

**CLASS D and E – Filing Requirements for the 2022 financial year-end**

**Filing requirements for the 2022 financial year-end for Class D and Class E (re)insurers**

	<i>ITEM</i>	<i>REFERENCES</i>	<i>DETAILS</i>
1.	<b>Statutory Financial Return (SFR)</b>	a. Section <b>15 to 18</b> of the Insurance Act 1978 (Act) b. Insurance Account Rules 2016	The SFR includes: <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 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 Bermuda Monetary Authority (Authority) may determine on the application of the insurer.</li> <li>2. The SFR may be reported in the currency the insurer chooses is appropriate.</li> <li>3. 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>4. 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>5. Notes are only required for the Unconsolidated Statutory Financial Statements, which are included in Form 1SFS of the BSCR model</li> </ol>
2.	<b>Capital and Solvency Return (CSR)</b>	a. Section 6A of the Act b. The Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 c. Insurance (Eligible Capital) Rules 2012 d. Section <b>15A</b> of the Act e. Insurance (Public	The CSR includes the BSCR and associated Schedules plus any supporting attachments (or where applicable, an approved internal capital model), specifically: <ol style="list-style-type: none"> <li>a. Capital and Solvency Declaration</li> <li>b. AML Questionnaire – (for direct long-term insurers only)</li> <li>c. Sanctions – (for all insurers)</li> <li>d. BSCR Schedules - Form 4EBS, and Schedules II to VIIIA and Schedules XVIII to XXI</li> <li>e. Commercial Insurer Solvency Self-Assessment (CISSA) – Schedule IX</li> <li>f. Eligible Capital - Schedule XII</li> <li>g. Commercial Insurer Risk Assessment (Operational Risk)</li> <li>h. Schedule of Regulated Non-Insurance Financial Operating Entities – Schedule XVI</li> <li>i. Schedule of Solvency – Schedule XVII</li> <li>j. Financial Condition Report (FCR)</li> <li>k. Actuary's Opinion (on the EBS Technical Provisions)</li> </ol>

		<p>Disclosure) Rules 2015</p> <p>f. Guidance Note Actuary’s Opinion on EBS Technical Provisions – December 2017</p>	<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><u>filed within four months</u></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, risk management, internal audit or compliance function. <b><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></b> If an insurer does not have a website, it is to furnish to the public a copy of its latest FCR 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 an insurer’s information technology (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>	<p>a. The Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011</p>	<p><b>NOTES:</b></p> <p>For the 2022 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>	<p>a. Section 17A of the Act</p>	<p><b>Additional financial statements prepared in accordance with GAAP</b></p> <p>Such financial statements shall be prepared in accordance with any one of the following standards or principles —</p> <ol style="list-style-type: none"> <li>a. International Financial Reporting Standards (IFRS);</li> <li>b. Generally Accepted Accounting Principles (GAAP) that apply in Bermuda, Canada, the United Kingdom or the United States of America; or</li> <li>c. Such other GAAP as the Authority may recognise.</li> </ol> <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><u>17A (6) The Authority shall cause to be published in such manner as it considers appropriate a copy of every audited financial statement filed with it under subsection (5) together with the notes to those statements and the auditor’s report.</u></b></p>

5.	<b>Quarterly Financial Return</b>	a. The Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011	<p>Every insurer, where the insurer is not a member of a group for which the Authority is the group supervisor, shall prepare and file quarterly financial returns to the Authority on or before the last day in the months of <b>May, August and November</b> of every year.</p> <p>An insurer's quarterly financial return shall comprise the following –</p> <ol style="list-style-type: none"> <li>a. Quarterly unaudited financial statements in respect of its business for each financial quarter - shall minimally include a balance sheet and income statement.</li> <li>b. Intra-group transactions that the insurer is a party to and the insurer's risk concentrations including: <ol style="list-style-type: none"> <li>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, to the Authority by the insurer;</li> <li>ii. Details surrounding all intra-group reinsurance and retrocession arrangements, and other intra-group risk transfer insurance business arrangements that have materialised since the most recent quarterly or annual financial returns prepared and filed, as the case may be, to the Authority by the insurer; and</li> <li>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.</li> </ol> </li> <li>c. Enhanced Capital Requirement ratio;</li> <li>d. Commercial Insurers Solvency Self-Assessment; and</li> <li>e. Total Quoted Bonds and Unquoted Bonds by BSCR rating;</li> </ol>
6.	<b>Alternative Capital</b>	a. The Insurance (Prudential Standards) (Class C, Class D and Class E 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, collateralized 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 Long-Term Commercial Insurers**

### **Changes to the 2022 BSCR Model**

Below are the changes from the 2021 to 2022 year-end model for Long-Term insurers:

- 1) Schedule IIF (EBS) Other Sundry Assets and Liabilities – Equity Holdings has been amended for:
  - a) Section “28 Other Equities/Other Assets” linked to values reported on Form 4EBS Line 13(j) Other Sundry Liabilities);
  - b) Section “29 Letters of Credit” linked to values reported on Form 4EBS Line 14(d) Total Letters of Credit, Guarantees and Other Instruments
  - c) Section “30 Intangible Assets” linked to values reported on Form 4EBS Line 13(g) Intangible Assets,
  - d) Section “31 Pension Benefit Surplus” linked to values reported on Form 4EBS Line 13(i) Pension Benefit Surplus;

Note these cells are unprotected and can be amended accordingly

- 2) Schedule V(e) – Stress/Scenario Tests
  - a) Financial Market Scenario – updated stress scenarios;
- 3) Schedule VI – Schedule of Fixed Assets – Look through of all assets as reported on Form 1SFS and Form 4EBS by jurisdiction, BSCR rating (where applicable), amount, average yield to maturity (where applicable) and effective convexity (where applicable);
- 4) Schedule VIA – Schedule of Funds Held by Ceding Reinsurers – Look through of all Funds Held by Ceding Reinsurers by jurisdiction, BSCR rating (where applicable), amount, average yield to maturity (where applicable) and effective convexity (where applicable);
- 5) Summary tab (ECR Ratio Met)– the ECR Ratio validation check has been amended to include the Eligible Capital compliance results;

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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) Multiplier Exchange/Translation Rate 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 insurers reporting in Bermuda Dollar or United States Dollar, enter 1.000.

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.