



BERMUDA

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

BR 16 / 1980

[made under sections 18 and 53 of the Insurance Act 1978 and brought into operation on 1 January 1980]

TABLE OF CONTENTS

1	Citation
2	Interpretation
3	Insurers to make statutory financial return in accordance with these Regulations
4	Return to relate to relevant year
5	Content of statutory financial return
6	Cover sheet
7	Auditor's report
8	General business solvency certificate
8A	Loss reserve opinion
9	Long term business solvency certificate
9A	Special purpose business solvency certificate
10	Minimum margin of solvency for general business
11	Minimum liquidity ratio for general business
12	Minimum margin of solvency for long-term business
12A	Minimum margin of solvency for special purpose business
13	Declaration of statutory ratios <i>[revoked]</i>
14	Actuary's certificate
14A	Schedule of ceded reinsurance <i>[revoked]</i>
14B	Annual statutory declaration
14C	Statement of changes of control
14D	Own risk assessment
14E	Underwriting analysis
14F	Schedule of segregated accounts
15	<i>[deleted]</i>
16	Requirements relating to preparation of returns generally
17	Offences

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

18 Commencement *[omitted]*

SCHEDULE I

General Business Solvency Margin

SCHEDULE II

Minimum Margin of Solvency for Long-Term Business

SCHEDULE III

Minimum Margin Of Solvency For Long-Term Business

[NB References to "Registrar" replaced throughout by references to "Supervisor" by 2001:27 s.4 effective 1 October 2001; references to "Supervisor" replaced throughout by references to "Authority", and consequential appropriate grammatical changes made, by 2001:33 s.5 effective 1 January 2002. These amendments are not individually noted in each place in which they occur.]

Citation

1 These Regulations may be cited as the Insurance Returns and Solvency Regulations 1980.

Interpretation

2 In these Regulations—

"accounts" means financial accounts;

"the Act" means the Insurance Act 1978 [*title 17 item 49*];

"affiliate" has the same meaning as in the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*];

"composite" and "section 24(6) composite" have the same meanings as in the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*];

"financial return" or "return" means statutory financial return;

"insurer" means a Class A, Class B, Class 1, Class 2, Class 3 insurer or Special Purpose Insurer, except where the context otherwise requires;

"relevant year" has the meaning assigned thereto in regulation 4(2);

"statutory financial statement", "statutory balance sheet", "statutory statement of income", "statutory statement of capital and surplus" and "statutory open year business revenue statement" have the same meanings as in the Insurance Accounts Regulations 1980;

"regulations" means regulations made under the Act.

"unrelated business", in relation to an insurer, means insurance business consisting of insuring risks of persons who are not shareholders in, or affiliates

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

of, the insurer; and “related business”, in relation to an insurer, means insurance business which is not unrelated business.

[Regulation 2 amended by BR 30/1989 effective 17 July 1989; “loss reserve specialist” deleted by BR 42/2005 effective 1 July 2005; “insurer” inserted by 2015 : 50 s. 15 effective 1 January 2016]

Insurers to make statutory financial return in accordance with these Regulations

3 Except as otherwise allowed by a direction made under section 56 of the Act affecting any insurer, the form of statutory financial return that every insurer is to send to the Authority pursuant to section 18(1) of the Act is the form that is prescribed in these Regulations; and, except as aforesaid, it shall be the duty of every insurer to send to the Authority pursuant to section 18(1) of the Act a return in that form.

Return to relate to relevant year

4 (1) Every return shall relate to the relevant year.

(2) In these Regulations “relevant year”, in relation to a return, means the financial year to which the statutory financial statements relate which are required to be available or filed by section 17 of the Act.

[Regulation 4 amended by 1995:20 effective 29 April 1995]

Content of statutory financial return

5 (1) The statutory financial return shall consist of the following documents—

(a) in every case—

(i) a cover sheet;

(ii) an auditor’s report in pursuance of section 16 of the Act; and

(iii) *[revoked]*

(b) where the insurer carried on general business in the relevant year, a solvency certificate within the meaning of section 33(5) of the Act (in these Regulations called a “general business solvency certificate”) in addition;

(bb) an opinion of a loss reserve specialist where such is required under—

(i) section 18B of the Act, or

(ii) the instructions in Part II and Part IV where applicable of Schedule III to the Insurance Accounts Regulations 1980, relating to line 17 of the statutory balance sheet, in which case it shall be accompanied by statutory financial statements and the notes to those statements,

in addition;

(c) where the insurer carried on long-term business in the relevant year—

(i) a long-term business solvency certificate; and

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (ii) an actuary's certificate in pursuance of section 27 of the Act, in addition; and
- (d) *[revoked]*
- (e) where the insurer carried on special purpose business in the relevant year, a special purpose business solvency certificate; and
- (f) annual statutory declaration;
- (g) statement of changes of control;
- (h) own risk statement;
- (i) underwriting analysis; and
- (j) schedule of segregated accounts.

