



BERMUDA

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

BR 16 / 1980

[made under sections 18 and 53 of the Insurance Act 1978 and brought into operation on 1 January 1980]

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[NB References to "Registrar" replaced throughout by references to "Supervisor" by 2001:27 s.4 effective 1 October 2001; references to "Supervisor" replaced throughout by references to "Authority", and consequential appropriate grammatical changes made, by 2001:33 s.5 effective 1 January 2002. These amendments are not individually noted in each place in which they occur.]

Citation

1 These Regulations may be cited as the Insurance Returns and Solvency Regulations 1980.

Interpretation

- 2 In these Regulations—
- "accounts" means financial accounts;
 - "the Act" means the Insurance Act 1978 *[title 17 item 49]*;
 - "affiliate" has the same meaning as in the Insurance Accounts Regulations 1980 *[title 17 item 49(a)]*;
 - "composite" and "section 24(6) composite" have the same meanings as in the Insurance Accounts Regulations 1980 *[title 17 item 49(a)]*;
 - "financial return" or "return" means statutory financial return;
 - "relevant year" has the meaning assigned thereto in regulation 4(2);
 - "statutory financial statement", "statutory balance sheet", "statutory statement of income", "statutory statement of capital and surplus" and "statutory open year business revenue statement" have the same meanings as in the Insurance Accounts Regulations 1980;
 - "regulations" means regulations made under the Act.
 - "unrelated business", in relation to an insurer, means insurance business consisting of insuring risks of persons who are not shareholders in, or affiliates of, the insurer; and "related business", in relation to an insurer, means insurance business which is not unrelated business.

[Regulation 2 amended by BR 30/1989 effective 17 July 1989; "loss reserve specialist" deleted by BR 42/2005 effective 1 July 2005]

Insurers to make statutory financial return in accordance with these Regulations

3 Except as otherwise allowed by a direction made under section 56 of the Act affecting any insurer, the form of statutory financial return that every insurer is to send to the Authority pursuant to section 18(1) of the Act is the form that is prescribed in these

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Regulations; and, except as aforesaid, it shall be the duty of every insurer to send to the Authority pursuant to section 18(1) of the Act a return in that form.

Return to relate to relevant year

4 (1) Every return shall relate to the relevant year.

(2) In these Regulations “relevant year”, in relation to a return, means the financial year to which the statutory financial statements relate which are required to be available or filed by section 17 of the Act.

[Regulation 4 amended by 1995:20 effective 29 April 1995]

Content of statutory financial return

5 (1) The statutory financial return shall consist of the following documents—

(a) in every case—

(i) a cover sheet;

(ii) an auditor’s report in pursuance of section 16 of the Act; and

(iii) a declaration of the statutory ratios;

(b) where the insurer carried on general business in the relevant year, a solvency certificate within the meaning of section 33(5) of the Act (in these Regulations called a “general business solvency certificate”) in addition;

(bb) an opinion of a loss reserve specialist where such is required under—

(i) section 18B of the Act, or

(ii) the instructions in Part II and Part IV where applicable of Schedule III to the Insurance Accounts Regulations 1980, relating to line 17 of the statutory balance sheet, in which case it shall be accompanied by statutory financial statements and the notes to those statements,

in addition;

(c) where the insurer carried on long-term business in the relevant year—

(i) a long-term business solvency certificate; and

(ii) an actuary’s certificate in pursuance of section 27 of the Act, in addition; and

(d) in the case of a Class 3A, Class 3B and Class 4 insurer, a schedule of ceded reinsurance, in addition; and

(e) where the insurer carried on special purpose business in the relevant year, a special purpose business solvency certificate.

(2) Regulations 6, 7, 8, 8A, 9, 9A, 13, 14 and 14A shall have effect as to the form and content of the cover sheet, the auditor’s report, the general business solvency certificate, the loss reserve certificate, the long-term business solvency certificate, the

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special purpose business solvency certificate, the declaration of the statutory ratios, the actuary's certificate and the schedule of ceded reinsurance respectively.

