



BERMUDA

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A  
SOLVENCY REQUIREMENT) AMENDMENT RULES 2016

BR 10 / 2016

TABLE OF CONTENTS

1	Citation
2	Amends paragraph 6
3	Amends Schedule I
4	Amends Schedule V
5	Inserts Schedules XVI and XVII
6	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, which amend the Insurance (Prudential Standards) (Class 3A Solvency Requirement) Rules 2011 (the “principal Rules”), may be cited as the Insurance (Prudential Standards) (Class 3A Solvency Requirement) Amendment Rules 2016.

Amends paragraph 6

2 Paragraph 6 of the principal Rules is amended--

- (a) in subparagraph (1) by deleting “and XV” and substituting “, XV, XVI and XVII”;
- (b) in subparagraph (2)(a) by deleting “and XII” and substituting “, XII, XVI and XVII”.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT) AMENDMENT RULES 2016

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Amends Schedule I

3 Schedule I to the principal Rules is amended—

(a) in paragraph 1—

(i) in the formula for BSCR-SME by inserting after “ $C_{op}$ ” the words “+  $C_{adj}$ ”;

(ii) by deleting “and” at the end of the formula for  $C_{cat}$ ;

(iii) by deleting the full-stop at the end of the formula for  $C_{op}$  and substituting “; and”;

(iv) by inserting the following after the formula for  $C_{op}$ —

$C_{adj}$  = Regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 12.”;

(b) in Table 2 - Capital charge factors for  $Eqastclass_i$  by deleting the requirements for “*Investments in affiliates*” and substituting the following—

<i>Investments in affiliates</i>		
Unregulated entities that conduct ancillary services	Form 1EBS, Line 4(a)	5.0%
Unregulated non-financial operating entities	Form 1EBS, Line 4(b)	20.0%
Unregulated financial operating entities	Form 1EBS, Line 4(c)	55.0%
Regulated insurance financial operating entities	Form 1EBS, Line 4(e)	20.0%

(c) by inserting the following after paragraph 11—

“12. The regulatory capital requirement for regulated non-insurance financial operating entities shall be determined in accordance with Schedule XVI - “Schedule of Regulated Non-Insurance Financial Operating Entities”. This amount shall be equal to the sum of the insurer’s proportionate share of each entity’s regulatory capital requirement in accordance with the applicable solvency laws of the jurisdiction where the entity is licensed or registered.”.

Amends Schedule V

4 Schedule V to the principal Rules is amended—

(a) by deleting “and” at the end of paragraph (r);

(b) by deleting the full-stop at the end of paragraph (s) and substituting “; and”;

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY  
REQUIREMENT) AMENDMENT RULES 2016

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(c) by inserting the following after paragraph (s)—

“(t) details of segregated accounts.”;

(d) in the INSTRUCTIONS AFFECTING SCHEDULE V—

(i) by deleting paragraph (a) and substituting the following—

“(a) the “governance and group structure” must disclose (on a legal entity and group basis where applicable)—

(i) the structure of the board of directors including names, role, residence and work experience;

(ii) the structure of the management of the insurer including names, roles, work experience, employee arrangement (for example confirm whether employees are hired or outsourced etc.) and description of responsibilities of the chief and senior executive;

(iii) terms of reference of the board of directors of the insurer and its sub-committees;

(iv) the jurisdiction(s) where the board of directors of the insurer primarily deliberates on activities including but not limited to—

(A) setting the strategic direction of the insurer;

(B) determining the (re)insurer’s risk appetite;

(C) choosing new lines of business, new products, and market position;

(D) assessing solvency needs;

(v) details of every service provider of the insurer including name, jurisdiction of incorporation, and details of the insurer’s operations which are primarily being performed in relation to—

(A) underwriting (re)insurance policies;

(B) risk management decisions and activities;

(C) investment decisions;

(D) actuarial functions;

(E) compliance audit;

(F) internal audit;

(vi) the jurisdiction(s) where the parent board primarily deliberates on matters including but not limited to—

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY  
REQUIREMENT) AMENDMENT RULES 2016

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- (A) setting strategic decision;
  - (B) determining the group's risk appetite;
  - (C) choice of corporate structure including amalgamations, acquisitions and strategic alliances;
  - (D) choice of new lines of business, new products, marketplace positioning;
  - (E) assessing solvency needs;
  - (vii) the jurisdiction(s) where the parent board and chief and senior executives primarily reside;
  - (viii) the jurisdiction where the insurance group's central control functions reside (i.e. group finance, actuarial, and risk management);
  - (ix) the insurance group's financial position based on its most recent audited general purpose financial statement regarding its—
    - (A) total assets;
    - (B) total reserves; and
    - (C) capital and surplus;
  - (x) the names of reinsurers within the insurance group that have the highest—
    - (A) total asset value;
    - (B) total insurance reserve value; and
    - (C) total capital and surplus based on the group's most recent audited general purpose financial statement;
  - (xi) the total values for subparagraph (x)(A), (B) and (C);
  - (xii) the jurisdiction of incorporation of each reinsurer in subparagraph (x);
  - (xiii) any events which have occurred or decisions made subsequent to the relevant year-end that would materially change, or have materially changed, the information in subparagraphs (iv) through (xii) (e.g. amalgamation or acquisition or restructuring, etc.); provide a detailed response and explanation;
  - (xiv) a copy of the latest group organizational chart.”;
- (ii) in paragraph (s) by inserting after “collateral,” the words “lines of business written, gross premiums written for the period, net premiums written for the period,”;

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY  
REQUIREMENT) AMENDMENT RULES 2016

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(iii) by inserting the following after paragraph (s)—

“(t) in respect of segregated account business, details of each by net loss reserves by statutory lines of business: segregated account cell name, total assets, total liabilities, statutory capital and surplus, cash and investments, net loss reserves, reinsurance recoverable, statutory lines of business written, gross premium written, net premium written, currency, details if the insurance or re-insurance contract has limited recourse language, details of inter-relationship between segregated account cells (if any), details of the segregated account cell’s access to the general account (if any) and details where a segregated account cell is in a deficit, insolvent or subject to litigation.”.

Inserts Schedules XVI and XVII

5 The principal Rules are amended by inserting the following after Schedule XV—

- (a) a new schedule entitled “Schedule XVI Schedule of Regulated Non-Insurance Financial Operating Entities”; and
- (b) a new schedule entitled “Schedule XVII Schedule of Minimum Margin of Solvency”.

Commencement

6 These Rules come into operation on 15 March 2016 and apply to financial years commencing on or after 1 January 2016.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY  
REQUIREMENT) AMENDMENT RULES 2016

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SCHEDULES

(paragraphs 3, 4, 5)

*The Schedules referred to in paragraphs 3, 4, and 5 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 3rd day of March 2016

Chairman  
Bermuda Monetary Authority