

Regulatory Update June 2009



YEARS  
*of* SERVICE  
1969-2009

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## Preface

This bulletin reports on recent activities at the Bermuda Monetary Authority (“the Authority”) and recent developments affecting the financial sector, as well as the community generally. Attached to it are the regular statistical data covering Bermuda dollar money supply, Bermuda banks’ balance sheet analysis and other financial and company sector information, updated for the quarter ended 31st March 2009.



## 40 Years of Service

The Bermuda Monetary Authority was established in 1969. Over the past 40 years the Authority has served the community and evolved to become the integrated regulator of the financial services sector in Bermuda. We remain committed to supporting Bermuda’s leadership position as a jurisdiction with effective, risk-based financial regulation.

# Regulatory and Legislative Developments

## 1. BANKING

### **Bermuda's Approach to Basel II Implementation Presented to Caribbean Group of Banking Supervisors**

Graeme Dargie, Director, Banking, Trust and Investment, represented the Authority at the 27th Annual Conference of the Caribbean Group of Banking Supervisors (CGBS), which took place in the Cayman Islands from 14th-16th May. Mr. Dargie gave a presentation to the Conference based on Bermuda's experience of implementing Basel II, the new international capital framework for banks. Bermuda is the first country among CGBS members to implement the new framework. Mr. Dargie explained that work on the project started in early 2006 and described the Authority's approach to developing the new policy, which included designing revised reporting forms and reviewing the methodology necessary to implement the updated framework from the beginning of 2009. He highlighted a number of lessons learned from Bermuda's experience, including the importance of regular communication with the banks throughout the exercise.

### **Pillar 2 Capital Assessment and Risk Profile Review Underway**

As part of Pillar 2 implementation of the Basel II Accord, the Authority conducted its initial review of Capital Assessment and Risk Profile (CARP) submissions received from Bermuda's banks during the quarter. Preliminary feedback was provided to the institutions in late March. The Authority has subsequently received final CARP submissions from all relevant institutions and is presently conducting capital assessments for all banks. The Authority intends to communicate the assessment results to each institution in the third quarter of 2009.

## 2. INSURANCE

### **Proposed Special Purpose Insurers Guidance Published, Advisory Group Established**

The Authority published its Consultation Paper for Guidance Note #20 - Special Purpose Insurers (SPI) on 31st March. The Paper sets out proposed guidance in relation to the Authority's licensing and ongoing

supervisory activities associated with SPIs. A primary focus of the Paper relates to developing a prudent applications and approval process for these vehicles by gaining a clear understanding of the regulatory issues associated with this class of insurer.

SPIs are a unique licensing class with a wide range of structures. The Authority is committed to consulting with industry as it develops the SPI regime. The goal is to ensure the regime is effective and practical in relation to SPI business. To this end, the Authority has established an SPI Advisory Group comprising a broad cross-section of leading practitioners currently engaged in the design and execution of these vehicles (including investment bankers and corporate attorneys). The purpose of this Advisory Group is to provide input for finalising the Guidance Note in the context of current market developments and to review the SPI legislation and guidance for future amendments.

The Advisory Group had its inaugural meeting on 7th May with a second meeting taking place on 11th June. Significant matters were raised during those discussions and it is anticipated that these meetings, in conjunction with feedback received during the consultation period, will culminate in the final SPI Guidance Note being released in time for the fall 2009 underwriting season.

A copy of the Guidance Note is available on the Authority's website: [www.bma.bm](http://www.bma.bm).

### **Internal Models Framework Consultation Paper Published**

The Authority published its Consultation Paper on the "Standards and Application Framework for the Use of Internal Capital Models for Regulatory Capital Purposes" on 30th April. The Paper broadly discusses model standards and criteria. It also outlines the proposed framework and procedures for the Authority to receive and assess applications from companies seeking to use internal models for determining regulatory capital. The review process will consider both quantitative and qualitative evaluation criteria, and will examine all material sources of risk to an insurer, which include: insurance risk (catastrophe, underwriting and reserving); market risk; liquidity risk; credit risk; and operational risk. The Authority intends to publish a final version of these standards and procedures at the end of June 2009.

A copy of the Consultation Paper is available on the Authority's website: [www.bma.bm](http://www.bma.bm).

### **Preliminary Feedback on Group Supervision Discussion Paper Under Review**

The Authority is currently reviewing comments received from industry on its recently published Group Supervision Discussion Paper. The Discussion Paper presents the rationale for establishing such a regime and proposes which areas of supervision the Authority's group supervisory framework would cover. The Paper addresses the following issues:

- Concept and role of the group-wide supervisor;
- The importance of supervisory co-operation and mutual recognition; and
- Corporate governance, group solvency, eligible capital, treatment of intra-group transactions, and reporting requirements.