[Regulation 5 amended by BR 30/1989 effective 17 July 1989; amended by 1995:20 effective 29 April 1995; amended by BR 2 / 2009 reg. 3 effective 31 December 2008]

Cover sheet

6 The cover sheet shall—

- (a) bear the name of the insurer and the title "Statutory Financial Return";
- (aa) state the class of registration;
- (ab) state the conditions, if any, which have been imposed on that insurer's registration under section 4 of the Act;
- (ac) state the particulars, if any, of any direction issued by the Authority under section 56 of the Act;
- (b) state the period covered by the return;
- (c) state the nature of the insurance business carried on by the insurer, that is to say, it shall state—
 - (i) whether the insurance business carried on is general business or long-term business or both;
 - (ii) whether, where the insurer is a composite, it is a section 24(6) composite or not;
 - (iii) where general business is carried on—
 - (aa) the classes of related and unrelated business; and
 - (bb) the amounts of gross premium written in respect of each such class;
 - (iv) whether or not annual aggregate stop loss reinsurance is in effect and, if such reinsurance is in effect, the maximum annual aggregate net losses retained in respect of each class of business;
 - (v) any other information required to described the nature of the insurer's business;
- (d) state the currency in which amounts are shown in the insurer's statutory financial statements and whether that currency is the currency in which those amounts are required by of regulation 10(2) of the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*] to be shown;
- (e) state whether a statutory open year business revenue statement was annexed to the insurer's statutory statement of income and, if so, to what

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class or classes of the insurer's general business that first-mentioned statement relates.

[Regulation 6 amended by BR 30/1989 effective 17 July 1989; paras (aa) to (ac) inserted by BR 42/2005 effective 1 July 2005]

Auditor's report

7 (1) The auditor's report shall be signed by the insurer's approved auditor and addressed to the Authority, and shall state—

- (a) that the auditor has carried out a proper examination of the insurer's statutory financial statements, and that that examination was conducted, and the auditor's report has been prepared, in accordance with an auditing standard recognised by the Authority;
- (b) whether in his opinion the statutory financial statements have been prepared in accordance with the requirements of the Act and of any applicable regulations;
- (c) whether in his opinion—
 - (i) the solvency certificate complies, or, where the case requires, the solvency certificates comply, with the requirements of these Regulations; and
 - (ii) it was reasonable for the persons signing such a certificate to have arrived at the opinions expressed in the certificate;
- (d) whether in his opinion the declaration of the statutory ratios complies with the requirements of these Regulations.

(2) Where any event specified in paragraph (3) occurs in relation to an audit, the auditor shall qualify his report accordingly and include in his report such observations, whether of fact or opinion, as he considers necessary for bringing the nature and effect of the qualifications to the attention of the Authority.

(3) The events referred to in paragraph (2) are—

- (a) there were deficiencies in the audit consisting of—
 - (i) inability of the auditor to obtain essential information; or
 - (ii) restrictions on the scope of the audit; or
 - (iii) some other deficiency or deficiencies;
- (b) the auditor disagreed with any valuation made in the statutory financial statements;
- (c) in some respect or respects the statutory financial statements or the certificates of solvency or the declaration of the statutory ratios do not in his opinion comply with the requirements of the Act or any applicable regulations;

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- (d) the auditor considered an opinion or opinions expressed in a solvency certificate unreasonable; and
- (e) the auditor considered that there was a significant doubt as to the insurer's ability to continue as a going concern.

[Regulation 7 amended by 1995:20 effective 29 April 1995; para (1)(a) amended by BR 42/2005 effective 1 July 2005]

General business solvency certificate

8 (1) A general business solvency certificate shall relate to the general business of the insurer and shall be signed—

