



BERMUDA MONETARY AUTHORITY

INFORMATION BULLETIN

INSURANCE FEES PRESCRIBED BY THE BERMUDA MONETARY AUTHORITY ACT 1969

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TABLE OF CONTENTS

I.	INTRODUCTORY STATEMENT	3
II.	BERMUDA MONETARY AUTHORITY AMENDMENT (NO. 3) ACT 2018	3
III.	FEE MODIFICATIONS	3
IV.	AUTOMATIC FEE MODIFICATIONS	3
V.	NON-AUTOMATIC MODIFICATIONS	4
VI.	FEE DETERMINATION FOR CERTAIN FEE CATEGORIES	6

I. INTRODUCTORY STATEMENT

1. The purpose of this Information Bulletin (Bulletin) is to outline the Bermuda Monetary Authority's (BMA or Authority) implementation of revisions to certain fees provided for under the Insurance Act 1978 (the Act) that are prescribed by the Bermuda Monetary Authority Act 1969 (the BMA Act).

II. BERMUDA MONETARY AUTHORITY AMENDMENT (NO 3) ACT 2018

2. The Fourth Schedule to the BMA Act was revised in 2018 to make provision for amendments to the fees that will be implemented from calendar years 2019 to 2021 (the Fee Schedule).
3. The revisions comprise of fee increases, as well as new fees and adjustments to existing fees in order to, among other things, better align fees with the costs associated with supervisory and regulatory activities. In addition, there has been an introduction of new requirements as to how the Authority will apply fees where multiple related applications are filed.

III. FEE MODIFICATIONS

4. This Bulletin outlines the instances where a fee modification will be applied automatically, and also when the Authority will need to make a determination to reduce or exempt a registrant from the fees prescribed in the Fee Schedule pursuant to Section 14(10) of the Act. In addition, this Bulletin provides guidance on how the Authority plans to determine the modified fee amount.

IV. AUTOMATIC¹ FEE MODIFICATIONS

5. Pursuant to the Fee Schedule, automatic fee modifications apply to the following fee categories:
 - a. Paragraph 2(c) pertaining to applications requesting an extension of the annual statutory financial return filing deadline under Section 17(4) of the Act: Paragraph 2(x) relating to applications requesting an extension of the filing deadline for the Bermuda Solvency Capital Requirement (BSCR)/Capital & Solvency Return, and Paragraph 2(z) pertaining to applications requesting an extension of the filing deadline for the Commercial Insurer Solvency Self-Assessment (CISSA), general purpose financial statements (GAAP), or the Financial Condition Report (FCR)
 - i. Where multiple extension applications are filed for the same filing extension date, only the higher fee shall be payable for each month the filing deadline is approved by the Authority to be extended. For example, where a Class 4 Insurer applies for a statutory financial statements filing date extension under section 17(4) of the Act for one month (a fee of \$2,500)

¹Automatic fee modifications refer to cases where fee modification requests to the Authority are not required.

and also for an extension to the filing of BSCR under section 6C for one month (a fee of \$1,500), rather than paying both fees, only \$2,500 will be payable.

- b. Paragraph 2(1)(ii) pertaining to applications made by an insurer for approval of instruments to be treated as other fixed capital and eligible capital
 - i. Rather than both, only the higher of the two application fees shall be payable
- c. Paragraph 3(b) and 7(b) pertaining to insurance manager registration and annual fees; the fees shall now be paid based upon the classes of the insurers managed, subject to a \$3,000 minimum and a \$15,000 maximum fee payment
 - i. Where an insurance manager manages an insurer with a dual insurance licence, instead of both, only the class of licence attributable to the higher fee base will be taken into account in the insurance manager's fee calculation. For example, where an insurance manager manages an insurer that has both a Class 4 and D license, rather than a total of \$750 (Class 4 \$400, Class D \$350) counting towards the fees calculation only the higher fee, in this case \$400, will be taken into account.

V. NON-AUTOMATIC² FEE MODIFICATIONS

6. Section 14 (10) of the Act provides:

- a. The Authority may where it has made a determination—
 - i. Exempt a registered person from the requirement to pay any fee under this section and prescribed under the Bermuda Monetary Authority Act 1969 or
 - ii. Reduce any fee required to be paid by a registered person under this section and prescribed under the Bermuda Monetary Authority Act 1969, by such amounts considered appropriate
- b. In granting an exemption from or reduction of fee payment required, the Authority may impose any conditions on the exemption or reduction as it determines appropriate
- c. The Authority shall not grant an exemption from or reduction of fee payment required unless it is satisfied that it is appropriate to do so having regard to the nature, scale and complexity of business carried on by the registered person
- d. The Authority may revoke an exemption from or reduction of fee payment granted under this section and shall serve notice on the registered person of its determination to revoke its approval and the reason for its determination
- e. A registered person served with a notice under subsection (4) may within a period of 28 days from the date of the notice make written representations to the Authority and where such representations have been made, the Authority shall take them into account in making its final determination on whether to revoke its approval

² Non-Automatic fee modifications refers to cases where insurers are required to make a formal request to the Authority for approval of a fee modification.