(2) Regulations 6, 7, 8, 8A, 9, 9A, 13, 14 and 14A shall have effect as to the form and content of the cover sheet, the auditor's report, the general business solvency certificate, the loss reserve certificate, the long-term business solvency certificate, the special purpose business solvency certificate, the declaration of the statutory ratios, the actuary's certificate and the schedule of ceded reinsurance respectively.

[Regulation 5 amended by BR 30/1989 effective 17 July 1989; amended by 1995:20 effective 29 April 1995; amended by BR 2 / 2009 reg. 3 effective 31 December 2008; amended by 2015 : 50 s. 15 effective 1 January 2016]

Cover sheet

6 The cover sheet shall—

- (a) bear the name of the insurer and the title "Statutory Financial Return";
- (b) state the certificate of registration number;
- (c) state the class or classes of registration;
- (d) state the period covered by the return;
- (e) state the currency in which amounts are shown in the insurer's statutory financial statements and whether that currency is the currency in which those amounts are required by regulation 10(2) of the Insurance Accounts Regulations 1980 to be shown;
- (f) state the name of the insurer's ultimate parent;
- (g) state the name of the insurer's parent company;
- (h) state the industry sector of the insurer's parent;
- (i) state 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);
- (j) state the insurer's company structure;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (k) state the nature of the insurance business carried on by the insurer, including but not limited to—
 - (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;
- (l) state the conditions, if any, which have been imposed on the insurer's registration under section 4 of the Act;
- (m) state the particulars, if any, of any direction issued by the Authority;
- (n) state the classes of business written and separated by Class of Business type, Gross Premium Written, Premium Ceded, Net Premium Written, Net Earned Premium, Net Known Loss and Loss Expense Provision, and Net Loss Incurred but Not Reported;
- (o) state any non-Bermuda branches or subsidiaries within the insurance group (if applicable);
- (p) state the names of all of the insurer's directors, the effective date of appointment of each director, the effective date any director ceased to act, and the title and position held by any director (if applicable); and
- (q) state the names of all of the insurer's officers, the effective start date of employment of all officers, the date any officer ceased to act, and the title and position held by any officer.

[Regulation 6 amended by BR 30/1989 effective 17 July 1989; paras (aa) to (ac) inserted by BR 42/2005 effective 1 July 2005; revoked and substituted by 2015 : 50 s. 15 effective 1 January 2016]

Auditor's report

- 7 (1) The auditor's report shall be signed by the insurer's approved auditor and addressed to the Authority, and shall state—
- (a) that the auditor has carried out a proper examination of the insurer's statutory financial statements, and that that examination was conducted, and the auditor's report has been prepared, in accordance with an auditing standard recognised by the Authority;
 - (b) whether in his opinion the statutory financial statements have been prepared in accordance with the requirements of the Act and of any applicable regulations;
 - (c) whether in his opinion—
 - (i) the solvency certificate complies, or, where the case requires, the solvency certificates comply, with the requirements of these Regulations; and
 - (ii) it was reasonable for the persons signing such a certificate to have arrived at the opinions expressed in the certificate.

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

(d) *[revoked]*

(2) Where any event specified in paragraph (3) occurs in relation to an audit, the auditor shall qualify his report accordingly and include in his report such observations, whether of fact or opinion, as he considers necessary for bringing the nature and effect of the qualifications to the attention of the Authority.

(3) The events referred to in paragraph (2) are—

(a) there were deficiencies in the audit consisting of—

- (i) inability of the auditor to obtain essential information; or
- (ii) restrictions on the scope of the audit; or
- (iii) some other deficiency or deficiencies;

(b) the auditor disagreed with any valuation made in the statutory financial statements;

(c) in some respect or respects the statutory financial statements or the certificates of solvency do not in his opinion comply with the requirements of the Act or any applicable regulations;

(d) the auditor considered an opinion or opinions expressed in a solvency certificate unreasonable; and

(e) the auditor considered that there was a significant doubt as to the insurer's ability to continue as a going concern.

[Regulation 7 amended by 1995:20 effective 29 April 1995; para (1)(a) amended by BR 42/2005 effective 1 July 2005; paras (1) and (3) amended by 2015 : 50 s. 15 effective 1 January 2016]

General business solvency certificate

8 (1) A general business solvency certificate shall relate to the general business of the insurer and shall be signed—

- (a) by at least two directors of the insurer (of whom one must be a director resident in Bermuda if the insurer has a director so resident); and
- (b) by the insurer's principal representative in Bermuda.

