16 September 2026

Dear Stakeholders,

Re: Feedback on New Class of Insurers – Parametric Special Purpose Insurer (PSPI)

The Bermuda Monetary Authority (Authority or BMA) thanks all respondents who provided constructive feedback on the consultation on the proposed Parametric Special Purpose Insurer (PSPI) regulatory framework. This letter addresses the principal themes raised in the submissions and sets out the Authority's intended approach to developing a final, fit-for-purpose framework.

The Authority has carefully reviewed the feedback and proposals made by respondents. This letter summarises the key issues identified and outlines the Authority's response and next steps.

INDUSTRY FEEDBACK

Respondents primarily sought clarity on continuity for existing parametric business, the scope and classification of the proposed PSPI regime, eligible participants, collateral requirements, third-party validation expectations, and the transaction approval process. The Authority's responses below address those themes in turn and identify where further guidance will be developed.

I. Continuity for Existing Parametric Business

Industry Feedback

Stakeholders requested clarification that parametric risks can continue to be transacted in other insurance classes. They also asked whether insurers engaging in this type of business will need to obtain a separate licence for their parametric business.

BMA Response

The Authority confirms that the proposed PSPI class is intended to provide a specialised framework that complements the existing insurance classes. The proposed framework is not intended to disrupt existing operations. Insurers currently writing parametric risk under other licence classes may continue to do so without any requirement to re-license or re-domicile that business into a PSPI.

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II. Classification and Business Models

Industry Feedback

Stakeholders asked whether the Authority would allow reclassification from an existing SPI to a PSPI and whether any first-year fee waiver would apply in such cases.

BMA Response

The Authority will consider applications from existing Special Purpose Insurers (SPIs) seeking to reclassify as PSPIs. The Authority is also considering whether any introductory fee waivers for new PSPIs may apply to such reclassifications.

The Authority also notes the interest from SPIs seeking to transact both indemnity and parametric business. Such arrangements may be permitted on a case-by-case basis, taking into account the nature, scale and complexity of the proposed activities. Applicants will be required to demonstrate that their prudential, operational and governance frameworks are adequate to manage both lines of business.

III. Scope of PSPI Regime

Industry Feedback

Stakeholders requested clarification of the Authority's intention for the PSPI to be available only for 'traditional parametric business'. Does the Authority intend to allow only business that would be transacted under a (re)insurance contract?

BMA Response

The PSPI regime is intended to support structured, fully collateralised parametric risk transfer. The Authority will prioritise the substance of the risk transfer over the contractual form. This may include contracts structured as reinsurance, derivatives, or swaps, provided they meet the applicable statutory and regulatory requirements.

The PSPI framework is distinct from the Innovative Insurer General Business (IIGB) regime. The IIGB class remains the appropriate vehicle for insurers conducting business subject to the Digital Asset Business Act. By contrast, all parametric contracts written by a PSPI must demonstrate insurance risk transfer characteristics and be supported by appropriate governance arrangements, transparent triggers, and collateralisation arrangements.

IV. Regulatory Framework and Eligible Participants

Industry Feedback

Stakeholders asked whether the Authority would define terms such as 'sophisticated participants', and whether additional notification, restrictions or reporting would apply to any specific participants

BMA Response
The Authority acknowledges requests for definitions of terms such as 'sophisticated participants'. The Authority will issue supporting guidance to clarify how this term should be interpreted and set out its expectations.

V. Collateral and Asset Requirements

Industry Feedback
Stakeholders asked whether collateral could be expanded beyond 'cash, cash equivalents and Letters of Credit', to include, for example, reinsurance and/or guarantees.

BMA Response
The Authority's current position is that eligible collateral for a PSPI should be of sufficient quality, readily realisable, and enforceable. This includes cash, cash equivalents and Letters of Credit. The Authority is reviewing whether a limited expansion to include other assets may be appropriate. The primary objective is to ensure that collateral is sufficient to meet obligations promptly following a trigger event.

VI. Third-Party Validation Criteria

Industry Feedback
Stakeholders requested clarity regarding the extent of third-party validation expected for parametric transactions and whether the Authority will provide guidance on criteria for being deemed a 'sophisticated' third-party validator.

BMA Response
PSPI applicants will be expected to demonstrate the integrity and reliability of their offerings. Applicants should show that the parametric trigger methodology is appropriately designed, data sources are independent and reliable, and settlement mechanics are transparent. The Authority will provide further guidance on its expectations for third-party validators and the governance arrangements relating to product suitability as part of a comprehensive supervisory approach.

VII. Transaction Approval Process

Industry Feedback
Stakeholders asked at what stage approval is required to transact in swap or derivative form, and whether approvals would be granted at portfolio level (via the Business Plan) or whether the Authority would require prior transaction approval or post-closing notification.

BMA Response

To support regulatory oversight and operational efficiency, the Authority's preliminary view is that transactions falling within a PSPI's approved business plan will not require further pre-approval. Prior engagement with the Authority will be required for any proposed transactions that fall outside those approved parameters.

Next steps

The Authority will continue reviewing the feedback received as it develops a final PSPI framework. The Authority is currently drafting an amendment to the Insurance Act 1978 to implement the PSPI class in Q4 2026. The Authority also intends to publish comprehensive guidance at that time to support stakeholder understanding of the final requirements.

The Authority thanks respondents for their engagement and will continue to consider stakeholder feedback as the PSPI framework is finalised.

Sincerely,

The Bermuda Monetary Authority