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CONSULTATION PAPER

Proposed Enhancements to the Insurance Group Supervision Framework

Comments to be received by 15 January 2025



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Introduction

1. Group-wide supervision contributes to sound insurance markets and policyholder protection. It also leads to improved regulation and efficiencies that eliminate the duplication of supervisory efforts.
2. This Consultation Paper (CP) sets out the Bermuda Monetary Authority's (Authority or BMA) proposed regulatory enhancements aimed at strengthening the Authority's group-wide supervision framework by:
 - Making regulatory changes to ensure that group supervision is mandatorily triggered by the presence of both a registered insurance¹ entity and its ultimate parent company in Bermuda, where the ultimate parent company also owns insurance entities domiciled outside of Bermuda;
 - Providing for a direct approach to the supervision of insurance groups, i.e. by the removal of the indirect supervisory approach elements currently exercised via the designated insurer; and
 - Introducing provisions to allow for the designation and registration of insurance holding companies.
3. The BMA proposes, where suitable, to apply a certain minimum set of direct powers to the entity within the group that exercises control and influence over the group's operations. This entity will be responsible for ensuring the group's compliance with the regulatory framework and will replace the designated insurer's role in the current group-wide supervisory framework.
4. The BMA believes that the group supervision framework would be enhanced and made more effective by the direct approach to group supervision by introducing a minimum set of direct powers to facilitate a more effective and robust supervisory and enforcement mechanism for Bermuda insurance groups.
5. The enhancements align with the BMA's approach of updating its regulatory and supervisory frameworks to reflect international standards and market developments.

Group structures in Bermuda and rationale for the consultation

6. In Bermuda, (re)insurers tend to operate within a group structure in multiple jurisdictions. They are generally subject to prudential regulation at the individual licensed insurance entity level and group level.
7. It is common for Bermuda-based groups to be structured so that the insurer that the Authority regulates is owned by a holding company, which is often not a regulated entity. Appendix B illustrates the general structure of insurance groups operating in Bermuda.

¹ Insurance in this CP denotes both insurance and reinsurance.

8. The following set out some of the BMA's reasons to consult on the proposed group supervision enhancements:
- The proposed enhancements reflect the growth and sophistication of Bermuda Insurance groups including designation of a number of Bermuda Insurance Groups as Internationally Active Insurance Groups (IAIGs)²;
 - Actions taken by the parent company, can affect the insurance entity's ability to comply with its regulatory requirements, particularly where those entities have little control or influence over the parent company's operations. This can pose risks to the insurance companies and the insurance sector;
 - The ultimate parent company of a Bermuda insurer will often decide overall group strategy and organisation, group risk management policies, group recovery plans and intra-group flows of capital and liquidity. The ultimate parent company may have the group's primary capital and debt-raising ability. The ultimate parent company is also usually the only entity that can alter the group structure above and around a Bermuda insurer; and
 - There are situations in which a parent holding company expands its risk profile by participating in certain investment activities and funds. While the BMA regulates and inspects financial institutions operating in or from within the jurisdiction and receives some information on these activities through its existing reporting requirements, it has no direct power over the holding company. Consequently, there are circumstances in which the BMA may wish to direct the highest-level parent entity of a regulated group, be it an insurance entity or an insurance holding company, to act or refrain from acting in a certain manner to mitigate the risks to policyholders

International regulatory landscape for group supervision

9. Ensuring an effective regulatory framework to support group supervision in the insurance sector has been a matter of much discussion over recent years as international standard-setting bodies and regulators across jurisdictions have recognised the risks and potential systemic importance associated with group operations.
10. Globally, insurance groups may be organised in a number of different ways and the legal characteristics of certain structures can affect the regulatory reach of insurance supervisors. The structure of insurance groups can also expose the group and legal entities within the group to significant risks.
11. Internationally, approaches relevant to group-wide supervision vary across jurisdictions depending on the supervisory powers and structure within a jurisdiction.
12. The International Association of Insurance Supervisors (IAIS) recognises three approaches to group supervision, which are outlined as follows:

a) Direct Supervision

² An IAIG is an insurance group that writes premiums in three or more jurisdictions, has gross written premiums outside of its home jurisdiction of at least 10% of the insurance group's total gross written premiums, and, on a three-year rolling average, has total assets of at least \$50 billion or total gross written premiums are at least \$10 billion.