(2) The said certificate shall state—

(a) in relation to Class 1 insurers, Class 2 insurers and Class 3 insurers, the amount prescribed by regulation 10 as the minimum margin of solvency, and whether it was met;

(b) whether or not the said statements are available at the insurer's principal office in Bermuda pursuant to section 17(1) or, as the case may be, have been filed pursuant to section 17(3) of the Act;

(bb) whether or not the insurer has complied with every condition attached to its certificate of registration;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (c) the aggregate value of the insurer's assets as shown in the statutory balance sheet for the relevant year, in this sub-paragraph called "the statutory balance sheet assets value", and whether or not in the opinion of those signing the certificate—
 - (i) the statutory balance sheet assets value was determined in accordance with the requirements of the Act and of any applicable regulations;
 - (ii) the value of the insurer's assets at the end of the relevant year was in the aggregate at least equal to the statutory balance sheet assets value;
- (d) whether or not in the opinion of those signing the certificate the aggregate amount of the insurer's liabilities at the end of the relevant year (after taking into account all prospective and contingent liabilities, but not liabilities in respect of share capital) is not more than the aggregate amount of the liabilities as shown in the insurer's statutory balance sheet for that year;
- (e) the following amounts as shown in the insurer's statutory statement of income for the relevant year—
 - (i) the aggregate amount of the gross premiums written;
 - (ii) the aggregate amount of the reinsurance premiums ceded;
 - (iii) the aggregate amount of the net premiums written, including the aggregate amount of net premiums shown in the statutory open year business revenue statement (if such a statement was annexed to the statutory statement of income);
- (f) *[revoked]*
- (g) whether any accounts of the insurer for the relevant year have been audited for any purpose other than the purposes of these Regulations;
- (h) whether or not the minimum liquidity ratio applicable to the insurer for the relevant year was met;
- (i) the amount prescribed by regulation 10 as the minimum margin of solvency, and whether it was met;
- (j) the aggregate amount of the statutory capital and surplus as shown in the insurer's statutory statement of capital and surplus for the relevant year;
- (k) the currency in which amounts in the insurer's statutory financial statements for the relevant year have been shown;
- (l) the rate of exchange used, in compliance with paragraphs (2) and (3) of regulation 16, for the purposes of any statement called for by this regulation;
- (m) if any question in sub-paragraph (bb), (h) or (i) of this paragraph has been answered in the negative, whether or not the insurer has taken corrective

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

action in any case and, where the insurer has taken such action, describe the action in a statement attached to the certificate.

[Regulation 8 amended by BR 30/1989 effective 17 July 1989; amended by 1995:20 effective 29 April 1995; paragraph (2)(i) amended by 2010 : 60 Sch. I effective 31 December 2010; paragraph (2)(a) deleted and substituted by 2015 : 31 s. 17 effective 13 July 2015; paragraph (2)(f) revoked by 2015 : 50 s. 15 effective 1 January 2016]

Loss reserve opinion

8A (1) A loss reserve opinion shall relate to the general business of the insurer and shall be signed and dated by a loss reserve specialist.

(2) In such an opinion the loss reserve specialist shall state to what extent the instructions in Part IV (Classes 1, 2, and 3) of Schedule III to the Insurance Accounts Regulations 1980 relating to line 17 of the statutory balance sheet, in so far as those instructions call for the opinion of a loss reserve specialist, have been complied with.

[Regulation 8A substituted by 1995:20 effective 29 April 1995; amended by 2013 : 46 Sch.II effective 1 January 2014; paragraph (2) amended by 2015 : 31 s. 17 effective 13 July 2015; paragraph (2) amended by 2015 : 50 s. 15 effective 1 January 2016]

Long term business solvency certificate

9 (1) A long-term business solvency certificate shall relate to the long-term business of the insurer and shall be signed—

- (a) by at least two directors of the insurer (of whom one must be a director resident in Bermuda if the insurer has a director so resident); and
- (b) by the insurer's principal representative in Bermuda.

(2) The said certificate shall state—

- (a) whether or not the insurer has prepared statutory financial statements in respect of the relevant year;
- (b) whether or not the said statements are available at the insurer's principal office in Bermuda pursuant to section 17(1) of the Act;
- (bb) whether or not the insurer has complied with every condition to its certificate of registration;
- (c) the aggregate value of the insurer's assets as shown in the statutory balance sheet for the relevant year, in this sub-paragraph called "the statutory balance sheet assets value", and whether or not in the opinion of those signing the certificate—
 - (i) the statutory balance sheet assets value was determined in accordance with the requirements of the Act and of any applicable regulations;
 - (ii) the value of the insurer's assets at the end of the relevant year was in the aggregate at least equal to the statutory balance sheet assets value;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (d) whether or not in the opinion of those signing the certificate the aggregate amount of the insurer's liabilities at the end of the relevant year (after taking into account all prospective and contingent liabilities, but not liabilities in respect of share capital) is not more than the aggregate amount of the liabilities as shown in the insurer's statutory balance sheet for that year;
- (e) in relation to Class A insurers and Class B insurers, the minimum margin of solvency for long-term business prescribed by regulation 12(1), and whether that margin was met;
- (f) whether any accounts of the insurer for the relevant year have been audited for any purpose other than the purposes of these Regulations;
- (g) the aggregate amount of the statutory capital and surplus as shown in the insurer's statutory statement of capital and surplus for the relevant year;
- (h) the currency in which amounts in the insurer's statutory financial statements for the relevant year have been shown;
- (hh) the rate of exchange used, in compliance with paragraphs (2) and (3) of regulation 16, for the purposes of any statement called for by this regulation;
- (i) the aggregate amount of the premiums and other considerations shown on line 19(e)(iv) of the insurer's statutory statement of income for the relevant year;
- (j) if any question in sub-paragraph (bb) or (e) of this paragraph has been answered in the negative, whether or not the insurer has taken corrective action in any case and, where the insurer has taken such action, described the action in a statement attached to the certificate.

