



09 June 2022

STAKEHOLDER LETTER

RE: Legislative Enhancements to Innovative Classes, Introduction of Innovative Long-Term Insurer Class and Enhancements to Section 24 Dual-Licensed Insurers to Maintain Separate Accounts

The Bermuda Monetary Authority (Authority or BMA) would like to thank stakeholders for their continued support in furthering the development of the Bermuda regulatory framework by reviewing and providing comments on the [Consultation Paper: Legislative Enhancements to Innovative Long-Term Insurer Class and Enhancements to Section 24 Dual-Licensed Insurers to Maintain Separate Accounts](#).

The Authority appreciates the feedback received and is committed to working closely with stakeholders to ensure that the Bermuda regime continues to be aligned with international standards. Any enhancements made to the Insurance Act 1978 have been carefully considered and address the market's concerns.

The Authority's responses to the key substantive comments that were received are outlined below. Any stakeholder who needs further clarification or additional information on any issue should contact the Authority directly at policy@bma.bm.

Paragraph/ section	Stakeholder comment	The Authority's response
General comment on Class IILT	Based on the proposals in the consultation paper, the Class IILT is aligned closer to the limited purpose insurer regime. Does the Authority anticipate that the Class IILT will be aligned closer to the commercial insurer regime in the future?	The Authority's current approach aligns Class IILT's regulatory framework with the limited purpose insurers's framework. We believe this is appropriate at this time; however, the Class IILT Bermuda Solvency Capital Requirement (BSCR) model that will be published soon is designed to be flexible so that it can accommodate the company's risk profile as this sector grows. The BMA will also continue to work with industry to ensure that the Authority's model and overall framework are credible and fit for purpose.
	Can the Authority provide a comprehensive set of prudential	The Authority shall be publishing a comprehensive set of technical rules, which will contain the guidance and instructions associated with Class

	standards with regards to the Class IILT reporting framework?	IILT insurer's annual regulatory reporting requirements.
Paragraph/ section	Stakeholder comment	The Authority's response
	Are Class IILT insurers required to complete a comprehensive set of Economic Balance Sheet and Solvency Calculations (including enhanced capital requirement ratio) for their regulatory filings?	The Authority is proposing that the Class IILT annual regulatory requirement include its own set of BSCR models that will align with the relevant risk profiles associated with digital asset business risks. The current position of the Authority is that the sector is still in a very early stage of wider market adoption; therefore, the Authority is not prescribing the economic balance sheet valuation as a default valuation requirement, as this would be likely onerous for companies to comply fully. Nevertheless, this can be modified on a case-by-case basis, depending on the company's rationale and capability to provide the Authority with a more robust valuation method appropriate to such applications.
	Can the Authority confirm if the Class IILT entities' approved actuary is to opine their long-term reserves on an economic balance sheet or statutory basis?	The approved actuary for Class IILT will opine on the amount of reserves contained in the prescribed statutory balance sheet, which is part of the Class IILT BSCR which will be published later this year.