This approach entails the group supervisor having the power to apply supervisory requirements directly to the parent and other entities in the insurance group, including non-regulated entities.

b) Indirect Supervision

This approach focuses on regulating the relationships of regulated insurers with other members of the group. The group supervisor exercises its supervisory powers and addresses group risks (including those of non-regulated entities) through its authority over legal entities licensed in its jurisdiction to achieve an outcome comparable to the direct approach.

c) Hybrid systems

The hybrid approach combines elements of both direct and indirect supervision.

13. The IAIS adopted the Insurance Core Principles (ICPs) in 2011 to provide consistent supervision across member jurisdictions. These principles were most recently updated in 2019, coinciding with the adoption of the Common Framework (ComFrame) for the Supervision of IAIGs. ComFrame strengthens the ICPs by providing additional standards specific to the oversight of IAIGs.
14. ICP 23 and the associated ComFrame standards on Group-wide Supervision posit that it is particularly important for the group supervisor to have adequate powers and authority to execute its role and responsibilities. These standards further provide, among other things, that group supervisors should:
 - a. Coordinate with other involved supervisors to identify all legal entities that are part of the insurance group;
 - b. Identify the head of the IAIG or the head of the insurance group who has control over the insurance legal entities within the group and non-insurance legal entities which pose a risk to insurance operations; and
 - c. Determine the scope of group-wide supervision.
15. International standard-setting bodies have also recognised the need to ensure that direct group supervision, including the oversight of insurance holding companies, is captured in insurance supervisory regimes across jurisdictions.

Bermuda's current group supervision framework

16. The Authority's framework for group supervision is aligned with international standards, including the ICPs and elements of ComFrame. The BMA framework has been in place since March 2010 and is governed by the Insurance Act 1978 ("Insurance Act"), along with other related rules and standards. The BMA acts as the Group Supervisor for insurance groups whose primary operations are controlled and managed from Bermuda.

17. The Authority currently provides for the effective supervision of groups through the Insurance Act, the Insurance (Group Supervision) Rules 2011 and associated prudential rules (Group Rules).
18. Bermuda currently has full Solvency II equivalence, including that related to group supervision³.

Designated insurer

19. The BMA currently practices a hybrid approach to group supervision, combining direct and indirect supervision approach elements. The current group supervision framework allows the Authority to determine whether it is appropriate to be the group supervisor for a particular group. Where it is determined that the Authority is indeed the appropriate group supervisor, then it must designate an insurer operating in Bermuda as the Designated Insurer (DI) in respect of the group.
20. The DI is the lead insurer for the members of the insurance group operating in Bermuda and has the role of facilitating and maintaining compliance by the group with the Insurance Act and the Group rules. This approach allows the BMA to leverage its power over the local regulated company to indirectly influence the parent or head of the group. The Authority exercises supervision over such groups through the designated insurer operating in Bermuda.
21. As a result of this designation, certain supervisory reporting, compliance, and enforcement requirements are applied to the designated insurer. The designated insurer is deemed as such following a comprehensive review of its financial position, strategic and operational importance to the group and its ability to fulfil its duties and responsibilities in an effective and efficient manner, and regarding its access to group information and its overall level of influence within the group.
22. The BMA's group supervision scope generally includes the ultimate parent, its direct subsidiaries and lower-tier subsidiaries where control or significant influence exists.
23. The Insurance Act currently provides the BMA with significant powers of intervention. In the case of insurance groups where the BMA is the group supervisor, the BMA may issue directions to the designated insurer if it deems it desirable to safeguard the interests of policyholders and potential policyholders of the insurance group.

Introduction of the IAIG concept

24. To enhance the current group supervision framework in accordance with ComFrame, several amendments were made to the Act. In 2021, following public consultation, the Authority introduced amendments to the group supervision framework, establishing the concept of an IAIG and providing for the supervision of IAIGs in accordance with ComFrame.⁴ Further

³ EU supervisory authorities can rely on the BMA's group supervision, and Solvency II group supervision requirements do not apply to Bermudian groups.