[Regulation 9 amended by BR 39/1981 effective 3 July 1981; amended by BR 30/1989 effective 17 July 1989; paragraph (2)(e) amended by 2010 : 60 Sch. 1 effective 31 December 2010; paragraph (2)(i) amended by 2012 : 36 s. 21 effective 1 January 2013; paragraph (2)(e) deleted and substituted by 2015 : 31 s. 17 effective 13 July 2015]

Special purpose business solvency certificate

9A (1) A special purpose business solvency certificate shall relate to the special purpose business of the insurer and shall be signed—

- (a) by at least two directors of the insurer (of whom one must be a director resident in Bermuda if the insurer has a director so resident); and
 - (b) by the insurer's principal representative in Bermuda.
- (2) The said certificate shall state—
- (a) whether or not the insurer has prepared statutory financial statements in respect of the relevant year;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (b) whether or not the said statements are available at the insurer's principal office in Bermuda pursuant to section 17(1) or, as the case may be, have been filed pursuant to section 17(3) of the Act;
- (c) whether or not the insurer has complied with every condition attached to its certificate of registration;
- (d) the aggregate value of the insurer's assets as shown in the statutory balance sheet for the relevant year, in this sub-paragraph called "the statutory balance sheet assets value", and whether or not in the opinion of those signing the certificate—
 - (i) the statutory balance sheet assets value was determined in accordance with the requirements of the Act and of any applicable regulations;
 - (ii) the value of the insurer's assets at the end of the relevant year was in the aggregate at least equal to the statutory balance sheet assets value;
- (e) whether or not in the opinion of those signing the certificate the aggregate amount of the insurer's liabilities at the end of the relevant year (after taking into account all prospective and contingent liabilities, but not liabilities in respect of share capital) is not more than the aggregate amount of the liabilities as shown in the insurer's statutory balance sheet for that year;
- (f) the following amounts as shown in the insurer's statutory statement of income for the relevant year—
 - (i) the aggregate amount of the gross premiums written;
 - (ii) the aggregate amount of the reinsurance premiums ceded;
 - (iii) the aggregate amount of the net premiums written shown on line 3 of the insurer's statutory statement of income for the relevant year;
 - (iv) the aggregate amount of the premiums and other considerations shown on line 19(d) of the insurer's statutory statement of income for the relevant year;
- (g) whether any accounts of the insurer for the relevant year have been audited for any purpose other than the purposes of these Regulations;
- (h) the minimum special purpose business solvency margin prescribed by regulation 12A, and whether that margin was met;
- (i) whether the insurer's special purpose business is fully funded in accordance with the definition of special purpose business in section 1 of the Act
- (j) the aggregate amount of the statutory capital and surplus as shown in the insurer's statutory statement of capital and surplus for the relevant year;
- (k) the currency in which amounts in the insurer's statutory financial statements for the relevant year have been shown;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (l) the rate of exchange used, in compliance with paragraphs (2) and (3) of regulation 16, for the purposes of any statement called for by this regulation;
- (m) if any question in sub-paragraph (c), (h) or (i) of this paragraph has been answered in the negative, whether or not the insurer has taken corrective action in any case and, where the insurer has taken such action, a description of the action in a statement attached to the certificate.

[Regulation 9A added by BR 2 / 2009 reg. 4 effective 31 December 2008]

Minimum margin of solvency for general business

10 (1) For the purposes of section 6 of the Act, the minimum amount by which the value of the general business assets of an insurer must exceed its general business liabilities is the greatest of figure A and figure B, where those letters represent values calculated, in relation to that insurer, in accordance with Schedule I.

(1A) *[revoked by 2015:50]*

(2) *[deleted by 1995:20]*

(2A) *[deleted by 1995:20]*

(3) In this regulation—

“general business assets” “general business liabilities” respectively mean assets and liabilities established in conformity with the requirements of the Insurance Accounts Regulations 1980 *[title 17 item 49(a)]* for the statutory balance sheet of an insurer carrying on general business;

“insurer” includes, in relation to section 6 of the Act, a body applying for registration as an insurer under the Act.