As the Authority pursues its mutual recognition goal, it recognises that it needs to establish a sound group supervision regime for those insurance entities that are part of a group. The Authority also appreciates that establishing group supervision is a complex initiative, and a challenge under consideration in almost all major international jurisdictions. As such the Authority is adopting a considered approach to the implementation of this major enhancement to Bermuda's regulatory framework. Following the review of industry comments on its Discussion Paper, which will take place throughout the remainder of 2009, the Authority intends to publish its Group Supervision Consultation Paper for industry comment in the first quarter of 2010.

### **Assessment and Licensing Committee Process Enhancements in Place**

Following consultation with industry and various market stakeholders, the Authority has enhanced the Assessment and Licensing Committee (ALC) process with the introduction of an Assessment and Licensing Committee Information Bulletin. The Bulletin gives a high level overview of the licensing process. It also provides a list of certain documents required in order for the ALC to consider an application.

The ALC is an internal committee comprising senior members of staff from the Authority's supervisory, legal, actuarial and policy, research and risk assessment teams, who review and make recommendations on all licensing applications from regulated financial institutions. The discussions with industry, along with the updated Information Bulletin, has enhanced the Authority's risk-based approach to the review of new licence applications. The Authority's ALC has committed to continuing its work with industry on such matters in order to further improve its processes and overall service standards to industry.

## **3. ANTI-MONEY LAUNDERING**

### **AML Guidance Notes Published**

Bermuda's legislative framework for anti-money laundering and anti-terrorist financing (AML/ATF) was further enhanced with the approval of Guidance Notes by the Minister of Justice, which have subsequently been published. This represents the latest enhancement to Bermuda's AML regime, to ensure it remains consistent with the Financial Action Task Force 40+9 recommendations, the international standards for AML/ATF regulation. The Guidance Notes, which were drafted by the Authority, assist financial institutions to comply with the Proceeds of Crime AML/ATF Regulations.

A copy of the Guidance Notes is available on the Authority's website: [www.bma.bm](http://www.bma.bm).

### **AML/ATF Registration Applications Under Review**

The Authority is currently processing applications received by "non-licensed persons" falling within scope of the new AML regime for inclusion on the AML/ATF Regulation of Financial Institutions Register. The Proceeds of Crime Regulations (Supervision and Enforcement) Act 2008 provided for the Authority to establish, maintain and publish a register of all financial institutions regulated in relation to AML/ATF. This register is to comprise both "licensed persons" and "non-licensed persons". Under the Act, "non-licensed persons" must make application to the Authority for inclusion on the register. During the quarter the Authority conducted a series of awareness

activities, including mailings to the market, media advertising and an information seminar with industry regarding the registration process. The deadline for submitting an application to the Authority was 30th June. Firms regarded as being AML/ATF regulated financial institutions that are not included on the register after the deadline will be regarded as non-compliant under the Regulations and will commit an offence if they are carrying on business activities after that date. Penalties for conducting business without registration include fines of up to \$100,000 or imprisonment of up to five years.

#### **Dedicated AML Supervisory Team in Place**

The Authority has been successful in acquiring additional full-time resources for its dedicated AML supervisory team. The team will assist the Authority in carrying out its responsibilities under the Proceeds of Crime (Supervision & Enforcement) Act 2008, which relate to monitoring companies' compliance with Bermuda's new AML standards and taking enforcement action when deemed necessary.

During the quarter, the AML team participated in a number of prudential on-site meetings with the investment business supervisory team as part of the supervisory programme for investment businesses. As a result, a number of AML-specific recommendations have been made and included in the on-site reports to various institutions.

## **4. OTHER DEVELOPMENTS**

#### **Work Plan for Achieving Mutual Recognition Published**

The Authority recently published "Bermuda's Insurance Solvency Framework – The Roadmap to Mutual Recognition", a market communication providing details of planned enhancements to its regulatory framework for (re)insurers. These enhancements are part of the Authority's preparations for mutual recognition assessments with leading international markets.

The Authority's work plan is currently focused on achieving regulatory equivalence for its insurance framework with Europe's Solvency II Directive. However, the objective of this programme is also

to ensure the jurisdiction's insurance regulation is recognised as broadly equivalent by other leading jurisdictions. Therefore, the Authority is also closely monitoring regulatory developments currently underway with other major international markets, such as the National Association of Insurance Commissioners' Reinsurance Modernisation Initiative in the United States, and the International Association of Insurance Supervisors (IAIS) solvency proposals. The Authority is also continuing dialogue with other regulators such as the United Kingdom's Financial Services Authority and the Swiss Financial Market Supervisory Authority.

