraph 78 has been amended to provide more detail on how scenario analysis in Recovery Plans contrasts with the scenario analysis in other parts of the ERM framework, including the Commercial Insurer's Solvency Self-Assessment (CISSA)

Testing the Recovery Plan

Stakeholder Feedback:

- Stakeholders asked for details on expectations regarding the testing of Recovery Plans.

BMA Response:

- Testing is a key component of meeting the objective of a Recovery Plan. Testing a Recovery Plan is essential to demonstrate its credibility, ensure compliance with regulatory expectations and provide assurance that the institution can effectively implement recovery measures under stress conditions. The Authority has intentionally avoided prescribing the form, scope or frequency of testing, thereby allowing insurers to design an approach that reflects their processes. Paragraph 88 has been added to provide additional detail

Communication Plan

Stakeholder Feedback:

- Some stakeholders requested clarity regarding the use of the communication strategy and plan, along with the practicality of engaging with the Authority in anticipation of a likely breach of a trigger point. Additionally, queries were raised about the guidelines or expectations for informing the Authority when an insurer activates its Recovery Plan. It was suggested that provisions be included for communications with other regulators

BMA Response:

- The Rules state that a Recovery Plan prepared by an insurer shall include details of ‘the communication strategy to be utilised by the insurer to communicate with all relevant stakeholders before, during, and after implementation of the recovery plan’. Paragraph 89 of the GN has been revised to align with the wording of the Rules. This paragraph emphasises that a communications strategy should be prioritised over customised communications plans. Paragraph 90 notes that Recovery Plans may contain strategies that align with this wider principle as outlined in paragraph 18: ‘the depth of such considerations within a Recovery Plan should reflect an insurer’s nature, scale and complexity’
- The extent to which the Authority should be informed depends on the calibration of the trigger framework. Paragraph 20 has been amended to note that the Authority may apply proportionality regarding expected engagement with the Authority. As per paragraph 92, the BMA should be informed once the Recovery Plan is activated. Paragraph 89 states that an effective communication plan would consider the timing of communications
- Paragraph 14 has been amended to note that an insurer should make relevant outputs from its Management Information System relating to the Recovery Plan available to supervisors upon request
- Paragraph 91 has been amended to include ‘other regulators of relevance to the insurer’ in its internal and external communications