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## PRESS RELEASE

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### **BERMUDA MONETARY AUTHORITY LAUNCHES NEW REGULATORY FRAMEWORK FOR SPECIAL PURPOSE INSURERS (SPIs)**

**Publication of final guidance finalises SPI regime and assists in prudent development of insurance-linked special purpose transactions in Bermuda.**

The Bermuda Monetary Authority today published *Guidance Note #20 Special Purpose Insurers* and an *Information Bulletin* which details the Authority's supervisory approach to Special Purpose Insurers (SPI). The documents also assist market participants with the practical development of these types of insurance vehicles in the jurisdiction.

Matthew Elderfield said, "The Authority is committed to innovation in the Bermuda market, while at the same time ensuring that businesses operate prudently within high standards. The introduction of our SPI framework is a demonstration of this commitment, as well as the jurisdiction's ability to respond effectively to new developments in the marketplace."

SPIs were introduced as a class of insurer within the Bermuda insurance class system with the Insurance Amendment Act 2008. They are special purpose, single transaction, or single customer insurance companies which assume (re)insurance risks and which typically fully fund their exposure to such risk. Popular examples of such entities include side cars and catastrophe bonds. SPIs provide investors from the capital markets to enjoy, amongst other benefits, the ability to invest in (re)insurance markets quickly, with readily available access to underwriting expertise.

The Authority's Actuarial Services team led the development of the SPI regime. Gina Smith, Assistant Director, Actuarial Services and project leader of the initiative said, "The Guidance Note outlines the Authority's approach to the supervision of SPIs, which involves setting out prudent, robust fundamental requirements and vetting that SPIs must meet in order to be licensed under Bermuda law. Once licensed, the on going supervisory attention is placed upon the original cedant/insured, which is in line with the Authority's risk-based approach to supervision. The Information Bulletin is an important supplementary document explaining the regime and should be read in conjunction with the Guidance Note."

The Information Bulletin comprises a series of documents and appendices which together provide a comprehensive overview of the Authority's licensing and on going supervisory activities associated with SPIs. It takes into account the wide diversity of entities that may be licensed as SPIs under the Act and therefore offers a general introduction to the Authority's approach.



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The Authority developed these documents after extensive consultation with industry and working alongside an SPI Advisory Group. This Group, comprising a broad cross-section of practitioners currently engaged in the design and execution of SPIs in major financial markets, including London and New York, assisted in the finalisation of the Guidance and Bulletin.

Mr. Elderfield said, “We are grateful for the work of the SPI Advisory Group and look forward to drawing on their considerable expertise as we further develop the framework for this dynamic sector of Bermuda’s insurance market.”

The Guidance Note and the Information Bulletin are available in the Document Centre (Policy and Guidance/Insurance) on the Authority’s website: [www.bma.bm](http://www.bma.bm).

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