



31 August 2021

NOTICE

Material Change Notification under Section 30JA(1) of the Insurance Act 1978

Prior notification of changes filed pursuant to section 30JA(1) of the Insurance Act 1978 (Act) gives the Bermuda Monetary Authority (Authority or BMA) the opportunity to assess whether the impact of changes has the potential to alter the insurer's risk profile significantly.

Section 30JA(1) of the Act provides that, “For the purposes of section 30JB the following changes are material—

- (a) acquisition or transfer of insurance business being part of a scheme falling within, or any transaction relating to a scheme of arrangement under, section 25 of this Act or section 99 of the Companies Act 1981;
- (b) amalgamation with or acquisition of another firm;
- (c) *[Repealed by 2012 : 36 s. 17]*
- (d) engaging in unrelated business that is retail business;
- (e) acquisition of controlling interest in an undertaking that is engaged in non-insurance business which offers services and products to persons who are not affiliates of the insurer;
- (f) outsourcing all or substantially all of the functions of actuarial, risk management, compliance or internal audit;
- (g) outsourcing of all or a material part of an insurer’s underwriting activity;
- (h) transfer other than by way of reinsurance of all or substantially all of a line of business;
- (i) expansion into a material new line of business; and
- (j) the sale of an insurer;
- (k) outsourcing of an officer role.”¹

Section 30JB(1) of the Act requires that “No insurer shall effect a material change within the meaning of section 30JA(1) unless the requirements of subsection (4) have been satisfied.”

¹ Extracted from the Insurance Act 1978.

The requirements of section 30JB(4) that have to be satisfied are as follows:

- “(a) the insurer has served on the Authority a notice in writing stating that the insurer intends to effect such a material change; and
- (b) either the Authority has, before the end of the period of thirty days beginning with the date of service of that notice, notified the insurer in writing that there is no objection to the insurer effecting the material change, or that period has elapsed without the Authority having served the insurer with a written notice of objection to the material change.”

Insurers and designated insurers within a group are required to serve notice on the Authority of an intended material change, and the Authority shall be provided with the power to object to such notice served within 14 days of receipt under the proposed section 30JC of the Act.

Materiality under Section 30JA(1)(i)

The Authority has reviewed what amounts to material as it relates to an expansion into a new line of business and aims with this notice to provide guidance to prospective applicants on what constitutes an “expansion into a material new line” requiring prior notification to the Authority pursuant to Section 30JA(1)(i) of the Act.

An insurer’s expansion into a new line of business would be considered a material change and, therefore, warrant a formal notification requiring the Authority’s no objection before the insurer can effect the change if:

- 1) The new line of business relates to risks other than the risks of the insurer’s shareholder(s) and its affiliates (i.e., unrelated business²) and was not included in the insurer’s business plan shared with the Authority either during licensing or after licensing, and it exceeds one or both of the thresholds below:
 - (a) The new line of business’ projected Gross Premium Written (GPW) exceeds 20% of total unrelated business GPW, where an insurer is allowed to write unrelated business.
 - (b) Allocation of capital to the new line of business exceeds 20% of the insurer’s total statutory capital and surplus.
- 2) Notwithstanding (1) above, the new line of business relates to risks other than the risks of the insurer’s shareholder(s) and affiliates and the insurer, and its board of directors in its own assessment, deems the new line of business to significantly alter the insurer’s risk profile due to factors such as its size or lack of pre-existing expertise within the insurer’s staff and senior management or based on other internal benchmarks.

² For the purpose of this notice, unrelated business includes intercompany transactions where the primary or underlying policyholder(s) are not within the group or an affiliated entity.

If an insurer's new line of business meets any of the above criteria, the insurer shall file a formal notification pursuant to Section 30JA(1)(i)³. The notification shall include a cover letter describing the proposed business to be written, including:

- (a) any changes to the business plan arising as a result of the change;
- (b) a copy of the most recent management accounts;
- (c) the board of director's resolutions/minutes confirming its decision to write the new line of business;
- (d) pro forma financial statements showing the impact the new business will have on the financial position of the insurer;
- (e) a copy of the proposed insurance policy; and
- (f) the actuarial analysis to support the projected losses.

If the insurer has restrictions on its registration, the Authority may determine whether the insurer's registration will need to be updated as a result of the material change.

Please direct your queries to insuranceinfo@bma.bm.

³ Please email all applications to the following mailbox: Authorisations_eApplications@bma.bm.