



BERMUDA

INSURANCE (COLLATERALIZED INSURERS)  
(STATEMENTS, RETURNS, SOLVENCY AND CAPITAL) RULES 2020

BR 38 / 2020

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	Bermuda Solvency Capital Requirement - Collateralized Insurers

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 (Collateralized Insurers) (Statements, Returns, Solvency and Capital) Rules 2020.

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Interpretation

2 In these Rules, unless the context indicates otherwise—

“the Act” means the Insurance Act 1978;

“the Authority” means the Bermuda Monetary Authority;

“BSCR model” means the Bermuda Solvency Capital Requirement - Collateralized Insurers model set out in Schedule IIA;

“relevant year” means the financial year to which the Statutory Financial Statements, the Statutory Financial Return, or the Capital and Solvency Return relates;

“segregated account” has the meaning given in section 2(1) of the Segregated Accounts Companies Act 2000;

“statutory assets” means the assets established in conformity with the requirements of these Rules for the Statutory Balance Sheet of a Collateralized Insurer;

“statutory liabilities” means the liabilities established in conformity with the requirements of these Rules for the Statutory Balance Sheet of a Collateralized Insurer.

Application

3 These Rules apply to all Collateralized Insurers, subject to any exemptions or modifications granted by the Authority under section 6C of the Act.

Statements and Returns: General

4 (1) The Statutory Financial Statements, required under section 15 of the Act, shall be prepared in accordance with paragraphs 5 and 8 of these Rules.

(2) The Statutory Financial Return, required under section 18 of the Act, shall be prepared in accordance with paragraphs 6 and 8 of these Rules.

(3) Every Collateralized Insurer shall, for each relevant year, prepare a Capital and Solvency Return in accordance with paragraphs 7 and 8 of these Rules.

(4) A copy of the Statutory Financial Statements shall be filed with the Authority in accordance with section 17(4)(b) of the Act, accompanied with—

(a) the Statutory Financial Return; and

(b) the Capital and Solvency Return.

Statutory Financial Statements

5 (1) The Statutory Financial Statements shall consist of the Statutory Balance Sheet, the Statutory Statement of Income, and the Statutory Statement of Capital and Surplus.

(2) The—

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- (a) Statutory Balance Sheet shall be as set out in Form 1SFS of Schedule I;
  - (b) Statutory Statement of Income shall be as set out in Form 2SFS of Schedule I;
  - (c) Statutory Statement of Capital and Surplus shall be as set out in Form 8SFS of Schedule I.
- (3) The Forms referred to in subparagraph (2) must be prepared by populating the line items of the respective forms with the corresponding line items in the audited GAAP financial statements.
- (4) Where a Collateralized Insurer also has segregated accounts, the Insurer shall out—
- (a) combine the operations of its segregated accounts and general account in the combined Statutory Balance Sheet, the combined Statutory Statement of Income, and the combined Statutory Statement of Capital and Surplus;
  - (b) prepare the Statutory Balance Sheet, the Statutory Statement of Income, and the Statutory Statement of Capital and Surplus of its general account on an uncombined basis.

Statutory Financial Return

- 6 (1) The Statutory Financial Return shall consist of the Collateralized Insurer Information Sheet prepared in accordance with this paragraph.
- (2) The Collateralized Insurer Information Sheet shall state—
- (a) the name of the Insurer and bear the title “Statutory Financial Return”;
  - (b) the Insurer’s certificate of registration number;
  - (c) whether or not the Insurer’s Statutory Financial Statements are available at the Insurer’s principal office in Bermuda pursuant to section 17(1) of the Act, and have been filed pursuant to section 17(3) of the Act;
  - (d) the financial year covered by the Statutory Financial Return;
  - (e) the currency in which amounts are shown in the Statutory Financial Statements, and whether that currency is the currency in which those amounts are shown;
  - (f) the rate or rates of exchange used in compliance with paragraph 8(4) for the purposes of the Statutory Financial Statements;
  - (g) the name of the Insurer’s ultimate parent;
  - (h) the name of the Insurer’s parent company;
  - (i) the industry sector of the Insurer’s parent company;
  - (j) the Insurer’s ownership structure (for example, mutual company, company limited by shares, limited partnership, permit company, branch insurer, trust company, owned by a government or a government agency);

