

## CLASS 3A – FILING REQUIREMENTS FOR THE 2020 FINANCIAL YEAR-END

### Filing requirements for the 2020 financial year-end for Class 3A (re)insurers

ITEM	REFERENCES	DETAILS
1.	<p><b>Statutory Financial Return (SFR)</b></p> <p>a. Section <b>15 to 18</b> of the Insurance Act 1978 (the Act)</p> <p>b. Insurance Accounts Rules 2016</p>	<p>The SFR includes:</p> <ol style="list-style-type: none"> <li>a. Insurer Information Sheet</li> <li>b. Auditor’s report</li> <li>c. Statutory Financial Statements Form 1SFS, Form 2SFS, Form 8SFS (including notes to the unconsolidated financial statements)</li> <li>d. Statutory Declaration of Compliance</li> </ol> <p><b>NOTES:</b></p> <ol style="list-style-type: none"> <li>1. The SFR is to be filed within <b>four months</b> after the end of the financial year or such longer period, not exceeding seven months, as the Authority may determine on the application of the insurer.</li> <li>2.</li> <li>3. The SFR may be reported in the currency the insurer chooses is appropriate.</li> <li>4. If an insurer has no investments in affiliates as reported on line 4 of the unconsolidated statutory financial statements, the insurer may select “No Subsidiaries” in the Company Information tab and complete the amended consolidated BSCR model.</li> <li>5. The Insurer Information Sheet and Statutory Financial Statements are included in the BSCR model and the Authority does not require a separate submission of these.</li> <li>6. Notes are only required for the Unconsolidated Statutory Financial Statements, which are included in Form 1SFS of the BSCR model</li> </ol>
2.	<p><b>Capital and Solvency Return (CSR)</b></p> <p>a. Section <b>6A</b> of the Act</p> <p>b. Insurance (Prudential Standards) (Class 3A Solvency Requirement) Rules 2011</p> <p>c. Insurance (Eligible Capital) Rules 2012</p> <p>d. Section 17A of the Act</p> <p>e. Insurance (Public Disclosure) Rules 2015</p> <p>f. Guidance Note Actuary’s Opinion on EBS Technical Provisions – December 2017</p>	<p>The CSR includes the BSCR and associated Schedules plus any supporting attachments (or where applicable, an approved internal capital model), specifically:</p> <ol style="list-style-type: none"> <li>1. Capital and Solvency Return Declaration;</li> <li>2. Sanctions – (for all insurers);</li> <li>3. BSCR Schedules - Form 1EBS, and Schedules II to VI &amp; Schedules XVIII to XXI;</li> <li>4. Commercial Insurer Solvency Self-Assessment (CISSA) – Schedule IX;</li> <li>5. Catastrophe Risk Return – Schedule X (where applicable)</li> <li>6. Eligible Capital – Schedule XII</li> <li>7. Commercial Insurer Risk Assessment (Operational Risk)</li> <li>8. Schedule of Regulated Non-Insurance Financial Operating Entities – Schedule XVI</li> <li>9. Schedule of Solvency – Schedule XVII</li> <li>10. Financial Condition Report (FCR)</li> <li>11. Opinion of a loss reserve specialist (on the EBS Technical Provisions)</li> <li>12. Attachments -             <ol style="list-style-type: none"> <li>1.) Governance and group structure,</li> </ol> </li> </ol>

