



18 June 2019

NOTICE

Joint Stress Test Exercise with the Prudential Regulatory Authority

The Bermuda Monetary Authority (BMA) and the Prudential Regulatory Authority (PRA) will be conducting a joint exercise on natural catastrophe and economic scenarios for Property and Casualty (P&C) insurers reflecting commitment to transparency, supervisory cooperation and information sharing by both Authorities, in line with the Insurance Core Principles (ICP) of the International Association of Insurance Supervisors (IAIS).

Many London market insurers are exposed to similar risks to those based in Bermuda; furthermore, UK based insurers cede a significant proportion of risks to Bermuda based reinsurers. This joint exercise will allow us to understand the interdependencies between the London Market and the Bermuda-based reinsurers in more depth. The main objectives of the exercise are as follows:

- Test the resilience of P&C insurers operating across UK and Bermuda jurisdictions.
- Enhance our understanding of the interconnectedness between our different jurisdictions.
- Inform and prioritise our supervision of some of the largest insurers we supervise.

A sample of large Bermuda commercial insurers (“Class 4” and “Class 3B”) with material natural catastrophe business both in the UK and on a global basis have been selected to participate in this joint exercise.

This stress test exercise is not being used to set additional capital on insurers by either the PRA or the BMA. Instead, the results from the exercise will inform and advance the supervisory work of the PRA and the BMA.

Submissions are due by Monday 30 September 2019.

The BMA and the PRA intend to publish our findings at an aggregate level during Q1 2020, drawing attention to sectoral findings or learnings of interest at a market level.

About the BMA

The Bermuda Monetary Authority (“the Authority” or “BMA”) regulates Bermuda's financial services sector.

The Authority was established by statute in 1969. Its role has evolved over the years to meet changing needs in the financial services sector. Today it supervises, regulates and inspects financial institutions operating in the jurisdiction. It also issues Bermuda’s national currency, manages exchange control transactions, assists other authorities with the detection and prevention of financial crime, and advises Government on banking and other financial and monetary matters.

The Authority develops risk-based financial regulations that it applies to the supervision of Bermuda’s banks, trust companies, investment businesses, investment funds, fund administrators, money service businesses, corporate service providers and insurance companies. It also regulates the Bermuda Stock Exchange.