[Regulation 10 amended by BR 30/1989 effective 17 July 1989; amended by 1995:20 effective 29 April 1995; paragraph (1) amended by 2010 : 60 Sch. I effective 31 December 2010; paragraph (1) amended and paragraph (1A) inserted by 2013:46 Sch.II effective 1 January 2014; paragraph (1) amended by 2015 : 2 s. 10 effective 27 February 2015; paragraph (1) amended and paragraph (1A) revoked by 2015 : 50 s. 15 effective 1 January 2016]

Minimum liquidity ratio for general business

11 (1) The minimum proportion that the liquid assets of an insurer carrying on general business may bear to such an insurer’s liabilities (in these Regulations called “the minimum liquidity ratio”) shall be that set forth in this regulation.

(2) The value of the relevant assets of an insurer carrying on general business shall be not less than seventy-five per centum of the amount of its relevant liabilities, unless the insurer is a section 24(6) composite.

(3) The value of the relevant assets of a section 24(6) composite shall be not less than one hundred per centum of the amount of its relevant liabilities.

(4) In this regulation—

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

“relevant assets” means the assets required by the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*] to be shown on lines 1, 2, 3(a), 5(a), 9, 10, 11 and 12—

- (a) where the insurer is not a section 24(6) composite, of the insurer’s statutory balance sheet for general business;
- (b) where the insurer is a section 24 (6) composite, of the insurer’s statutory balance sheet,

including any other assets which the Supervisor, on application in any particular case made to him with reasons, accepts for the purposes of this definition in that case;

“relevant liabilities” means, in relation to an insurer, the aggregate of the insurer’s liabilities required by the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*] to be show on lines 19 and 38 of the statutory balance sheet less the aggregate of the insurer’s liabilities required by those Regulations to be shown on lines 31(b), 36 and 37 thereof.

[Regulation 11 amended by 2001:27 effective 1 October 2001]

Minimum margin of solvency for long-term business

12 (1) For the purposes of section 6 of the Act, the prescribed amount by which the value of the long-term business assets of an insurer carrying on long-term business must exceed its long term business liabilities is the amount specified in Schedule II in relation to the relevant class of long-term insurer.

(1A) *[revoked by 2015 : 50]*

(2) In this regulation—

“long-term business assets” and “long-term business liabilities” respectively mean assets and liabilities established in conformity with the requirements of the Insurance Accounts Regulations 1980 for the statutory balance sheet of an insurer carrying on long-term business;

“insurer” includes, in relation to section 6 of the Act, a body applying for registration as an insurer under the Act.

[Regulation 12 paragraph (1) deleted and substituted by 2010 : 60 Sch. I effective 31 December 2010; paragraph (1A) inserted by 2013:46 Sch. II effective 1 January 2014; paragraph (1) amended by 2015 : 2 s. 10 effective 27 February 2015; paragraph (1A) revoked by 2015 : 50 s. 15 effective 1 January 2016]

Minimum margin of solvency for special purpose business

12A (1) The amount of \$1 dollar is hereby prescribed—

- (a) for the purposes of section 6(1) of the Act as the prescribed amount; and
- (b) for the purposes of the statement called for by regulation 9A(2)(h), as the minimum special purpose business solvency margin, by which the value of the special purpose business assets of an insurer carrying on special

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

purpose business must exceed the amount of its special purpose business liabilities.

(2) In this regulation—

“special purpose business assets” and “special purpose business liabilities” respectively mean assets and liabilities established in conformity with the requirements of the Insurance Accounts Regulations 1980 for the statutory balance sheet of a special purpose insurer carrying on special purpose business;

“insurer” includes, in relation to section 6 of the Act, a body applying for registration as an insurer under the Act.

[Regulation 12A added by BR 2 / 2009 reg. 5 effective 31 December 2008]

Declaration of statutory ratios

13 *[revoked by 2015 : 50]*

[Regulation 13 revoked by 2015 : 50 s. 15 effective 1 January 2016]

Actuary’s certificate

14 (1) The actuary’s certificate shall relate to the long-term business of a Class A or Class B insurer and shall be signed and dated by the insurer’s approved actuary.

(2) A Class A or Class B insurer’s approved actuary shall state, in an opinion, to what extent the instructions in Part III of Schedule III to the Insurance Accounts Regulations 1980 relating to Line 27(d) of the statutory balance sheet, in so far as those instructions call for the opinion of an approved actuary, have been complied with.

[Regulation 14 revoked and replaced by 2013 : 46 Sch.II effective 1 January 2014; paragraphs (1) and (2) amended by 2015 : 31 s. 17 effective 13 July 2015]

Schedule of ceded reinsurance

14A *[revoked by 2015 : 50]*

[Regulation 14A inserted by 1995:20 effective 29 April 1995; revoked by 2015 : 50 s. 15 effective 1 January 2016]

Annual statutory declaration

14B An annual statutory declaration shall be signed by at least two directors of the insurer and by the insurer’s principal representative in Bermuda, and shall state whether—

- (a) the information in the latest statutory financial return, including any supporting schedules and attachments, fairly represents the financial condition and position of the insurer in all material respects and are in compliance with the Act, any applicable regulations, the Insurance Code of Conduct and any direction, condition or restriction imposed on the insurer by the Authority;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (b) the insurer has sufficient resources as at the date of the latest statutory balance sheet to enable the insurer to continue as a going concern, and to satisfy its obligations as and when they fall due for a period of twelve months post the relevant balance sheet date.