- (a) by at least two directors of the insurer (of whom one must be a director resident in Bermuda if the insurer has a director so resident); and
 - (b) by the insurer's principal representative in Bermuda.
- (2) The said certificate shall state—
- (a) whether or not the insurer has prepared statutory financial statements in respect of the relevant year;
 - (b) whether or not the said statements are available at the insurer's principal office in Bermuda pursuant to section 17(1) or, as the case may be, have been filed pursuant to section 17(3) of the Act;
 - (bb) whether or not the insurer has complied with every condition attached to its certificate of registration;
 - (c) the aggregate value of the insurer's assets as shown in the statutory balance sheet for the relevant year, in this sub-paragraph called "the statutory balance sheet assets value", and whether or not in the opinion of those signing the certificate—
 - (i) the statutory balance sheet assets value was determined in accordance with the requirements of the Act and of any applicable regulations;
 - (ii) the value of the insurer's assets at the end of the relevant year was in the aggregate at least equal to the statutory balance sheet assets value;
 - (d) whether or not in the opinion of those signing the certificate the aggregate amount of the insurer's liabilities at the end of the relevant year (after taking into account all prospective and contingent liabilities, but not liabilities in respect of share capital) is not more than the aggregate amount of the liabilities as shown in the insurer's statutory balance sheet for that year;
 - (e) the following amounts as shown in the insurer's statutory statement of income for the relevant year—
 - (i) the aggregate amount of the gross premiums written;
 - (ii) the aggregate amount of the reinsurance premiums ceded;

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- (iii) the aggregate amount of the net premiums written, including the aggregate amount of net premiums shown in the statutory open year business revenue statement (if such a statement was annexed to the statutory statement of income);
- (f) in the case of an insurer which annexed a statutory open year business revenue statement to its statutory statement of income—
 - (i) whether or not, in the opinion of those signing the certificate, the fund carried forward in that statement in relation to business transacted in the relevant year is sufficient to meet all the liabilities outstanding at the end of that year in relation to that business (including liabilities in respect of risks to be borne by the insurer after the end of that year in relation to that business);
 - (ii) whether or not, in their opinion, the total of the funds carried forward in that statement in relation to business transacted in the financial year immediately preceding the relevant year is sufficient to meet all the liabilities outstanding at the end of the relevant year in relation to that business;
 - (iii) if funds are carried forward in that statement in relation to business transacted before the beginning of the financial year immediately preceding the relevant year, whether or not, in their opinion, the total of those funds is sufficient to meet all the liabilities outstanding at the end of the relevant year in relation to that business; and
 - (iv) if funds are not carried forward in that statement in relation to the business referred to in division (iii) of this sub-paragraph, whether or not, in their opinion, the liabilities referred to in that division have been adequately reinsured, and the aggregate amount of premiums required to secure such reinsurance;
- (g) whether any accounts of the insurer for the relevant year have been audited for any purpose other than the purposes of these Regulations;
- (h) whether or not the minimum liquidity ratio applicable to the insurer for the relevant year was met;
- (i) the amount prescribed by regulation 10 as the minimum margin of solvency, and whether it was met;
- (j) the aggregate amount of the statutory capital and surplus as shown in the insurer's statutory statement of capital and surplus for the relevant year;
- (k) the currency in which amounts in the insurer's statutory financial statements for the relevant year have been shown;
- (l) the rate of exchange used, in compliance with paragraphs (2) and (3) of regulation 16, for the purposes of any statement called for by this regulation;

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- (m) if any question in sub-paragraph (bb), (h) or (i) of this paragraph has been answered in the negative, whether or not the insurer has taken corrective action in any case and, where the insurer has taken such action, describe the action in a statement attached to the certificate.

[Regulation 8 amended by BR 30/1989 effective 17 July 1989; amended by 1995:20 effective 29 April 1995; paragraph (2)(i) amended by 2010 : 60 Sch. I effective 31 December 2010]

Loss reserve opinion

8A (1) A loss reserve opinion shall relate to the general business of the insurer and shall be signed and dated by a loss reserve specialist.

(2) In such an opinion the loss reserve specialist shall state to what extent the instructions in Part II of Schedule III to the Insurance Accounts Regulations 1980 relating to line 17 of the statutory balance sheet, in so far as those instructions call for the opinion of a loss reserve specialist, have been complied with.

[Regulation 8A substituted by 1995:20 effective 29 April 1995]

Long term business solvency certificate

9 (1) A long-term business solvency certificate shall relate to the long-term business of the insurer and shall be signed—

