



# **BERMUDA MONETARY AUTHORITY**

## **CONSULTATION PAPER**

### **DESIGNATING THE HEAD OF AN INTERNATIONALLY ACTIVE INSURANCE GROUP**

**May 2022**

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Licensed institutions and other stakeholders are invited to submit their views on the proposals set out in this paper. Comments should be sent to the Authority and addressed to [\*\*policy@bma.bm\*\*](mailto:policy@bma.bm) no later than 30 June 2022.

## **I. INTRODUCTION**

1. The Bermuda Monetary Authority (Authority or BMA) continues to review its supervisory regime to ensure its alignment with the International Association of Insurance Supervisors (IAIS) Common Framework (ComFrame) for Internationally Active Insurance Groups (IAIGs).
2. In 2020, the Authority published a Consultation Paper (CP) that introduced the concept of IAIGs. The CP proposed amendments to the Insurance Act 1978 (Insurance Act or Act) to provide criteria to identify the IAIG and empower the Authority to designate a group as an IAIG and prescribe rules for IAIGs.
3. Although not currently the group supervisor of any IAIG, the Authority intends to integrate the ComFrame requirements for IAIGs into Bermuda’s supervisory framework to allow the Authority to take on such a role in the future.
4. As such, the Authority proposes to amend the Insurance Act to outline the process which may be used in determining which entity within the IAIG will be designated as the head of the IAIG for group supervision purposes. It is proposed that the entity chosen will allow the Authority to exercise its supervisory powers over the IAIG most effectively. This may result in a group holding company rather than an insurance legal entity being designated as the head of the IAIG.
5. The draft amendments to the Act are outlined in this paper, and the Authority invites stakeholders to provide comments on these proposals.

## **II. APPLICATION AND PURPOSE OF PROPOSALS**

6. The Authority proposes to amend the Insurance Act to define “Head of the IAIG” and set out the considerations that the Authority will utilise to determine which entity within the insurance group should be designated for the purpose of group-wide supervision.
7. Under “Section 27A – Interpretation”, the Authority proposes to insert the following definition in the correct alphabetical order:

*“Head of the IAIG” means a member of an insurance group that has been designated by the Authority to be the head of the IAIG in accordance with section 27I.*

8. In line with the provisions set out under ComFrame section 23.1, the Authority proposes to insert a new section 27I, which empowers the Authority to determine which entity within the IAIG should be designated as the Head of the IAIG:

*Section 27I Designation of the Head of the IAIG*

- (1) Where the Authority has designated an insurance group as an IAIG in accordance with section 27H(1), it shall further designate a member of the IAIG to be the Head of the IAIG for the purposes of supervision, in accordance with subsection (2).*
- (2) In determining the member of an IAIG to be designated as the Head of the IAIG, the Authority shall have regard to the member that exercises control over-*
  - (a) all insurers in the group; and*
  - (b) other members of the group, which may pose a risk to the insurance business of the group.*
- (3) The Authority shall give notice in writing to the relevant member of the IAIG of its intention to designate it as Head of the IAIG under subsection (1).*
- (4) Where a notice is issued by the Authority pursuant to subsection (3), the Authority shall take into account any written representations made by the member of the IAIG within such period as it may specify in the notice prior to issuing its designation in accordance with subsection (1).*

9. Consideration of these factors is particularly relevant, where more than one entity controls all of the insurers. For example, where the IAIG has a structure with several intermediate holding companies, is a financial or industrial conglomerate, or has several insurance sub-groups. Ultimately, the Authority will consider the decision to designate such an entity on a case-by-case basis after considering the IAIG's structure and the Authority's ability to supervise it effectively.

### **III. CONCLUSION**

10. By outlining the process for determination of the Head of the IAIG, the Authority intends to continue developing its regime to oversee such entities to facilitate its role as group supervisor.
11. The Authority invites stakeholders to contribute their views on the proposals set out in this paper. Comments should be sent to [\*\*policy@bma.bm\*\*](mailto:policy@bma.bm) no later than the close of business on 30 June 2022.