The Roadmap outlines the key milestones of the Authority's multi-year plan towards achieving mutual recognition. It explains the three core components of the future regulatory regime – capital adequacy, governance and risk management – and outlines the various initiatives and work streams underway with regard to implementing these various components. The Roadmap also acknowledges the interconnected nature of these elements and describes the Authority's approach to addressing these interdependencies.

A copy of the Roadmap is available on the Authority's website: [www.bma.bm](http://www.bma.bm).

## **Reinsurance Transparency Sub-group to Produce New Mid-year Market Report**

The IAIS Reinsurance Transparency Sub-group (RTG), chaired by Jeremy Cox, Deputy CEO of the Authority, has been tasked with producing a mid-year report on current reinsurance matters. This development is in response to calls from the G20 and Financial Stability Board for more in-depth and continual macro-prudential surveillance of global financial markets. The decision to produce this new piece of research was made by the IAIS Technical Committee at the first IAIS Triannual meeting which took place in Basel, Switzerland in March. The RTG is also responsible for producing the Global Reinsurance Market Report, an annual study normally produced in the fall, which features a unique market survey of (re)insurers from the jurisdictions of Bermuda, France, Germany, Switzerland, Japan, Spain the United Kingdom and the United States. The RTG will produce both the mid-year and year-end editions of the Report from this point forward. The first mid-year edition will be published by August of this year and will address current developments in insurance securitisation.

## **IAIS Reinsurance Subcommittee – Insurance Core Principles Review**

The IAIS Reinsurance Subcommittee, of which Jeremy Cox is the co-vice chair, has been actively involved in the comprehensive review of core principles, standards and guidance currently in progress within the IAIS. The Reinsurance Subcommittee has met four times this year, twice in Basel, once in New York, and once in Taipei, in order to contribute to developing up-to-date standards and guidance on the supervision of reinsurance and reinsurers. These revised standards aim to capture current developments within topical areas, e.g. the convergence of insurance and capital markets. The Reinsurance Subcommittee will continue with this work over 2009 and 2010.

## **Authority Presents Group Supervision Trends to the Offshore Group of Insurance Supervisors**

Yvette Pierre, Assistant Director, Policy, Research and Risk Assessment of the Authority, gave a presentation on “Group Supervision and the Importance of Supervisory Co-operation” to the Offshore Group of Insurance Supervisors at their Annual Working meeting, which took place in Curacao from 13th-15th May. The presentation focused on the importance of IAIS Insurance Core Principle 17 (Group-Wide Supervision), and the work the IAIS is conducting in the area of enhancing standards and guidance on the topic. The presentation went on to stress the importance of supervisory co-operation as a key component to an effective group-wide supervision regime.

# Market Analysis and Statistics

## 1. BERMUDA MONEY SUPPLY

Driven by a modest decrease in BD\$ deposit liabilities, overall money supply in Bermuda contracted marginally during the quarter. However, money supply increased by just over 2% on a year-over-year basis.

### Bermuda Money Supply

(BD\$ millions)	2009-Q1*	2008-Q4	2008-Q3	2008-Q2	2008-Q1	2007-Q4
Notes & Coins in Circulation**	126	141	119	118	114	125
Deposit Liabilities	3,802	3,815	3,821	3,783	3,709	3,634
Banks and Deposit Companies (Unconsolidated)	3,929	3,956	3,940	3,901	3,823	3,759
Less: Cash at Banks and Deposit Companies	59	57	36	35	33	45
BD\$ Money Supply	3,870	3,900	3,904	3,866	3,790	3,714
% Growth on Previous Period	-0.76%	-0.10%	0.97%	2.02%	2.04%	-0.88%
Growth Year on Year	2.12%	5.01%	4.19%	5.13%	8.63%	3.87%

Totals may not add due to rounding.

\* Presentation is as per the revised framework in accordance with the Basel II Accord.

\*\* This table includes the supply of Bermuda dollars only. United States currency is also in circulation in Bermuda but the amount has not been quantified.

