



BERMUDA

INSURANCE (TECHNICAL STANDARDS) (CLASS IIGB INSURERS)  
(SOLVENCY REQUIREMENT) RULES 2020

BR 41 / 2020

TABLE OF CONTENTS

1	Citation
2	Interpretation
3	ECR
4	BSCR-IIGB model
5	Approved internal capital model
6	Capital and Solvency Return
7	Commencement

SCHEDULES

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 (Technical Standards) (Class IIGB Insurers) (Solvency Requirement) Rules 2020.

Interpretation

2 In these Rules, unless the context indicates otherwise—

“the Act” means the Insurance Act 1978;

“approved internal capital model” means an internal capital model approved by the Authority under paragraph 5;

INSURANCE (TECHNICAL STANDARDS) (CLASS IIGB INSURERS) (SOLVENCY REQUIREMENT) RULES 2020

---

- “available statutory capital and surplus” means the amount shown in Line 40 of Form 1SFS of Schedule I to the Insurance (Class IIGB Insurers) (Technical Standards) (Statements, Returns, and Capital Solvency) Rules 2020;
- “BSCR-IIGB model” means the Bermuda Solvency Capital Requirement - IIGB Insurers model set out in Schedule I to these Rules;
- “catastrophe risk” means the risk of a single catastrophic event or series of catastrophic events that lead to a significant deviation in actual claims from the total expected claims;
- “concentration risk” means the risk of exposure to losses associated with inadequate diversification of portfolios of assets or obligations;
- “credit risk” includes the risk of loss arising from a Class IIGB Insurer’s inability to collect funds from debtors;
- “currency risk” means the risk of losses resulting from movements in foreign currency exchange;
- “digital asset” has the meaning given in section 2(1) of the Digital Asset Business Act 2018;
- “digital asset risk” means the risk from the loss in value of any digital assets held by the Class IIGB Insurer, arising from multiple factors, such as but not limited to technological failures, loss of public confidence, government intervention, and all other factors surrounding the application of this emerging technology;
- “ECR” means “enhanced capital requirement” as defined in section 1(1) of the Act;
- “encumbered assets” means assets held for security or as collateral against a liability or contingent liability of the Class IIGB Insurer or other person or any other use restriction, excluding encumbered assets for policyholder obligations of the Insurer;
- “encumbered assets for policyholder obligations” means the total assets held for security or as collateral or otherwise restricted to meet the liabilities to the policyholders of the Class IIGB Insurer in the event of a loss;
- “fiat currency” has the meaning given in section 2(1) of the Digital Asset Business Act 2018;
- “Form 1SFS” means the Statutory Balance Sheet set out in Schedule I to the Insurance (Class IIGB Insurers) (Technical Standards) (Statements, Returns, and Capital Solvency) Rules 2020;
- “Form 2SFS” means the Statutory Statement of Income set out in Schedule I to the Insurance (Class IIGB Insurers) (Technical Standards) (Statements, Returns, and Capital Solvency) Rules 2020;
- “Form 8SFS” means the Statutory Statement of Capital and Surplus set out in Schedule I to the Insurance (Class IIGB Insurers) (Technical Standards) (Statements, Returns, and Capital Solvency) Rules 2020;

INSURANCE (TECHNICAL STANDARDS) (CLASS IIGB INSURERS) (SOLVENCY REQUIREMENT) RULES 2020

---

“fully-hedged arrangement” means an arrangement where a digital asset held by the Class IIGB Insurer is sourced from an insurance contract which requires that the resulting financial obligation will be paid in the same type of digital asset;

“group risk” means any risk of any kind, arising from membership of a group;

“insurance underwriting risk” means any or all of the following—

- (a) premium risk;
- (b) reserve risk;
- (c) catastrophe risk;

“legal risk” means the risk arising from a Class IIGB Insurer’s failure to comply with—

- (a) a statutory or regulatory obligation;
- (b) its bye-laws; or
- (c) its contractual agreement;

“liquidity risk” means the risk arising from a Class IIGB Insurer’s inability to meet its obligations as they fall due, or to meet such obligations except at excessive cost;

“market risk” means the risk arising from fluctuations in—

- (a) values of, or income from, assets or in interest rates or exchange rates; or
- (b) income from assets or interest rates or exchange rates;

“operational risk” means the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk;

“policyholder obligations” means the obligations set out in the aggregate of lines 16(a), 17(a) and 18 of Form 1SFS of Schedule I to the Insurance (Class IIGB Insurers) (Technical Standards) (Statements, Returns, and Capital Solvency) Rules 2020;

“premium risk” means the risk that premium is insufficient to meet future obligations;

“relevant year” means the financial year of the Class IIGB insurer;

“reputational risk” includes risk of adverse publicity regarding a Class IIGB Insurer’s business practices and associations;

“reserve risk” means the risk that a Class IIGB Insurer’s technical provisions may be insufficient to satisfy its obligations;

“stablecoin” means a digital asset that is fully collateralized by a fiat currency reserve and can be used at any point in time to redeem from the issuer of the stablecoin or the stablecoin issuer’s agent on a one-to-one basis;

INSURANCE (TECHNICAL STANDARDS) (CLASS IIGB INSURERS) (SOLVENCY REQUIREMENT) RULES 2020

---

“strategic risk” means the risk of a Class IIGB Insurer’s inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment;

“tail value-at-risk” (or “TVaR”) means the conditional average potential given that the loss outcome exceeds a given threshold.