			<ol style="list-style-type: none"> <li>2.) Organizational chart,</li> <li>3.) Ten largest exposures to counterparties,</li> <li>4.) Mutual fund disclosure,</li> <li>5.) Bonds and debentures that have been released in accordance with the NAIC,</li> <li>6.) Financial impact and description of stress scenarios,</li> <li>7.) CISSA attachments,</li> <li>8.) Reconciliation of company specific parameters,</li> <li>9.) Financial Condition Report,</li> <li>10.) Details of deposit assets and liabilities,</li> <li>11.) Form 1EBS attachments - collateral balances and sundry assets/liabilities,</li> <li>12.) Form 1 EBS attachments-general business reserves, and</li> <li>13.) Any other relevant attachments.</li> </ol> <p><b>NOTES:</b></p> <ol style="list-style-type: none"> <li>1. The CSR may be reported in the currency the insurer deems as appropriate.</li> <li>2. The CSR should be <b>filed within four months</b> after the end of the financial year or such longer period, not exceeding seven months, as the Authority may determine on the application of the insurer.</li> <li>3. <b>Declaration</b> of capital and solvency return should be signed by two <b>directors</b> and the insurer’s <b>principal representative</b>.</li> <li>4. The <b>FCR</b> should be signed by the i) chief executive of the insurer and any ii) senior executive responsible for actuarial or risk management or internal audit or compliance function. <u>The FCR is to be published on the insurer’s website within 14 days of the date the report was filed with the Authority.</u> If an insurer does not have a website, it is to furnish to the public a copy of its latest financial condition reporting within 10 days of receipt of a request made in writing.</li> <li>5. Both an electronic version and a printed copy of the CSR must be submitted which will include the SFR Forms. For an insurer to submit an electronic version only, the Authority will require insurers to submit via the “submit” macro embedded within the BSCR model. To ensure this is working properly, we encourage insurer’s IT department to work with the Authority on the submit functionality prior the submission deadline.</li> </ol>
3.	<b>Updated CSR Calculation for 2019 Year-End</b>	a. Insurance (Prudential Standards) (Class 3A Solvency Requirement) Rules 2011	<p><b>NOTES:</b></p> <p>For the 2020 year-end, insurers are required to complete the BSCR based on both the 2018 year-end methodology and the revised 2019 year-end CSR calculation (both methodologies are included in the latest release of the BSCR model) If an insurer wishes to determine their capital charge based on the revised methodology only, insurers are required to apply for permission via email request to <a href="mailto:RiskAnalytics@bma.bm">RiskAnalytics@bma.bm</a>.</p>

4.	<b>Audited Financial Statements</b>	a. Section 17A of the Act (and subsequent proposed amendments)	<p><b>Additional financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP)</b></p> <p>Such financial statements shall be prepared in accordance with any one of the following standards or principles —</p> <p>a. International Financial Reporting Standards (IFRS);</p> <p>b. Generally Accepted Accounting Principles (GAAP) that apply in Bermuda, Canada, the United Kingdom or the United States of America; or</p> <p>c. Such other GAAP as the Authority may recognise.</p> <p>Every insurer shall file with the Authority a copy of the <b>audited financial statements</b> prepared under this section (together with the notes to those statements and the auditor’s report thereon) <b>within a period of four months</b> from the end of the financial year to which the financial statements relate or such longer period, not exceeding seven months, as the Authority may determine on the application of the insurer.</p> <p><b>NOTE:</b> For the 2016 year-end, and beyond, <b>Class 3A insurers</b> may without regulatory approval submit condensed general purpose financial statements in accordance with the Insurance Account Rules 2016 instead of additional GAAP financial statements.</p>
5.	<b>Alternative Capital</b>	a. Insurance (Prudential Standards) (Class 3A Solvency Requirement) Rules 2011	<p>Alternative Capital is defined as “Insurers that conduct business that is financed by a mechanism other than shareholders’ capital of the (re)insurance company. This may take various forms such as catastrophe (cat) bonds, industry loss warrants, sidecars, collateralised reinsurers, longevity and mortality bond/swaps, hybrid securities such as preference shares, swaps, and contingent capital such as letters of credit, among others.”</p> <p>If insurers have such capital arrangements, insurers are to complete Schedule V(m) of the BSCR model.</p>



## **Bermuda General Business Insurers**

### **Changes to the 2020 BSCR Model**

Below are the changes from the 2019 to 2020 year-end model for Class 3A, 3B and 4 insurers:

- 1) Schedule V(e) – Stress / Scenario Tests
  - a. Financial Market Scenario – updated stress scenarios;
- 2) Schedule V(L) Segregated Accounts – revised segregated accounts schedule to align to the updated regulatory reporting requirements

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#### **Additional Guidance**

- i) “Information Sheet” tab paragraph (e) Filing Period – ensure that the filing period start date has been completed and is correct. Note that this will affect the transition rate for the BSCR calculation;
- ii) “Information Sheet” tab paragraph (g) Figures Translated to Bermuda Dollars – ensure that the exchange rate has been completed. Note for insurers that report in currencies other than the Bermuda Dollar or United States Dollar, that the exchange rate to report is the rate to convert the figures to Bermuda Dollar / United States Dollar.  
For example, if an insurer reported in Canadian Dollars with an exchange rate of CAD to BDA of 0.7657 and BDA to CAD of 1.3060.  
the exchange rate to report in paragraph (g) would be 0.7657
- iii) “Information Sheet” tab paragraph (m)(iv) – the Authority would like to advise that in relation to paragraph (m)(iv) a qualified opinion would not include qualifications for reporting its financial statements as condensed general purpose financial statements.