## 2. DOMESTIC AND FOREIGN CURRENCY POSITION

### BD\$ Deposit and Loan Profile – Combined Banks and Deposit Companies (Unconsolidated)

(BD\$ millions)	2009-Q1*	2008-Q4	2008-Q3	2008-Q2	2008-Q1	2007-Q4
Deposit Liabilities	3,802	3,815	3,821	3,783	3,709	3,634
Less:						
Loans, Advances and Mortgages	(5,039)	(4,865)	(4,686)	(4,516)	(4,401)	(4,359)
Surplus Deposits	(1,237)	(1,050)	(865)	(734)	(692)	(725)
Percentage of Deposit Liabilities Loaned	132.5%	127.5%	122.7%	119.4%	118.7%	120.0%

Totals may not add due to rounding.

\* Presentation is as per the revised framework in accordance with the Basel II Accord.

§ Following recent amalgamations within the sector, separate data for the deposit companies are no longer published.

BD\$ loan demand continued to exceed BD\$ deposits with the deficit increasing modestly during the quarter. The balance of BD\$ loan demand continues to be primarily funded by US\$ deposits.

### Foreign Currency Position - Combined Banks and Deposit Companies (Consolidated)

(BD\$ millions)		2009-Q1*	2008-Q4	2008-Q3	2008-Q2	2008-Q1	2007-Q4
Total Foreign Currency Assets		15,987	17,470	19,121	19,384	20,144	19,412
Less: Other Assets		604	593	530	554	609	624
Less: Foreign Currency Loans to Residents	P	1,092	1,146	1,197	1,150	1,113	1,058
Net Foreign Currency Assets		14,292	15,731	17,395	17,681	18,423	17,730
Foreign Currency Liabilities		14,129	15,822	17,384	17,552	18,318	17,555
Add: BD\$ Deposits of Non-Residents	P	349	335	196	200	211	216
Net Foreign Currency Liabilities		14,479	16,157	17,581	17,752	18,530	17,771
Net Foreign Currency Position (Consolidated)		(187)	(426)	(186)	(71)	(107)	(41)

Totals may not add due to rounding.

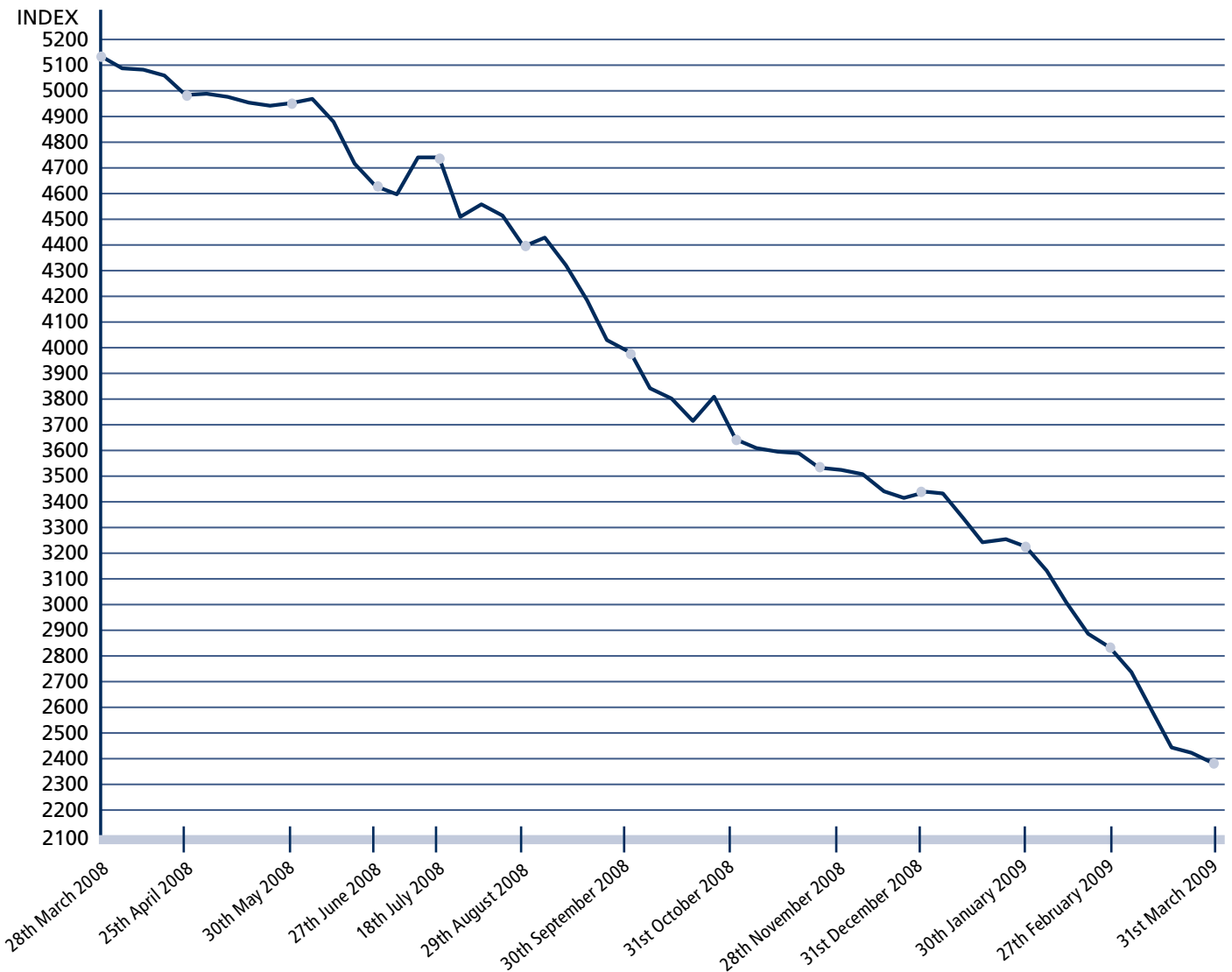
P denotes provisional figures.