- (a) by at least two directors of the insurer (of whom one must be a director resident in Bermuda if the insurer has a director so resident); and
 - (b) by the insurer's principal representative in Bermuda.
- (2) The said certificate shall state—
- (a) whether or not the insurer has prepared statutory financial statements in respect of the relevant year;
 - (b) whether or not the said statements are available at the insurer's principal office in Bermuda pursuant to section 17(1) of the Act;
 - (bb) whether or not the insurer has complied with every condition to its certificate of registration;
 - (c) the aggregate value of the insurer's assets as shown in the statutory balance sheet for the relevant year, in this sub-paragraph called "the statutory balance sheet assets value", and whether or not in the opinion of those signing the certificate—
 - (i) the statutory balance sheet assets value was determined in accordance with the requirements of the Act and of any applicable regulations;
 - (ii) the value of the insurer's assets at the end of the relevant year was in the aggregate at least equal to the statutory balance sheet assets value;
 - (d) whether or not in the opinion of those signing the certificate the aggregate amount of the insurer's liabilities at the end of the relevant year (after taking into account all prospective and contingent liabilities, but not

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liabilities in respect of share capital) is not more than the aggregate amount of the liabilities as shown in the insurer's statutory balance sheet for that year;

- (e) the minimum margin of solvency for long-term business prescribed by regulation 12(1), and whether that margin was met;
- (f) whether any accounts of the insurer for the relevant year have been audited for any purpose other than the purposes of these Regulations;
- (g) the aggregate amount of the statutory capital and surplus as shown in the insurer's statutory statement of capital and surplus for the relevant year;
- (h) the currency in which amounts in the insurer's statutory financial statements for the relevant year have been shown;
- (hh) the rate of exchange used, in compliance with paragraphs (2) and (3) of regulation 16, for the purposes of any statement called for by this regulation;
- (i) the aggregate amount of the premiums and other considerations shown on line 19(d) of the insurer's statutory statement of income for the relevant year;
- (j) if any question in sub-paragraph (bb) or (e) of this paragraph has been answered in the negative, whether or not the insurer has taken corrective action in any case and, where the insurer has taken such action, described the action in a statement attached to the certificate.

[Regulation 9 amended by BR 39/1981 effective 3 July 1981; amended by BR 30/1989 effective 17 July 1989; paragraph (2)(e) amended by 2010 : 60 Sch. I effective 31 December 2010]

Special purpose business solvency certificate

9A (1) A special purpose business solvency certificate shall relate to the special purpose business of the insurer and shall be signed—

- (a) by at least two directors of the insurer (of whom one must be a director resident in Bermuda if the insurer has a director so resident); and
 - (b) by the insurer's principal representative in Bermuda.
- (2) The said certificate shall state—
- (a) whether or not the insurer has prepared statutory financial statements in respect of the relevant year;
 - (b) whether or not the said statements are available at the insurer's principal office in Bermuda pursuant to section 17(1) or, as the case may be, have been filed pursuant to section 17(3) of the Act;
 - (c) whether or not the insurer has complied with every condition attached to its certificate of registration;

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- (d) the aggregate value of the insurer's assets as shown in the statutory balance sheet for the relevant year, in this sub-paragraph called "the statutory balance sheet assets value", and whether or not in the opinion of those signing the certificate—
 - (i) the statutory balance sheet assets value was determined in accordance with the requirements of the Act and of any applicable regulations;
 - (ii) the value of the insurer's assets at the end of the relevant year was in the aggregate at least equal to the statutory balance sheet assets value;
- (e) whether or not in the opinion of those signing the certificate the aggregate amount of the insurer's liabilities at the end of the relevant year (after taking into account all prospective and contingent liabilities, but not liabilities in respect of share capital) is not more than the aggregate amount of the liabilities as shown in the insurer's statutory balance sheet for that year;
- (f) the following amounts as shown in the insurer's statutory statement of income for the relevant year—
 - (i) the aggregate amount of the gross premiums written;
 - (ii) the aggregate amount of the reinsurance premiums ceded;
 - (iii) the aggregate amount of the net premiums written shown on line 3 of the insurer's statutory statement of income for the relevant year;
 - (iv) the aggregate amount of the premiums and other considerations shown on line 19(d) of the insurer's statutory statement of income for the relevant year;
- (g) whether any accounts of the insurer for the relevant year have been audited for any purpose other than the purposes of these Regulations;
- (h) the minimum special purpose business solvency margin prescribed by regulation 12A, and whether that margin was met;
- (i) whether the insurer's special purpose business is fully funded in accordance with the definition of special purpose business in section 1 of the Act
- (j) the aggregate amount of the statutory capital and surplus as shown in the insurer's statutory statement of capital and surplus for the relevant year;
- (k) the currency in which amounts in the insurer's statutory financial statements for the relevant year have been shown;
- (l) the rate of exchange used, in compliance with paragraphs (2) and (3) of regulation 16, for the purposes of any statement called for by this regulation;
- (m) if any question in sub-paragraph (c), (h) or (i) of this paragraph has been answered in the negative, whether or not the insurer has taken corrective

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action in any case and, where the insurer has taken such action, a description of the action in a statement attached to the certificate.