7. Except for annual business fees and registration fees, registrants desiring a modified fee shall enclose with the related application a request filed pursuant to Section 14(10) of the Act. The request must detail the reasons why the registrant deems the fee modification to be appropriate. There is no cost associated with the fee modification request; however, the Authority's response to the application will be withheld until the modified fee has been paid.
8. Registrants desiring a modified fee for annual business fees and registration fees shall file a fee modification request pursuant to Section 14(10) of the Act. The fee modification request must detail the reasons why the registrant deems the fee modification to be appropriate. The annual business fees and registration fees should be paid as per the Fees Schedule pending the Authority's determination of the fee modification request.
9. Approvals do not carry over to multiple applications and are granted on an annual basis for the applied financial year-end only. Where approval to exempt or modify a fee is granted on a conditional basis pursuant to Section 14(10) of the Act and the condition is breached, the Authority has the power to revoke the modification and request the appropriate fee, per the Fee Schedule. The process for revoking the fee modification is as outlined in paragraph 6 above.
10. The Authority is likely to give favourable consideration to fee modification requests upon receiving an application pursuant to Section 14 (10) of the Act in the following situations:
 - a. Licensing and registration fees: Where an insurance group has more than one insurer registered in Bermuda, and the Authority deems that all the criteria below are met:
 - i. the group has Bermuda-based centralised risk management and governance that is adequate regarding prudent management of all of the Bermuda insurers. Examples of 'centralised risk management and governance' would include:
 - a Bermuda based risk management function that provides risk management services tailored to the requirements of each of the insurers in the group
 - a Bermuda based common senior management team in key control functions responsible for the prudent operations of the Bermuda insurers
 - where the Directors at the Group/Parent level also participate on the Board of subsidiaries to provide appropriate oversightIn assessing the prudent management of the Bermuda insurers, the Authority will consider, among other factors, regulatory breaches, absence of material deficiencies in the prudential filings and other information communicated to both the Authority and the public, absence of material deficient findings in on-site examination findings etc.
 - ii. the Bermuda insurers have connected and similar risk profiles. Examples of this include:

- where a Bermuda reinsurer assumes a specific risk from another Bermuda affiliate and this makes up all or most of its insurance business for both
 - Bermuda insurers with significant overlap in (re)insurance lines of business - for instance similar business-lines, but multiple Bermuda insurers have been established for a different limited party or major investor groups
 - Bermuda insurers that split/spin-off and retain mostly similar risk profiles, senior management and governance structures
- iii. the Authority can reduce its supervisory effort for the affiliated insurers by relying on its knowledge of one of the insurers to still appropriately supervise the other insurers.
 - b. Eligible Capital applications submitted by Class 3A and C insurers (in accordance with paragraph 2(v) in the Fee Schedule): Where it has determined that the minimum fee prescribed in the Fee Schedule is inappropriate based upon an insurer's balance sheet size and its ability to meet its policyholder obligations
 - c. Applications related to in-depth reviews of matters relating to a modification of a prudential rule under section 6C the Act (in accordance with paragraph 2(aa) in the Fee Schedule). This fee applies to applications under section 6C of the Act, not explicitly set out in Schedule I of the Fee Schedule. The Authority notes that such applications would typically deal with adjustments to the regulatory framework that are prescribed in Prudential Rules such as complex issues that may materially influence a stakeholder's perceived financial position of the applicant (e.g. accounting treatments)
 - d. Applications to renew prior year Authority approvals (not including filing extensions): Where the Authority deems that the risk profile of the insurer and associated application, within the context of the Authority's current risk appetite, has not materially changed since the last approval

VI. FEE DETERMINATION FOR CERTAIN FEE CATEGORIES

11. The Authority's general approach to determining fees for Internal Capital Model review and approvals, BSCR Capital Factors adjustments and for the situations outlined in paragraph 10 above is as follows:
 - a. Internal Capital Model review and approval fees (in accordance with paragraph 2(o) of the Fee Schedule):
 - i. Applications made hereunder shall be subject to a sliding scale fee payment as determined by the Authority having regard to the structural complexity of the internal model, the scale and complexity of risks covered by the internal model; and the complexity of the insurance group organisational structure
 - ii. Fees will be determined on a case-by-case basis, subject to a minimum of \$200,000 and a maximum of \$2,000,000
 - iii. The appropriate fee will be communicated to the applicant before the start of the review with the possibility of application withdrawal