\* Presentation is as per the revised framework in accordance with the Basel II Accord.

The net foreign currency position of the banking and deposit taking sector remained in deficit during the quarter, with net foreign currency liabilities exceeding net foreign currency assets by BD\$ 187 million. However, this deficit narrowed sharply during the quarter (BD\$ 105 million decrease) due to a sharp reduction in foreign currency liabilities of roughly 10.4% as compared to a decline in foreign currency assets of slightly over 9%.

### 3. BERMUDA STOCK EXCHANGE (BSX)

Total market capitalisation of the BSX rose by roughly \$33 million during the first quarter to \$259 billion as at 31st March 2009, a result of new international listings on the exchange. The domestic market, however, which comprised roughly \$1.34 billion of this market capitalisation at quarter end, fell approximately 32% during the quarter.



Source: Bermuda Stock Exchange

## 4. BANKING

Overall the aggregate balance sheet of Bermuda's banks contracted during the quarter. This contraction was consistent with 2008 trends, and continued to be driven by decreases in investments reflecting global market conditions. The key highlights are:

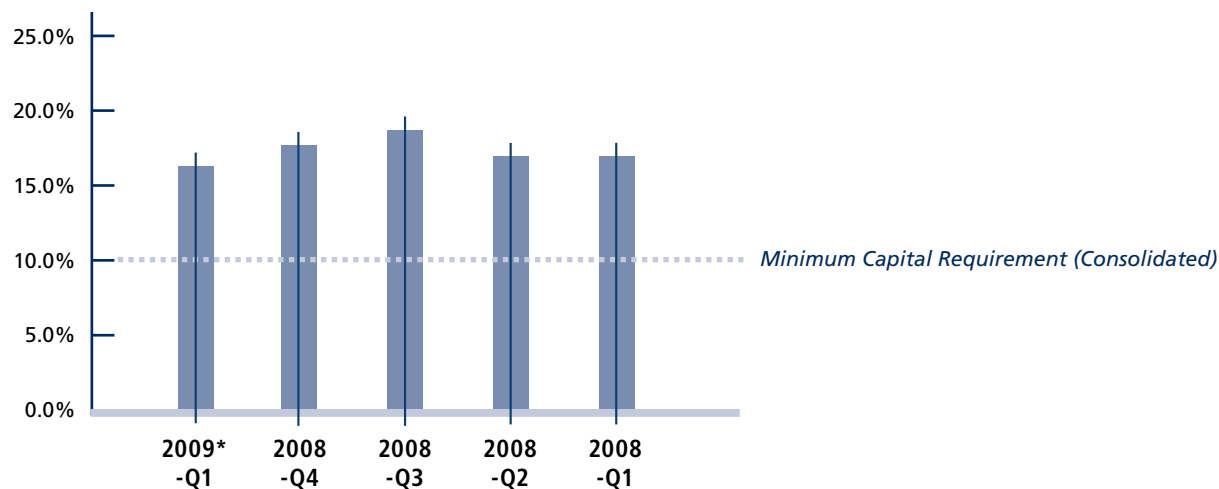
- Total deposits fell by \$1.34 billion to \$18.04 billion, a decrease of 6.9% during the quarter.
- Loans and advances rose to 46.7% of total assets in Q1 2009 from 39% in Q4 2008.
- Banking institutions decreased cash and deposits by \$1.02 billion in the quarter, a decrease of 18.7%.