[Regulation 9A added by BR 2 / 2009 reg. 4 effective 31 December 2008]

Minimum margin of solvency for general business

10 (1) For the purposes of section 6(6) of the Act, the minimum amount by which the value of the general business assets of an insurer must exceed its general business liabilities is the greatest of figure A, figure B and figure C, where those letters represent values calculated, in relation to that insurer, in accordance with Schedule I.

(2) *[deleted by 1995:20]*

(2A) *[deleted by 1995:20]*

(3) In this regulation—

“general business assets” “general business liabilities” respectively mean assets and liabilities established in conformity with the requirements of the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*] for the statutory balance sheet of an insurer carrying on general business;

“insurer” includes, in relation to section 6 of the Act, a body applying for registration as an insurer under the Act.

[Regulation 10 amended by BR 30/1989 effective 17 July 1989; amended by 1995:20 effective 29 April 1995; paragraph (1) amended by 2010 : 60 Sch. I effective 31 December 2010]

Minimum liquidity ratio for general business

11 (1) The minimum proportion that the liquid assets of an insurer carrying on general business may bear to such an insurer’s liabilities (in these Regulations called “the minimum liquidity ratio”) shall be that set forth in this regulation.

(2) The value of the relevant assets of an insurer carrying on general business shall be not less than seventy-five per centum of the amount of its relevant liabilities, unless the insurer is a section 24(6) composite.

(3) The value of the relevant assets of a section 24(6) composite shall be not less than one hundred per centum of the amount of its relevant liabilities.

(4) In this regulation—

“relevant assets” means the assets required by the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*] to be shown on lines 1, 2, 3(a), 5(a), 9, 10, 11 and 12—

(a) where the insurer is not a section 24(6) composite, of the insurer’s statutory balance sheet for general business;

(b) where the insurer is a section 24 (6) composite, of the insurer’s statutory balance sheet,

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including any other assets which the Supervisor, on application in any particular case made to him with reasons, accepts for the purposes of this definition in that case;

“relevant liabilities” means, in relation to an insurer, the aggregate of the insurer’s liabilities required by the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*] to be show on lines 19 and 38 of the statutory balance sheet less the aggregate of the insurer’s liabilities required by those Regulations to be shown on lines 31(b), 36 and 37 thereof.

[Regulation 11 amended by 2001:27 effective 1 October 2001]

Minimum margin of solvency for long-term business

12 (1) For the purposes of section 6(6) of the Act, the prescribed amount by which the value of the long-term business assets of an insurer carrying on long-term business must exceed its long term business liabilities is the amount specified in Schedule II in relation to the relevant class of long-term insurer.

(2) In this regulation—

“long-term business assets” and “long-term business liabilities” respectively mean assets and liabilities established in conformity with the requirements of the Insurance Accounts Regulations 1980 for the statutory balance sheet of an insurer carrying on long-term business;

“insurer” includes, in relation to section 6 of the Act, a body applying for registration as an insurer under the Act.

[Regulation 12 paragraph (1) deleted and substituted by 2010 : 60 Sch. I effective 31 December 2010]

Minimum margin of solvency for special purpose business

12A (1) The amount of \$1 dollar is hereby prescribed—

- (a) for the purposes of section 6(1) of the Act as the prescribed amount; and
- (b) for the purposes of the statement called for by regulation 9A(2)(h), as the minimum special purpose business solvency margin, by which the value of the special purpose business assets of an insurer carrying on special purpose business must exceed the amount of its special purpose business liabilities.

(2) In this regulation—

“special purpose business assets” and “special purpose business liabilities” respectively mean assets and liabilities established in conformity with the requirements of the Insurance Accounts Regulations 1980 for the statutory balance sheet of a special purpose insurer carrying on special purpose business;

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“insurer” includes, in relation to section 6 of the Act, a body applying for registration as an insurer under the Act.