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- (k) the Insurer's organizational structure, including—
  - (i) whether the Insurer has written, or currently writes, long-term insurance business;
  - (ii) whether the Insurer wrote any long-term insurance business during the relevant year;
  - (iii) whether the Insurer has subsidiaries;
  - (iv) whether any subsidiaries wrote long-term insurance business during the relevant year;
  - (v) whether the Insurer's subsidiaries wrote long-term insurance business during the financial year;
  - (vi) if the Insurer's subsidiaries are located in jurisdictions outside of Bermuda, the names of such jurisdictions;
- (l) the nature of the insurance business carried on by the Insurer, including—
  - (i) whether the Insurer is a member of an insurance group;
  - (ii) whether the Insurer has segregated accounts;
  - (iii) whether the Insurer is in run-off;
  - (iv) whether the audit of the GAAP financial statements for the relevant year resulted in the issuance of an unqualified audit opinion and if a qualified opinion was issued, indicate the nature of the qualification;
  - (v) whether the minimum margin of solvency was met;
- (m) the conditions, if any, which have been imposed on the Insurer's registration by the Authority under section 4 of the Act;
- (n) whether the Insurer has complied with every condition attached to its certificate of registration;
- (o) the particulars, if any, of any direction issued or any approvals granted by the Authority;
- (p) if any statement in clause (m), (n) or (o) has been confirmed in the negative, whether or not the Insurer has taken corrective action in any case and, where the Insurer has taken such action, describe the action in a statement attached to the Return.

Capital and Solvency Return

7 (1) The Capital and Solvency Return shall consist of the BSCR model, the audited GAAP financial statements, and the opinion of a loss reserve specialist or the certificate of an actuary, all prepared in accordance with this paragraph.

(2) The BSCR model shall be an electronic version prepared in accordance with Schedule IIA.

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(3) The audited GAAP financial statements shall be prepared in accordance with—

- (a) IFRS;
- (b) GAAP that applies in Bermuda, Canada, the United Kingdom, or the United States of America;
- (c) Condensed GAAP prepared in accordance with the Insurance Account Rules 2016; or
- (d) such other GAAP as the Authority may recognize.

(4) Where—

- (a) an opinion of the loss reserve specialist is provided, the opinion must take into account the general business loss and loss expense of the Collateralized Insurer entered on line 17 of the Statutory Balance Sheet;
- (b) a certificate prepared by an actuary is provided, the certificate must take into account the amount of the Collateralized Insurer's liabilities outstanding on account of its long-term business as entered on line 27 of the Statutory Balance Sheet.

(5) The Capital and Solvency Return shall be accompanied with a declaration, signed by two directors of the Collateralized Insurer and the Insurer's principal representative in Bermuda, stating that to the best of their knowledge and belief, the Return fairly represents the financial condition of the Insurer in all material respects.

General requirements for Statements and Returns

8 (1) The Statutory Financial Statements, the Statutory Financial Return, the Capital and Solvency Return and all other documents required to be prepared under paragraphs 5 to 7 must be prepared in the English language.

(2) All amounts which are to be shown in any account of the Collateralized Insurer shall be shown in a single currency, and that currency shall be the currency in which the books and records of the Insurer are kept in the Insurer's principal office in Bermuda or, where different books and records are kept in different currencies in that office, then the currency in which the majority of those books and records are kept.

(3) Notwithstanding subparagraph (2), where the Authority pursuant to section 17(1) of the Act directs the production of the Statutory Financial Statements and amounts in those Statements are shown in a foreign currency, those amounts must be converted into their Bermudian equivalent before the Statements are produced.

(4) For the purposes of subparagraphs (2) and (3), the Bermudian equivalent of an amount in a foreign currency shall be the Bermudian dollar equivalent of that amount as converted into Bermudian dollars at the rate of exchange used by any licensed bank in Bermuda or any central bank in relation to purchases by that bank of that foreign currency on the last day of the relevant year.

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(5) For all items shown in any account of the Collateralized Insurer (other than a statutory open year business revenue statement), there shall be shown the corresponding amounts for the immediately preceding financial year.

Minimum margin of solvency

9 For the purposes of section 6 of the Act, the minimum amount by which the value of the statutory assets of a Collateralized Insurer must exceed its statutory liabilities is \$250,000.

ECR

10 (1) A Collateralized Insurer's ECR shall be calculated at the end of its financial year in accordance with the BSCR model, provided the ECR shall at all times be an amount equal to or exceeding the minimum margin of solvency calculated in accordance with paragraph 9.

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

- (a) the ECR as calculated at the end of its 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 Collateralized Insurer must maintain a total statutory capital and surplus to an amount that is equal to or exceeds the value of the ECR.

(4) Every Collateralized Insurer's total Statutory Capital and Surplus for the purpose of complying with the ECR shall be the amount entered on line 40 of the Statutory Balance Sheet less the assets held as collateral for the benefit of the Insurer's ceding (re)insurers entered in the 'Total collateral held on balance sheet' line of the Statutory Balance Sheet supplemental information, provided those assets are included in the total Statutory Capital and Surplus.

Commencement

11 These Rules come into operation on 30 April 2020.

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SCHEDULE I

(paragraph 5)

FORMS

*Schedule I has 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.*

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SCHEDULE IIA

(paragraph 7)

BERMUDA SOLVENCY CAPITAL  
REQUIREMENT - COLLATERALIZED INSURERS

*Schedule IIA has been omitted from these Rules and published on the Authority's website,  
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]