### Banking Sector Assets and Deposits

	2009-Q1	2008-Q4	2008-Q3	2008-Q2	2008-Q1	2007-Q4
Total Assets (\$millions)	21,456	22,805	24,277	24,355	24,995	24,168
Quarterly Change(%)	-5.9	-6.1	-0.3	-2.6	3.4	2.5
Total Deposits (\$millions)	18,036	19,380	20,828	20,972	21,667	20,807
Quarterly Change(%)	-6.9	-7.0	-0.7	-3.2	4.1	2.3

### Regulatory Capital to Risk Weighted Assets

Regulatory Capital to Risk Weighted Assets decreased modestly during Q1 2009 from 17.5% to 16.18%. However, the sector remained well above the transitional statutory minimum requirement of 10%.



\*Presentation is as per the revised framework in accordance with the Basel II Accord.

The following table provides further information on the composition of assets and liabilities.

## Combined Balance Sheet of Bermuda Banks and Deposit Companies (Consolidated)

(BD\$ millions)	2009-Q1*			2008-Q4			2008-Q3		
	Total	BD\$	Other	Total	BD\$	Other	Total	BD\$	Other
<b>Assets</b>									
Cash	77	43	34	96	57	39	76	36	39
Deposits	5,860	51	5,808	5,377	33	5,345	7,016	41	6,975
Investments	5,840	32	5,808	7,356	13	7,343	8,303	24	8,279
Loans & Advances	8,542	4,901	3,641	8,835	4,794	4,040	7,803	4,600	3,203
Premises & Equipment	453	362	91	462	352	110	454	359	95
Other Assets	683	80	604	680	87	593	625	95	530
<b>Total Assets</b>	<b>21,456</b>	<b>5,469</b>	<b>15,987</b>	<b>22,805</b>	<b>5,335</b>	<b>17,470</b>	<b>24,277</b>	<b>5,155</b>	<b>19,121</b>
<b>Liabilities</b>									
Demand Deposits	8,137	855	7,282	8,079	908	7,171	8,527	856	7,671
Savings	3,643	1,369	2,274	4,183	1,358	2,826	3,575	1,344	2,231
Time Deposits	6,257	2,021	4,236	7,117	1,558	5,559	8,725	1,615	7,110
<b>Sub Total - Deposits</b>	<b>18,036</b>	<b>4,245</b>	<b>13,791</b>	<b>19,380</b>	<b>3,824</b>	<b>15,556</b>	<b>20,828</b>	<b>3,815</b>	<b>17,013</b>
Other Liabilities	849	511	338	809	542	267	699	328	372
<b>Sub Total - Liabilities</b>	<b>18,885</b>	<b>4,756</b>	<b>14,129</b>	<b>20,188</b>	<b>4,366</b>	<b>15,822</b>	<b>21,527</b>	<b>4,143</b>	<b>17,384</b>
Equity	2,570	869	1,701	2,617	1,531	1,086	2,749	1,576	1,173
<b>Total Liabilities and Capital</b>	<b>21,455</b>	<b>5,625</b>	<b>15,830</b>	<b>22,805</b>	<b>5,897</b>	<b>16,909</b>	<b>24,276</b>	<b>5,719</b>	<b>18,558</b>

(BD\$ millions)	2008-Q2			2008-Q1			2007-Q4		
	Total	BD\$	Other	Total	BD\$	Other	Total	BD\$	Other
<b>Assets</b>									
Cash	75	36	40	70	35	35	80	45	35
Deposits	6,706	47	6,658	7,446	36	7,410	7,188	19	7,170
Investments	8,860	26	8,834	8,916	14	8,903	8,387	13	8,374
Loans & Advances	7,599	4,417	3,182	7,377	4,301	3,076	7,351	4,246	3,105
Premises & Equipment	474	358	117	466	355	111	449	345	105
Other Assets	641	87	554	719	110	609	713	89	624
<b>Total Assets</b>	<b>24,355</b>	<b>4,970</b>	<b>19,384</b>	<b>24,995</b>	<b>4,851</b>	<b>20,144</b>	<b>24,168</b>	<b>4,756</b>	<b>19,412</b>
<b>Liabilities</b>									
Demand Deposits	8,868	868	8,000	9,571	829	8,742	8,735	808	7,927
Savings	3,354	1,285	2,069	3,386	1,229	2,156	3,423	1,182	2,241
Time Deposits	8,749	1,653	7,096	8,710	1,664	7,046	8,650	1,649	7,000
<b>Sub Total - Deposits</b>	<b>20,972</b>	<b>3,806</b>	<b>17,165</b>	<b>21,667</b>	<b>3,723</b>	<b>17,944</b>	<b>20,807</b>	<b>3,639</b>	<b>17,169</b>
Other Liabilities	667	281	386	631	257	374	641	255	387
<b>Sub Total - Liabilities</b>	<b>21,639</b>	<b>4,087</b>	<b>17,552</b>	<b>22,298</b>	<b>3,980</b>	<b>18,318</b>	<b>21,449</b>	<b>3,893</b>	<b>17,555</b>
Equity	2,715	1,634	1,081	2,696	1,664	1,032	2,720	1,433	1,287
<b>Total Liabilities and Capital</b>	<b>24,354</b>	<b>5,721</b>	<b>18,633</b>	<b>24,995</b>	<b>5,644</b>	<b>19,351</b>	<b>24,168</b>	<b>5,326</b>	<b>18,842</b>