[Regulation 12A added by BR 2 / 2009 reg. 5 effective 31 December 2008]

Declaration of statutory ratios

13 (1) The declaration of the statutory ratios shall set forth the following ratios (in these Regulations called “the statutory ratios”)—

- (a) the premiums to statutory capital and surplus ratio;
 - (b) the five-year operating ratio;
 - (c) the change in statutory capital and surplus ratio.
- (2) The said declaration shall be dated and shall be signed—
- (a) by at least two directors of the insurer (of whom one must be a director resident in Bermuda if the insurer has a director so resident); and
 - (b) by the insurer’s principal representative in Bermuda.
- (3) The said declaration shall—
- (a) bear the name of the insurer and the title “Declaration of the Statutory Ratios”;
 - (b) specify the amount of each such ratio calculated in accordance with the rules set forth in Schedule II.

Actuary’s certificate

14 (1) The actuary’s certificate shall state whether or not, in the opinion of the insurer’s approved actuary, the aggregate amount of the liabilities of the insurer in relation to long-term business as at the end of the relevant year exceeded the aggregate amount of those liabilities as shown in the statutory balance sheet.

(2) The said certificate shall be signed by the insurer’s approved actuary and shall be dated.

Schedule of ceded reinsurance

14A The schedule of ceded reinsurance shall be divided into separate entries dealing with each reinsurer and each entry shall include the following information relating to a reinsurer—

- (a) the name of the reinsurer;
- (b) the rating of the reinsurer (if any) and the name of the rating agency;
- (c) the jurisdiction of its incorporation;
- (d) the amount of the reinsurance premiums ceded to it during the relevant year;

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- (e) the amount of reinsurance recoverable from it (lines 11, 12, 17 and 18 of the statutory balance sheet);
- (f) the amount of reinsurance balances payable to it (lines 28, 29, 33 and 34 of the statutory balance sheet);
- (g) the amount of net reinsurance recoverable from it (that is, the figure required by paragraph (e) less that required by paragraph (f));
- (h) the amount of net reinsurance recoverable from it which has been due for less than 180 days; and
- (i) the remainder of net reinsurance recoverable from it (that is, the figure required by paragraph (g) less that required by paragraph (h)).

[Regulation 14A inserted by 1995:20 effective 29 April 1995]

15 *[deleted]*

[Deleted by BR 39 / 1981 reg. 2 effective 3 July 1981]

Requirements relating to preparation of returns generally

16 (1) Every statutory financial return and any document annexed to such a return shall be prepared in the English language.

(2) All amounts which are shown in any such return or document as aforesaid shall be shown in the currency in which pursuant to regulation 10(2) of the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*] amounts in any account of an insurer are to be shown; but the Bermudian equivalent of every such amount must be stated next to that amount in every case where that amount is an amount expressed in a foreign currency (in this regulation called a "foreign currency amount").

(3) For the purposes of paragraph (2), the Bermudian equivalent of a foreign currency amount shall be the Bermudian dollar equivalent of that foreign currency amount as converted into Bermudian dollars at the rate of exchange used by any licensed bank in Bermuda in relation to purchases by that Bank of that foreign currency on the last day of the relevant year; and the person preparing the return or document in question shall state that rate either in the return or document itself or in some other document made available to the Supervisor.

[Regulation 16 amended by 2001:27 effective 1 October 2001]

Offences

17 (1) *[revoked by 1995:20]*

(2) Any person who, in or in relation to a return or a document annexed to a return, makes, or joins in making, any statement which he knows to be false or does not believe to be true commits an offence against these Regulations; and in this paragraph "make a statement", in relation to any statement made, includes a wilful omission to state something that is material.

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(3) If, for the purposes of any provision of these Regulations (being a provision requiring or allowing for a statement to be made) either—

- (a) any insurer; or
- (b) any director or officer or employee of an insurer; or
- (c) any approved auditor,

makes a statement which owing to its or his gross negligence in making the statement is wrong, or grossly misleading, in a material respect, it or he commits an offence against these Regulations.