- b. Licensing and registration fees:
 - i. Where an application made to the Authority meets the criteria in section V of this Bulletin, the Authority may approve a fee reduction beyond the first qualifying insurer at the higher class of licence
 - ii. The Authority will generally allow a 35% fee reduction (relative to the Fee Schedule) subject to a minimum fee equal to the fee applied to the respective insurers in 2018

For example, if a group has five Bermuda entities, out of which two have connected and similar risk profiles (e.g., where the only difference between the two is one has elected to be a Section 953D tax filer and the other one is not) and assuming the group has centralised risk management and governance. The Authority in this case can reduce its supervisory effort on the two entities with connected and similar risk profiles by relying on its knowledge of one of the insurers to still appropriately supervise the other insurer. In this case the three entities that do not have similar risk profiles will pay the regular fee. Of the two with connected and similar risk profiles, the first (higher class) would pay the regular fee and the remaining entity would get the 35% fee reduction, subject to a minimum fee equal to the fee applied to the entity in 2018

- c. Eligible Capital approval fees (in accordance with paragraph 2(v) of the Fee Schedule):
 - i. Applications made hereunder shall be subject to a sliding scale fee payment as determined by the Authority having regard to the scope and complexity of the review and the expected solvency impact of the application
 - ii. Where a financial instrument that is identical to the one previously approved by the Authority in relation to the applicant, the fee will primarily be determined based on the solvency impact
 - a) The general guide where an identical financial instrument is to be approved in relation to a particular applicant as aforementioned, is that the fee will be determined by multiplying the equivalent of the amount sought to be approved by 0.00025, subject to a minimum of \$10,000 and a maximum of \$130,000. Otherwise, generally, the multiplier will be 0.0005, and the calculation will be subject to the same minimum and maximum
 - b) 'Identical' as used above applies to applications where the same insurer has copied one of its instruments that the Authority has approved in the past. For example, if an Insurer - ABC Ltd., applies for an instrument to be approved as Eligible Capital that is identical to one which it has issued in the past and received the Authority's approval, then the multiplier 0.00025 will apply. However, if another insurer XYZ Ltd. issues an instrument like the one issued by ABC Ltd. and applies for it to be approved as Eligible Capital, the Authority would not consider the two instruments identical and would apply the multiplier 0.0005 for the XYZ Ltd. instrument given the instrument will be assessed within a different context, e.g. XYZ Ltd.

probably has a different balance sheet composition, including capital structure, etc., than ABC Ltd.”

- d. BSCR Capital Factors adjustment fees (in accordance with paragraph 2(w) in the Fee Schedule):
 - i. Applications made hereunder shall be subject to a sliding scale fee payment as determined by the Authority having regard to the scope and complexity of the review; and the expected solvency impact of the application
 - ii. Where the Authority is of the view that an application would require a review of a large quantity of data or assessment of complex calculations, the fee that will apply will generally be 0.0005 multiplied by the capital relief amount for which the approval is sought, subject to a minimum of \$10,000 and a maximum of \$200,000. Otherwise, the minimum fee prescribed in the Fee Schedule will generally apply.
 - e. Fees pertaining to in-depth reviews of matters relating to a modification of a prudential rule under section 6C of the Act (paragraph 2(aa) in the Fee Schedule):
 - i. Applications made hereunder shall be subject to a sliding scale fee payment as determined by the Authority having regard to the scope and complexity of the review; and the expected solvency impact of the application
 - ii. The fee the Authority will generally apply will be 0.00025 multiplied by the adjustment’s impact on the financial position of the registrant, subject to a minimum of \$10,000 and the maximum of \$130,000
12. The multipliers used in paragraph 11 above, were determined based upon, among other factors, the Authority’s analysis of prior applications, an assessment of the review and supervisory effort required, and a consideration of the risks arising from the applications given the complexity and solvency impact.
13. While the Authority will implement the calculation methodology outlined in section VI of this Bulletin with immediate effect, where an application is to renew an approval previously granted by the Authority in relation to in-depth reviews of matters relating to a modification of a prudential rule under section 6C of the Act (and the Authority deems that the risk profile of the insurer and associated application, within the context of the Authority’s current risk appetite, has not materially changed since the last approval) the Authority will generally apply a 35% reduction to the aforementioned calculation, subject to a minimum fee equal to the fee applied in 2018. The same will apply for subsequent renewal applications.
14. Queries concerning fee modifications may be directed to **InsuranceInfo@bma.bm** or **Authorisations@bma.bm**.