



BERMUDA

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E
SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2022

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SCHEDULE

The Bermuda Monetary Authority, in exercise of the power conferred by section 6A of the Insurance Act 1978, makes the following Rules:

Citation

1 These Rules may be cited as the Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Amendment (No. 2) Rules 2022.

Amends paragraph 6

2 Paragraph 6 of the Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 is amended as follows—

- (a) in subparagraph (1) by inserting “IVF,” after “IVA,”;
- (b) in subparagraph (2) by inserting “IVF,” after “IVA,”;
- (c) in subparagraph (3)(b) by inserting “IVF,” after “IVA,”.

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Inserts new paragraph 6A

3 The Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 are amended by inserting the following after paragraph 6—

“Quarterly financial return

6A (1) Every Class D and Class E insurer, where such insurer is not a member of an insurance group for which the Authority is the group supervisor, shall prepare and file quarterly financial returns with the Authority on or before the last day in the months of May, August and November of every year.

(2) A Class D and Class E insurer’s quarterly financial return shall comprise the following—

- (a) quarterly unaudited financial statements in respect of its business for each financial quarter, such statements should be the most recently produced and must not reflect a financial position that exceeds two months; and
- (b) intra-group transactions that the insurer is a party to and the insurer’s risk concentrations, which include—
 - (i) details of material intra-group transactions that have materialised since the most recent quarterly or annual financial returns prepared and filed, as the case may be, with the Authority by the insurer including (where applicable)—
 - (A) exposure value (face value or market value, if the latter is available);
 - (B) counterparties involved, including where they are located;
 - (C) summary details of the transactions including purpose, terms and transaction costs;
 - (D) duration of the transaction; and
 - (E) performance triggers;
 - (ii) details surrounding all intra-group reinsurance and retrocession arrangements, and other intra-group risk transfer insurance arrangements that have materialised since the most recent quarterly or annual financial returns prepared and filed as the case may be, with the Authority by the insurer including—
 - (A) aggregated values of the exposure limits (gross and net) by counterparties broken down by counterparty rating;
 - (B) aggregated premium flows between counterparties (gross and net); and

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- (C) the proportion of the insurer's insurance business exposure covered by internal reinsurance, retrocession and other risk transfer insurance business arrangements;
 - (iii) details of the ten largest exposures to unaffiliated counterparties and any other unaffiliated counterparty exposures or series of linked unaffiliated counterparty exposures exceeding 10% of the insurer's statutory capital and surplus, including—
 - (A) name of unaffiliated counterparty, including where the counterparty is located;
 - (B) exposure values (face value or market value, if the latter is available); and
 - (C) transaction type;
 - (c) ECR ratio for the financial quarter;
 - (d) total quoted bonds and total unquoted bonds allocated by the BSCR rating for the financial quarter.
- (3) Quarterly unaudited financial statements shall minimally include a balance sheet and income statement.
- (4) The information required to be included in the quarterly unaudited financial statements shall be information calculated to fulfil (in addition to any other purposes for which these Rules may require) the following purposes—
- (a) to give as early a warning as possible to any person examining the said statements (whether by way of notice of the observance or non-observance by the insurer of any ECR, or in any other way) of any financial or operational difficulties into which the insurer's business has fallen or might appear likely to fall; and
 - (b) to provide the basis on which the Authority or any other authority may in good time take action under the Act or any other statutory provision to exercise any statutory power available to it for the safeguarding of any element of the public interest involved in or affected by the insurers business.
- (5) In the exercise of its powers under section 6C of the Act, and without prejudice to the generality of that section, the Authority may direct that a Class D or Class E insurer may be exempt from filing the information required to be filed or modify the requirements under subparagraph (1) where—
- (a) the insurer is able to file with the Authority relevant information that is filed with the Group Supervisor of the group for which the insurer is a member that would satisfy the filing requirements under subparagraph (1) and with the timelines as directed under that subparagraph; or

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- (b) the Authority is able to obtain relevant information from the Group Supervisor of the group for which the insurer is a member pertaining to the information required to be filed under subparagraph (1) and within the timelines as directed under that subparagraph.”.

Inserts new Schedule IVF

4 The Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 are amended by inserting after Schedule IVA a new Schedule IVF entitled “Schedule of Risk Exposure” as set out in the Schedule to these Rules.

Amends Schedule XIII

5 The Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 are amended in Schedule XIII by inserting after Part IVA a new Part IVF entitled “Schedule of Risk Exposure” as set out in the Schedule to these Rules.

Commencement

6 These Rules are deemed to have come into operation on 1 July 2022.

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SCHEDULE

(paragraphs 4 and 5)

Schedule IVF (referred to in paragraph 4) and Part IVF of Schedule XIII (referred to in paragraph 5) are published in accordance with section 6A(8) of the Insurance Act 1978, on the website of the Authority, www.bma.bm.

Made this 4th day of November 2022

Chairman
Bermuda Monetary Authority

[Operative Date: 01 July 2022]