[Regulation 14B inserted by 2015 : 50 s. 15 effective 1 January 2016]

Statement of changes of control

14C An insurer shall provide a statement of changes of control relating to the relevant year which shall—

- (a) confirm any change of an insurer's shareholder controllers since the last statutory financial return;
- (b) state the year-end date;
- (c) attach a register of shareholder controllers of the insurer, confirming the following—
 - (i) any increase or decrease in the number of shareholder controllers;
 - (ii) changes to the position that a shareholder controller is appointed to or holds an office in;
 - (iii) changes in the ownership percentage of a shareholder controller (whether increase or decrease);
 - (iv) the date a person became a new shareholder controller;
 - (v) the date a person ceased to be a shareholder controller;
- (d) state the name of the ultimate parent company;
- (e) state the industry of operation of the ultimate parent company;
- (f) state the jurisdiction and name of the direct parent company;
- (g) state the jurisdiction of the ultimate parent company;
- (h) state whether or not there has been any change of directors since the filing of the last statutory financial return; if yes, provide—
 - (i) the number of new directors;
 - (ii) the first and last name of each new director and his title;
 - (iii) the date of birth of each director;
 - (iv) the date a director was appointed;
 - (v) the date a director ceased to act;
- (i) state whether or not a registered insurance manager has been appointed to manage the insurer's affairs; if no such manager has been appointed, state—

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (i) the number of officers of the insurer;
- (ii) the title and first and last name of each officer;
- (iii) the date of birth of each officer;
- (j) state whether or not there has been any change of officers since the filing of the last statutory financial return; if yes, provide—
 - (i) the number of new officers;
 - (ii) the title and first and last name of each new officer;
 - (iii) the date of birth of each officer;
 - (iv) the date an officer was appointed;
 - (v) the date an officer ceased to act.

[Regulation 14C inserted by 2015 : 50 s. 15 effective 1 January 2016]

Own risk assessment

14D An insurer's own risk assessment shall provide—

- (a) an overview of the insurance programme (including but not limited to affiliated, third party, source of business, and details of policy limits or aggregate limits);
- (b) details of any significant changes planned for the next 12 months;
- (c) confirmation of fronting insurer or insurers, if applicable;
- (d) details of any investment in, and advances to, affiliates (over 10% of the amount stated on line 4 of the statutory balance sheet) by including—
 - (i) name of affiliate;
 - (ii) nature of balance;
 - (iii) inter-company balances and obligations;
- (e) details of any reinsurance by including—
 - (i) name of reinsurer or reinsurers;
 - (ii) premiums ceded;
 - (iii) paid loss recoverable;
 - (iv) reinsurance recoverable on loss expense provisions or insurance reserves;
- (f) details of any collateral including but not limited to—
 - (i) collateral posted to contracts written to policy limits;
 - (ii) collateral (for example, funds withheld or letters of credit);

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (iii) form of collateral;
- (iv) amount of collateral provided;
- (v) amount of assets encumbered;
- (g) details of the number of employees of the insurer residing in Bermuda;
- (h) details of the discount on loss reserves by—
 - (i) line of business;
 - (ii) discount rate or range of rates;
 - (iii) amount of discount on loss reserves;
- (i) details of investments based on own risk assessment (“ORA”) rate of—

ORA Rating Category	S&P	Moody's	AM Best	Fitch	
1	ORA Rating 1	AAA	Aaa	A++	AAA
2	ORA Rating 2	AA+ to AA-	Aa1 to Aa3	A+	AA+ to AA-
3	ORA Rating 3	A+ to A-	A1 to A3	A	A+ to A-
4	ORA Rating 4	BBB+ to BBB-	Baa1 to Baa3	A-	BBB+ to BBB-
5	ORA Rating 5	BB+ to BB-	Ba1 to Ba3	B++ to B	BB+ to BB-
6	ORA Rating 6	B+ to B-	B1 to B3	B- to C+	B+ to B-
7	ORA Rating 7	CCC+ to CCC-	Caa1 to Caa3	C to C-	CCC+ to CCC-
8	ORA Rating 8	Below CCC-	Below Caa3	Below C-	Below CCC-

- (j) details of known or notified legal actions, disputes or arbitration;
- (k) risk register;
- (l) risk appetite;
- (m) investment guidelines.