Totals may not add due to rounding.

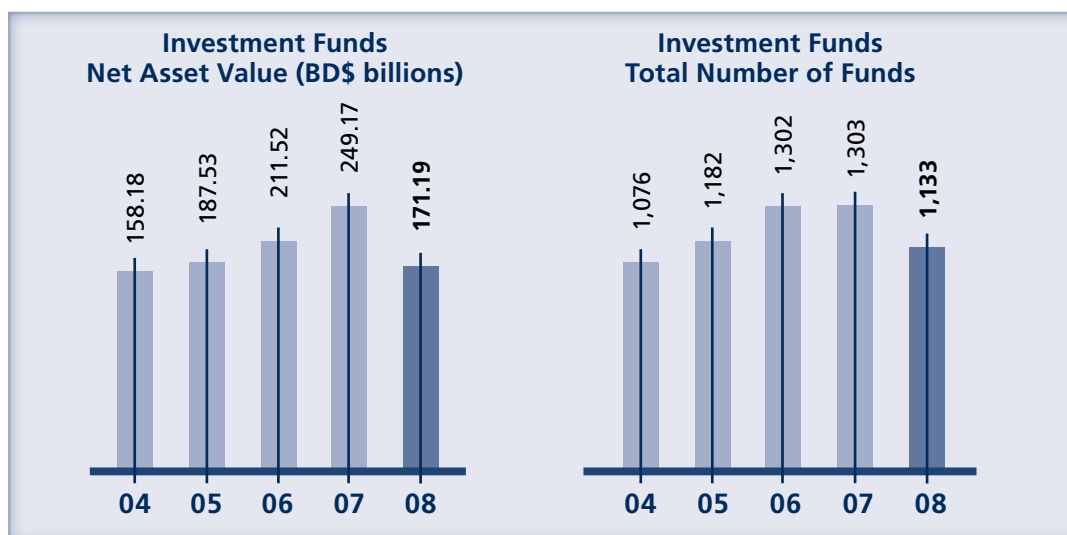
\* Presentation is as per the revised framework in accordance with the Basel II Accord.

## 5. INVESTMENT FUNDS

In keeping with global market conditions the total net asset value of Bermuda domiciled funds fell by 7% during the quarter, to \$158.92 billion compared to \$171.19 billion in Q4 2008; this represented a decrease of 36% compared to Q1 2008. Similarly, the number of funds for Q1 2009 decreased 16% compared to the same period in 2008. Redemptions continued through the quarter, while new subscriptions remained low, again reflecting global market trends. The rate of redemptions, however, began to slow towards the end of the quarter.

	2009-Q1	2008-Q4	2008-Q3	2008-Q2	2008-Q1	2007-Q4
Mutual Funds	774	819	878	886	883	881
Umbrella Funds	77	76	81	82	80	77
Sub-Funds	220	220	238	240	244	253
Segregated Account Companies	85	83	82	82	78	77
Segregated Accounts	331	336	390	383	388	391
<b>Total</b>	<b>1,487</b>	<b>1,534</b>	<b>1,669</b>	<b>1,673</b>	<b>1,673</b>	<b>1,679</b>
Unit Trusts	72	71	94	93	106	106
Umbrella Trusts	99	84	151	143	168	162
Sub-Trusts	198	198	221	213	214	215
<b>Total</b>	<b>369</b>	<b>353</b>	<b>466</b>	<b>449</b>	<b>488</b>	<b>483</b>
<b>Total Portfolios</b>	<b>1,856</b>	<b>1,887</b>	<b>2,135</b>	<b>2,122</b>	<b>2,161</b>	<b>2,162</b>
<b>Total Number of Funds</b>	<b>1,107</b>	<b>1,133</b>	<b>1,286</b>	<b>1,286</b>	<b>1,315</b>	<b>1,303</b>
<b>Total Net Asset Value (In billions)</b>	<b>\$158.92</b>	<b>\$171.19</b>	<b>\$196.30</b>	<b>\$235.33</b>	<b>\$249.88</b>	<b>\$249.17</b>

Note: Data reported for the periods after Q4 2005 include funds that have been granted exemption under section 7 of the Investment Funds Act 2006.



