

INFORMATION BULLETIN

Assessment and Licensing Committee–Update to Insurance Industry as at 31 December 2008

A.. Background

On 25 April 2007 the Assessment and Licensing Committee (ALC) of the Bermuda Monetary Authority (the “Authority”) was established and subsequently facilitated, in accordance with the Terms of Reference (TOR) mandated by the Authority’s Board of Directors.

With a view to continuously reviewing and enhancing its processes, in 2008, the Authority established a Supervisory Process Review (SPR) Committee whose remit included, amongst other things; (a) to make recommendations to improve the existing process of the ALC and (b) to ensure that expertise within the Authority was being fully utilised by the ALC. The SPR Committee fully consulted both internal and external stakeholders. A major request from stakeholders was that more information be provided regarding the role and functioning of the ALC as well as the role and involvement of the Technical Advisory Group “TAG”. This information bulletin is issued by the Authority to provide an update to the Insurance Industry on the functioning of the ALC and the insurance application process in general.

B. Role & Functioning of the ALC

The ALC considers applications (licensing and other related matters) referred to it by the executive member responsible for the supervision of insurance, banking, trust, investments, fund administration business and money service business in Bermuda.

1. The ALC shall consist of:

- (a) A Chairperson, who shall be the Director of Licensing & Authorisations and six (6) other members drawn from a pool of persons consisting of the Directors, Deputy Directors and Assistant Directors in the Insurance Department, Banking, Trust and Investment Department (“BTI”), Policy, Research & Risk Assessment Department (PRRAD), Actuarial Services Department and the Legal Services and Enforcement (L&E) Department.
- (b) The Chairperson shall chair meetings of the ALC and in the absence of the Chairperson the meeting shall be chaired by one of the Directors of the Insurance Department, BTI, and PRRAD.

2. The quorum for meetings of the ALC shall be five (5), one of which will be from each of the regulatory units and one from the Actuarial Services unit.

3. In addition to forming part of the quorum, the committee member from the Legal Services & Enforcement Department shall act as Legal secretary to ensure adequate record keeping and compliance with the requisite procedural and process requirements.
4. The Chairperson shall have the ability to call on, when required, further technical expertise from a pool of industry experts who form a committee called TAG. TAG is currently used, inter alia to assist in the provision of additional actuarial and risk assessment analysis, when such is deemed necessary.
5. The Committee will meet at least once a week (normally Friday mornings).
6. An applicant wishing to attend and participate in the ALC meeting must notify the Authority at the time the application is submitted.
7. Applicants will generally be advised via the phone of the determination made on an application before 5:00 p.m. on the day that the ALC meets to deliberate the application. A follow-up letter will generally also be faxed to applicants before 5:00 p.m. on the following business day.

C. Procedure for Insurance Applications

1. A detailed, comprehensive application must be submitted by the applicant requesting registration/licensing of a company under the Insurance Act 1978.
2. A minimum of:
 - 10 copies of the applications for Class 1's and 2's;
 - 15 copies of applications for Class 3's, 4's and Long Terms;

must be received by the Authority before 5:00 pm on Monday and addressed to the attention of the Director of Licensing & Authorisations. Applications received after the afore-mentioned deadline shall not be considered by the ALC until the following week.

3. All applications must include the following:
 - A cover letter providing an executive summary of the application;
 - A business plan which must include detailed information on the business purpose for registering/licensing, ownership of the insurer, details on senior management and staff, capitalisation, types of business to be conducted, limits and net retention, and any other relevant information;
 - Pro forma income statements and balance sheets on a 5-year basis, demonstrating that the minimum solvency margin and the liquidity ratio will be maintained at all times;

- Support for the assumptions used to compile the afore-mentioned financial statements including an actuarial feasibility study supporting the projected loss reserves;
- Copies of letters of intent from insurance/reinsurance companies that the (re)insurer plans to conduct insurance business with;
- A letter of approval from the supervisory authority in the home jurisdiction if the (re)insurer is owned or controlled by a (re)insurer domiciled in another jurisdiction, or will be accepting a transfer from another jurisdiction;
- A certificate of good standing from an outside jurisdiction if the (re)insurer is owned or controlled by a (re)insurer domiciled in another jurisdiction or will be conducting business in another jurisdiction for which it needs to be licensed in that jurisdiction;
- Information on the corporate shareholders/owners:
 - Most recent audited financial statements of the corporate shareholder/owner
 - Regulatory filings, if applicable
 - Background information;
- Information on the individuals shareholders/owners:
 - Personal declaration forms
 - Bank references
 - Net worth statements
 - Curriculum vitae;
- Information on the Board of Directors, senior management and/or key functionalities:
 - Curriculum vitae;
- Acceptance letters from applicable service providers (approved auditor, loss reserves specialist, approved actuary, principal representative and/or insurance manager);
- Form 2 – Memorandum of Association;
- Form 1b: Pre-incorporation Form; and Form 1 – Application for Consent to be Registered (Form 3 for intermediaries) – upon registration.

NOTE: If the application is missing any of the above items, the application MAY BE deferred or considered insufficient for review.

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 Bermuda Monetary Authority