[Regulation 14D inserted by 2015 : 50 s. 15 effective 1 January 2016]

Underwriting analysis

14E An insurer shall provide details of its underwriting analysis as follows—

- (a) the statutory lines of general business written, as set out in Table A, by—
 - (i) gross premium written;
 - (ii) net premium written;
 - (iii) related gross premiums written;
 - (iv) unrelated gross premiums written;
 - (v) connected gross premiums written;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (vi) insurance premiums written;
- (vii) reinsurance premiums written;

<u>Table A</u>	
1	Accident and Health, Travel, Personal Accident
2	Agriculture
3	Aviation - Hull, Liability and War
4	Construction
5	Credit/Surety
6	Crime and Fidelity
7	Cyber Risk
8	Energy - Onshore and Offshore
9	Environmental Risk
10	General liability - Public, Products, Umbrella, Product recall
11	Marine - P&I, Cargo, Hull and Liability, War
12	Medical Malpractice
13	Mortgage
14	Motor - APD and Liability
15	Political Risks
16	Professional Liability - Professional Indemnity, D&O, Bankers Blanket, E&O
17	Property and Casualty Catastrophe
18	Property Damage and Business Interruption
19	Property Retrocession
20	Finite Reinsurance
21	Terrorism
22	Warranty, Residual Value
23	Workers Compensation/Employers Liability
24	Incidental long-term business (not to be included if a composite licence)

- (b) details of the geographical location of the general business gross premiums written;
- (c) details of the statutory lines of long-term business written, as set out in Table B, by—
 - (i) gross premium written;
 - (ii) net premium written;
 - (iii) related gross premiums written;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (iv) unrelated gross premiums written;
- (v) connected gross premiums written;
- (vi) insurance premiums written;
- (vii) reinsurance premiums written;

<u>Table B</u>	
1	Mortality
2	Critical Illness
3	Longevity
4	Deferred Annuities
5	Disability Income: Active lives with premium guarantee of—
	(a) Less than or equal to 1 year
	(b) More than 1 year but less than 5 years
	(c) Greater than 5 years
6	Disability Income: Active lives for other accident and sickness
7	Disability Income: Claims in payment
8	Disability Income: Claims in payment for other accident and sickness
9	Group Life
10	Group Disability
11	Group Health
12	Stop Loss
13	Rider
14	Variable Annuities

- (d) details of geographical location of the long-term business gross premiums written.

[Regulation 14E inserted by 2015 : 50 s. 15 effective 1 January 2016]

Schedule of segregated accounts

14F An insurer shall provide the following information for each segregated cell by statutory lines of business written under the schedule of segregated accounts—

- (a) the cell reference number;
- (b) the name;
- (c) total assets;
- (d) total liabilities;
- (e) statutory capital and surplus;

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

- (f) cash and investments;
- (g) net loss reserves;
- (h) reinsurance recoverables;
- (i) statutory lines of business written as set out in Tables A and B;
- (j) gross premiums written;
- (k) net premiums written;
- (l) currency used;
- (m) confirm whether the insurance business written by a segregated account cell is business that meets the definition in the Act of business that can ordinarily be written by a Class 1, Class 2, Class 3, Class A or Class B insurance business (with the exception that the insurance business written is that which is assumed from an affiliate insurer is deemed by the Authority as “connected business” or is business written by an insurer owned by insurance brokers or agents);
- (n) whether or not there is any inter-relationship between segregated cells (including but not limited to contractual arrangements, reinsurance, guarantees, transfers or loans);
- (o) whether or not there is access to the general account assets;
- (p) the remedial actions or update on proceedings when a segregated cell is in deficit, is insolvent, or is subject to litigation.

[Regulation 14F inserted by 2015 : 50 s. 15 effective 1 January 2016]

15 *[deleted]*

[Deleted by BR 39 / 1981 reg. 2 effective 3 July 1981]

Requirements relating to preparation of returns generally

16 (1) Every statutory financial return and any document annexed to such a return shall be prepared in the English language.

(2) All amounts which are shown in any such return or document as aforesaid shall be shown in the currency in which pursuant to regulation 10(2) of the Insurance Accounts Regulations 1980 [*title 17 item 49(a)*] amounts in any account of an insurer are to be shown; but the Bermudian equivalent of every such amount must be stated next to that amount in every case where that amount is an amount expressed in a foreign currency (in this regulation called a “foreign currency amount”).

(3) For the purposes of paragraph (2), the Bermudian equivalent of a foreign currency amount shall be the Bermudian dollar equivalent of that foreign currency amount as converted into Bermudian dollars at the rate of exchange used by any licensed bank in Bermuda in relation to purchases by that Bank of that foreign currency on the last day of

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

the relevant year; and the person preparing the return or document in question shall state that rate either in the return or document itself or in some other document made available to the Supervisor.

[Regulation 16 amended by 2001:27 effective 1 October 2001]

Offences

17 (1) *[revoked by 1995:20]*

(2) Any person who, in or in relation to a return or a document annexed to a return, makes, or joins in making, any statement which he knows to be false or does not believe to be true commits an offence against these Regulations; and in this paragraph "make a statement", in relation to any statement made, includes a wilful omission to state something that is material.

(3) If, for the purposes of any provision of these Regulations (being a provision requiring or allowing for a statement to be made) either—

- (a) any insurer; or
- (b) any director or officer or employee of an insurer; or
- (c) any approved auditor,

makes a statement which owing to its or his gross negligence in making the statement is wrong, or grossly misleading, in a material respect, it or he commits an offence against these Regulations.