## 6. INSURANCE

Twelve new insurance and reinsurance companies were established in the Bermuda market during the first quarter of 2009. As soft market conditions and economic challenges continue to exist worldwide, these numbers represent a slight increase on the same period in 2008. The Authority received its first filings from newly formed Special Purpose Insurers (SPI) during the first quarter of 2009.

### Insurance Company Incorporation Statistics

	2009-Q1	2008-Q4	2008-Q3	2008-Q2	2008-Q1	2007-Q4
Class 1	2	3	1	0	1	3
Class 2	2	2	0	0	2	0
Class 3*	4	6	3	7	6	14
Class 3A	2	1	1	-	-	-
Class 3B	0	0	0	-	-	-
Class 4	0	1	0	1	0	1
Long-Term	0	2	0	1	1	2
SPI	2	-	-	-	-	-
Dual-Class	0	0	0	0	0	1
<b>Total Additions</b>	<b>12</b>	<b>15</b>	<b>6</b>	<b>9</b>	<b>10</b>	<b>21</b>

\* Class 3 sector reclassification took effect as of Q3 2008. Therefore, data reported from that date will reflect the reclassified Class 3 company categories.

#### Explanatory Notes:

- Class 1 – Single-parent captive insuring the risks of its owners or affiliates of the owners.
- Class 2 – (a) a multi-owner captive insuring the risks of its owners or affiliates of the owners; or (b) a single parent or multi-owner captive: (i) insuring the risks arising out of the business or operations of the owners or affiliates, and/or (ii) deriving up to 20 percent of its net premiums from unrelated risks.
- Class 3 – Captive insurers underwriting more than 20% and less than 50% unrelated business.
- Class 3A – Small commercial insurers whose percentage of unrelated business represents 50% or more of net premiums written or loss and loss expense provisions and where the unrelated business net premiums are less than \$50 million.
- Class 3B – Large commercial insurers whose percentage of unrelated business represents 50% or more of net premiums written or loss and loss expense provisions and where the unrelated business net premiums are more than \$50 million.
- Class 4 – Insurers and reinsurers capitalised at a minimum of \$100 million underwriting direct excess liability and/or property catastrophe reinsurance risk.
- Long-Term – Insurers writing long-term (or life) business.
- SPI – A special purpose, single transaction or single customer insurance company which assumes (re)insurance risks, and which typically fully funds its exposure to such risks through the proceeds of a debt issuance or some other financing mechanism, where the repayment rights of the providers of such debt or other financing mechanism are subordinated to the (re)insurance obligations of that vehicle.
- Dual Class – Insurers writing a combination of long-term (or life) business and Class 1, 2, 3, 3A, 3B or 4 business.

## 7. COMPANY AUTHORISATIONS

### Companies, Partnerships and Permits Statistics - Applications Approved

	2009-Q1	2008-Q4	2008-Q3	2008-Q2	2008-Q1	2007-Q4
<b>Exempted Companies</b> (Bermuda companies exempted from the 60% Bermudian ownership requirement)	141	206	233	267	243	310
<b>Exempted Partnerships</b> (partnerships established in Bermuda to carry on business in or from within Bermuda)	28	33	23	25	21	106
<b>Overseas Partnerships</b> (overseas partnerships applying for permits to carry on business in or from within Bermuda)	1	0	2	1	5	2
<b>Overseas Permit Companies</b> (overseas companies applying for permits to carry on business in or from within Bermuda)	1	9	12	11	6	11
<b>Unit Trusts</b>	12	1	12	1	8	8
<b>Continuation Companies</b> (companies from other jurisdictions continuing into Bermuda as exempted companies)	7	9	5	4	11	15
<b>Unlimited Liability Companies</b>	0	2	1	2	1	11
<b>Local Companies</b>	47	35	42	60	52	52
<b>Total Applications Approved *</b>	<b>237</b>	<b>295</b>	<b>330</b>	<b>371</b>	<b>347</b>	<b>515</b>

\* Quarterly numbers are amended to reflect more up-to-date consent information.

The statistics shown above reflect the number of applications that have received vetting clearance from the Bermuda Monetary Authority. These figures do not reflect the actual number of entities incorporated in Bermuda during the period. Such statistics can be obtained from the Registrar of Companies.

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