[Regulation 17 amended by 1995:20 effective 29 April 1995]

Commencement

18 *[omitted]*

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SCHEDULE I

(Reg. 10(1))

GENERAL BUSINESS SOLVENCY MARGIN

Figure A

1. For the purposes of regulation 10, figure A has the following value in relation to the class of insurer indicated—

Class 1	\$120,000
Class 2	\$250,000
Class 3	\$1,000,000
Class 3A	\$1,000,000
Class 3B	\$1,000,000
Class 4	\$100,000,000

Figure B

2. (1) For the purpose of regulation 10, sub-paragraphs (2) and (3) set out the method of calculating figure B in relation to Class 1, Class 2, Class 3, Class 3A, and Class 3B insurers, and sub-paragraph (4) in relation to Class 4 insurers.

(2) Where the net premiums—

- (a) written by a Class 1, Class 2, Class 3, Class 3A or Class 3B insurer in its current financial year, or
- (b) projected to be written by an insurer, on application for registration as a Class 1, Class 2, Class 3, Class 3A or Class 3B insurer, in its first financial year,

do not, or (as the case may be) are not projected to, exceed \$6,000,000, figure B shall be calculated as 20% of those net premiums.

(3) Where the net premiums—

- (a) written by a Class 1, Class 2, Class 3, Class 3A or Class 3B insurer in its current financial year, or
- (b) projected to be written by an insurer, on application for registration as a Class 1, Class 2, Class 3, Class 3A or Class 3B insurer

do, or (as the case may be) are projected to, exceed \$6,000,000, figure B shall be calculated as \$1,200,000 plus the following percentage of the net premiums written which exceed \$6,000,000 in relation to the class of insurer indicated—

Class 1	10%
Class 2	10%
Class 3	15%

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Class 3A	15%
Class 3B	15%

(4) Figure B shall be calculated as 50% of the net premiums written by a Class 4 insurer in its current financial year, or projected to be written by an insurer on application for registration as a Class 4 insurer.

(5) In this paragraph, “net premiums written” in relation to any financial year means—

- (a) in relation to a Class 1, Class 2, Class 3, Class 3A or Class 3B insurer, the net amount, after deductions of any premiums ceded by the insurer for reinsurance, of the premiums written by the insurer in that year in respect of general business; and
- (b) in relation to a Class 4 insurer, the net amount, after deductions of any premiums ceded by the insurer for reinsurance (not exceeding 25% of gross premiums written), of the premiums written by the insurer in that year in respect of general business,

and “net premiums projected to be written” has a corresponding meaning.

Figure C

3. For the purposes of regulation 10, figure C shall be calculated as the following percentage of the aggregate—

- (a) of the amounts shown by the insurer in completing lines 17 and 18 of Form 1 or Form 1A (as applicable) in the Insurance Accounts Regulations 1980, or
- (b) of those amounts as projected by the insurer on application for registration,

in relation to the class of insurer indicated-

Class 1	10%
Class 2	10%
Class 3	15%
Class 3A	15%
Class 3B	15%
Class 4	15%

[Schedule I revoked and replaced by BR 2 / 2009 reg. 6 effective 31 December 2008]

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SCHEDULE II

(Reg . 13(3)(b))

CALCULATION OF THE STATUTORY RATIOS

A The Premiums to statutory capital and surplus ratio

1 The above ratio shall describe the proportion that net premiums written by the insurer during the relevant year bear to the insurer's statutory capital and surplus as at the end of that year.

2 For the purposes of the said ratio—

“net premiums written” means the amount shown on line 3 of the insurer's statutory statement of income, including the aggregate amount of net premiums shown in the insurer's statutory open year business revenue statement if the insurer annexed such a statement to its statutory statement of income;

“statutory capital and surplus” means the amount shown on line 3 of the insurer's statutory statement of capital and surplus less, in the case of a composite,—

(a) the amount of \$250,000; or

(b) the amount in fact maintained by the insurer as its margin of solvency for long-term business, whichever of those amounts is greater,

in each case as respects the relevant year.

3 The said ratio shall be the relation of net premiums written to capital and surplus expressed mathematically as a ratio, with capital and surplus reduced to 1.