[Regulation 17 amended by 1995:20 effective 29 April 1995]

Commencement

18 *[omitted]*

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

SCHEDULE I

(Reg. 10(1))

GENERAL BUSINESS SOLVENCY MARGIN

Figure A

1 For the purposes of regulation 10, figure A has the following value in relation to the class of insurer indicated—

Class 1	\$120,000
Class 2	\$250,000
Class 3	\$1,000,000

Figure B

2 (1) For the purposes of regulation 10, paragraphs (2) and (3) set out the method of calculating figure B in relation to Class 1, Class 2 and Class 3 insurers.

(2) Where the net premiums—

- (a) written by a Class 1, Class 2 or Class 3 insurer in its current financial year; or
- (b) projected to be written by an insurer on application for registration as a Class 1, Class 2 or Class 3 insurer, in its first financial year, do not or (as the case may be) are not projected to exceed \$6,000,000,

figure B shall be calculated as 20% of those net premiums.

(3) Where the net premiums—

- (a) written by a Class 1, Class 2 or Class 3 insurer in its current financial year; or
- (b) projected to be written by an insurer, on application for registration as a Class 1, Class 2 or Class 3 insurer, do not or (as the case may be) are not projected to, exceed \$6,000,000,

figure B shall be calculated as \$1,200,000 plus the following percentage of the net premiums written which exceed \$6,000,000 in relation to the class of insurer indicated—

Class 1	10%
Class 2	10%
Class 3	15%.

(4) In this paragraph, “net premiums written” in relation to any financial year means, in relation to a Class 1, Class 2 or Class 3 insurer, the net amount, after deductions of any premiums ceded by the insurer for reinsurance, of the premiums written by the insurer in that year in respect of general business and “net premiums projected to be written” has a corresponding meaning.

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

Figure C

3 For the purposes of regulation 10, figure C shall be calculated as the following percentage of the aggregate—

- (a) of the amounts shown by the insurer in completing lines 17 and 18 of Form 1 or Form 1A (as applicable) in the Insurance Accounts Regulations 1980; or
- (b) of those amounts as projected by the insurer on application for registration, in relation to the class of insurer indicated—

Class 1	10%
Class 2	10%
Class 3	15%

[Schedule I revoked and replaced by BR 2 / 2009 reg. 6 effective 31 December 2008; amended by 2013 : 46 Sch.II effective 1 January 2014; revoked and substituted by 2015 : 50 s. 15 effective 1 January 2016]

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

SCHEDULE II

(Reg. 12(1))

MINIMUM MARGIN OF SOLVENCY FOR LONG-TERM BUSINESS

Class Minimum Margin of Solvency ('MMS')

A greater of \$120,000 or 0.5% of assets;

B greater of \$250,000 or 1% of assets,

where assets shall be the total assets reported on an insurer's balance sheet in the relevant year less the amount held in a segregated account.

[Schedule II revoked and substituted by 2015 : 50 s. 15 effective 1 January 2016]

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

SCHEDULE III

(Reg. 12 (1))

MINIMUM MARGIN OF SOLVENCY FOR LONG-TERM BUSINESS

<u>Class</u>	<u>Minimum Margin of Solvency ('MMS')</u>
A	greater of \$120,000 or 0.5% of assets;
B	greater of \$250,000 or 1% of assets;
C	greater of \$500,000 or 1.5% of assets;
D	greater of \$4,000,000 or 2% of first \$250,000,000 of assets plus 1.5% of assets above \$250,000,000;
E	greater of \$8,000,000 or 2% of first \$500,000,000 of assets plus 1.5% of assets above \$500,000,000;

where assets shall be the total assets reported on an insurer's balance sheet in the relevant year less the amount held in a segregated account.

Application

1. The MMS shall be phased in over a period of three years from the coming into force of this Schedule.
2. The applicable MMS for the financial year ending in 2011 shall be 50% of the amount specified above.
3. The applicable MMS for the financial year ending in 2012 shall be 75% of the amount specified above.
4. The applicable MMS for the financial year ending in 2013 and beyond shall be the full amounts specified above.

<u>Class</u>	<u>MMS Floor</u>
C	25% of ECR
D	25% of ECR
E	25% of ECR

Application

The MMS Floor shall come into operation on 1 January 2017.

[Schedule III added by 2010 : 60 Sch. I effective 31 December 2010; revoked and replaced by 2013 : 46 Sch. II effective 1 January 2014]

[Amended by:

BR 39 / 1981
BR 25 / 1985
BR 30 / 1989
1995 : 20
2001 : 27

INSURANCE RETURNS AND SOLVENCY REGULATIONS 1980

BR 42 / 2005

BR 2 / 2009

2010 : 60

2012 : 36

2013 : 46

2015 : 2

2015 : 31

2015 : 50]