ECR

3 (1) A Class IIGB Insurer’s ECR shall be calculated at the end of the relevant year by reference to—

- (a) the BSCR-IIGB model; or
- (b) the approved internal capital model,

provided that the ECR shall at all times be an amount equal to, or exceeding, the minimum margin of solvency required under section 6 of the Act.

(2) The ECR applicable to a Class IIGB Insurer shall be—

- (a) the ECR as calculated at the end of the most recent relevant year; or
- (b) the ECR calculated after an adjustment has been made by the Authority under section 6D of the Act and which has not otherwise been suspended under section 44A(4) of the Act,

whichever is later.

(3) Every Class IIGB Insurer shall maintain available statutory capital and surplus to an amount that is equal to or exceeds the value of the ECR.

BSCR-IIGB model

4 The BSCR-IIGB model set out in Schedule I has effect.

Approved internal capital model

5 (1) A Class IIGB Insurer may apply to the Authority for approval to use an internal capital model in substitution for the BSCR-IIGB model.

(2) Where the Authority is satisfied, having regard to subparagraph (3) that it is appropriate to do so, it may approve the internal capital model and may make its approval subject to conditions.

(3) In considering an application for approval of an internal capital model the Authority shall have regard to—

- (a) the appropriateness of the internal capital model for the determination of the Insurer’s capital requirement;
- (b) the extent to which the internal capital model has been integrated into the Insurer’s risk management program; and
- (c) the appropriateness of controls applicable to the creation and maintenance of the Insurer’s internal capital model.

INSURANCE (TECHNICAL STANDARDS) (CLASS IIGB INSURERS) (SOLVENCY REQUIREMENT) RULES 2020

---

- (4) The Authority shall serve notice on the Class IIGB Insurer of—
- (a) its decision to approve its internal capital model; or
  - (b) its decision to not approve its internal capital model, giving reasons for its decision.

(5) A Class IIGB Insurer served with a notice under subparagraph (4)(b) may, within a period of 28 days from the date of the notice, make written representations to the Authority; and where such representations have been made, the Authority shall take them into account in deciding whether to confirm its decision not to approve the Insurer's internal capital model.

(6) The Authority may revoke the approval given under subparagraph (2) if satisfied that the Class IIGB Insurer has breached a condition of the approval, or where the approved internal capital model is deemed by the Authority no longer appropriate for the determination of the ECR.

(7) The Authority shall serve notice to the Class IIGB Insurer of its proposal to revoke its approval of the Insurer's internal capital model, giving reasons for its proposal.

(8) A Class IIGB Insurer served with a notice under subparagraph (7) may, within a period of 28 days from the date of the notice, make written representations to the Authority; and where such representations have been made, the Authority shall take them into account in deciding whether to revoke its approval.

#### Capital and Solvency Return

6 (1) Schedules I, II, IIA, IIB, IIC, IID, IIE, IIF, III, IIIA, IV, IVC, IVD, IVE, V, VI, IX, X, XII, XIV, XV, XVI, XVII, XVIII, XIX, XIXA, XX, XXA, XXI, XXIA, XXIII, XXIV and XXV have effect.

(2) Every Class IIGB Insurer shall, on or before the filing date referred to in section 17(4)(b) of the Act, file with the Authority a Capital and Solvency Return which shall comprise—

- (a) an electronic version of—
    - (i) the BSCR-IIGB model; or
    - (ii) an approved internal capital model, where applicable; and
  - (b) the returns prescribed under Schedules II, IIA, IIB, IIC, IID, IIE, IIF, IIIA, IV, IVC, IVD, IVE, V, VI, IX, XII, XVI, XVII, XVIII, XIX, XIXA, XX, XXA, XXI, XXIA, XXIII, XXIV, and XXV.
- (3) The Capital and Solvency Return shall be accompanied with—
- (a) an opinion of its loss reserve specialist, which takes into account the Class IIGB Insurer's total business insurance reserves calculated in accordance with Line 19 of Form 1SFS of Schedule I to the Insurance (Class IIGB Insurers) (Technical Standards) (Statements, Returns, and Capital Solvency) Rules 2020; and

INSURANCE (TECHNICAL STANDARDS) (CLASS IIGB INSURERS) (SOLVENCY REQUIREMENT) RULES 2020

---

(b) a declaration signed by two directors of the Insurer and the Insurer's principal representative in Bermuda declaring that to the best of their knowledge and belief, the Return fairly represents the financial condition of the insurer in all material respects.

(4) Every Class IIGB Insurer shall keep a copy of its Capital and Solvency Return and the accompanying documents at its principal office for a period of five years beginning with its filing date, and shall produce a copy of the return and accompanying documents to the Authority if so directed by the Authority, on or before a date specified in the direction.

Commencement

7 These Rules come into operation on 30 April 2020.

INSURANCE (TECHNICAL STANDARDS) (CLASS IIGB INSURERS) (SOLVENCY  
REQUIREMENT) RULES 2020

---

SCHEDULES

(paragraph 4 and 6)

*Schedules I, II, IIA, IIB, IIC, IID, IIE, IIF, III, IIIA, IV, IVC, IVD, IVE, V, VI, IX, X, XII, XIV, XV, XVI, XVII, XVIII, XIX, XIXA, XX, XXA, XXI, XXIA, XXIII, XXIV and XXV have been omitted from these Rules and published on the Authority's website, [www.bma.bm](http://www.bma.bm), in accordance with section 6A(8) of the Insurance Act 1978.*

Made this 28th day of April 2020

Chairman  
The Bermuda Monetary Authority

[Operative Date: 30 April 2020]