B The five-year operating ratio

1 The above ratio shall describe the proportion that the insurer's losses and expenses as a percentage of premiums expressed cumulatively for the period of five consecutive years including the relevant year bear to the insurer's investment income also so expressed.

2 (1) For the purposes of the said ratio—

“expenses” means the aggregate of the amounts shown on lines 9, 10, 11 and 12, less the amount shown on line 6, of the insurer's statutory statement of income;”;

“net general business investment income” means the amount shown on line 17 of the statutory statement of income;

“net losses incurred and net loss expenses incurred” or “losses” means the amount shown on line 8 of the statutory statement of income;

“net premiums earned” means the amount shown on line 5 of the statutory statement of income;

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“net premiums written” means the amount shown on line 3 of the statutory statement of income;

(2) The reference in subparagraph 1 of this paragraph to a period of five years is, subject to division (3) of this sub-paragraph, a reference to the relevant period of five years during which the insurer was registered under the Act.

(3) Where at any relevant time an insurer was so registered for a number of years less than five, this paragraph applies to that number of years instead of five, and shall be construed *mutatis mutandis* accordingly.

3 The said ratio shall be the sum of the loss ratio and the expense ratio less the investment income ratio. For the purposes of the above sum—

- (a) the loss ratio is the relation of—
 - (i) net losses incurred and net loss expenses incurred; to
 - (ii) net premiums earned, expressed mathematically as a ratio, with net premiums earned reduced to 1;
- (b) the expense ratio is the relation of—
 - (i) expenses; to
 - (ii) net premiums written, expressed mathematically as a ratio, with net premiums written reduced to 1;
- (c) the investment income ratio is the relation of—
 - (i) net general business investment income; to
 - (ii) net premiums earned, expressed mathematically as a ratio, with net premiums earned reduced to 1.

4 The five-year operating ratio shall also be expressed as a percentage.

C The change in statutory capital and surplus ratio

1 The above ratio shall describe the proportion that the insurer’s statutory capital and surplus as at the end of the immediately preceding financial year (“statutory capital and surplus 1”) bears to the difference between statutory capital and surplus 1 and the insurer’s statutory capital and surplus as at the end of the relevant year (“statutory capital and surplus 2”).

2 For the purposes of the said ratio—

“statutory capital and surplus 1” means the amount shown, on line 3 of the insurer’s statutory statement of capital and surplus for the relevant year, as

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the insurer's total statutory capital and surplus for the financial year immediately preceding the relevant year;

"statutory capital and surplus 2" means the amount shown on line 3 of the insurer's statutory statement of capital and surplus for the relevant year.

- 3 The said ratio shall be the relation of—
 - (a) the difference between statutory capital and surplus 2 and statutory capital and surplus 1; to
 - (b) statutory capital and surplus 1, expressed mathematically as a ratio, with statutory capital and surplus 1 reduced to 1.
- 4 The above ratio shall also be expressed as a percentage.

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SCHEDULE III

(Reg. 12 (1))

MINIMUM MARGIN OF SOLVENCY FOR LONG-TERM BUSINESS

<u>Class</u>	<u>Minimum Margin of Solvency ('MMS')</u>
A	greater of \$120,000 or 0.5% of assets;
B	greater of \$250,000 or 1% of assets;
C	greater of \$500,000 or 1.5% of assets;
D	greater of (a) \$4,000,000 or 2% of first \$250,000,000 of assets plus 1.5% of assets above \$250,000,000;
E	greater of \$8,000,000 or 2% of first \$500,000,000 of assets plus 1.5% of assets above \$500,000,000;

where assets shall be the total assets reported on an insurer's balance sheet in the relevant year less the amount held in a segregated account.

Application

1. The MMS shall be phased in over a period of three years from the coming into force of this Schedule.
2. The applicable MMS for the financial year ending in 2011 shall be 50% of the amount specified above.
3. The applicable MMS for the financial year ending in 2012 shall be 75% of the amount specified above.
4. The applicable MMS for the financial year ending in 2013 and beyond shall be the full amounts specified above.

[Schedule III added by 2010 : 60 Sch. I effective 31 December 2010]

[Amended by:

BR 39 / 1981
BR 25 / 1985
BR 30 / 1989
1995 : 20
2001 : 27
BR 42 / 2005
BR 2 / 2009
2010 : 60]