⁴ [191115-IAIS-ICPs-and-ComFrame-adopted-in-November-2019.pdf \(iaisweb.org\)](#)

amendments were made to the Act in 2022 to define and provide for the designation of a member of the group as the 'Head of the IAIG'⁵.

25. The Act provides for the designation of an insurance group as an IAIG and a member of that group as the Head of the IAIG. This designation allows for supervisory requirements to be applied to the IAIG by way of direct requirements on the Head of the IAIG.
26. It should be noted that in tandem with the proposed enhancements, the Authority is working to issue additional group supervision rules embedding the ComFrame provisions, which will be applied specifically to IAIGs. These rules are forthcoming.

Proposals to enhance group supervision provisions in the Insurance Act 1978

Proposal one: Introduction of mandatory group supervision in the presence of the ultimate parent entity in Bermuda

27. The BMA proposes to modify the Act to strengthen and emphasise the mandatory element of group supervision:
 - a) Where the insurance group is headed by a Bermuda Class 3A, 3B, 4, C, D or E (Re)insurer (specified insurer as defined in section 27B (9) of the Insurance Act); or
 - b) Where not headed by a specified insurer, the insurance group is headed by a parent entity, which is a body corporate incorporated, formed or registered (including by way of continuation) in Bermuda that is not itself a subsidiary of any other entity (an ultimate parent entity).
28. In the above case, the presence of the ultimate parent entity in Bermuda for a structure that has operating insurance entities in both Bermuda and other jurisdictions will result in mandatory group supervision by the BMA. The Authority shall give notice in writing to the relevant entity in the insurance group of its intention to become the group supervisor. It shall take into account any written representation made by the designated insurer within such period as it may specify in the notice.
29. Where a group's ultimate parent entity is not in Bermuda, the BMA will continue to have discretion in its determination of whether it is appropriate for the Authority to become the group-wide supervisor if it is satisfied that:
 - i. The insurance group is directed and managed from Bermuda; or
 - ii. The insurer in the insurance group with the largest balance sheet total is a specified insurer and, therefore, under the Authority's supervision.

⁵ See Section 271 of the Insurance Act.

30. Further, in cases where the group supervisor will be determined, taking into account the structure of the group and the relative importance of the insurance activities in different markets, intragroup transactions, including reinsurance transactions, will be considered to avoid double counting when assessing their relative importance within a market.

Consultation question under proposal one:

Do you have any comments or concerns with the proposed approach regarding the introduction of mandatory group supervision in the presence of the ultimate parent entity in Bermuda that has operating insurers in both Bermuda and other jurisdictions?

Proposal two: Withdrawal as group supervisor

31. Section 27D of the Act will be repealed and replaced to clarify that the Authority will not withdraw as the group supervisor when there are no changes to the mandatory criteria above for group supervision.
32. Section 27D of the Act will clarify that, in other specific cases, the Authority may take a coordinated decision with the supervisory college to withdraw as the group supervisor.
33. This would only be in the specific case:
Where the group is no longer headed by a specified insurer registered in Bermuda or the ultimate parent is no longer in Bermuda (i.e. mandatory criteria for group supervision by BMA are not met) and the Authority:
 - a) Considers that it would be appropriate to do so having regard to the structure of the insurance group and the relative importance of the insurance group's insurance business in different countries or territories; and
 - b) It determines that there has been a material change in the structure or operations of the insurance group; or
 - c) For any other reason that prevents the Authority from effectively discharging its function as a group supervisor for that insurance group.
34. In connection with the withdrawal under this section, the Authority will plan and coordinate meetings in cooperation with the college of supervisors or competent authorities concerned to ensure group supervision by another competent authority.
35. For this purpose, the Authority shall notify the relevant insurance group in writing of its intention and shall take into account any written representation made by the insurance group within such period as it may specify in the notice.

36. The Authority will work with the college to ensure that there is no vacuum or overlap in responsibilities in group supervision because of the withdrawal, including ensuring appropriate transition arrangements as appropriate.

Consultation question under proposal two:

Do you see any practical or other issues related to withdrawal as group supervisor by the Authority?

Proposals to allow for the supervision of insurance holding companies

Proposal three: Definition of Insurance Holding Company

37. The Authority proposes the introduction of a definition of "insurance holding company" to the Act. The proposed definition is as follows.

'Insurance holding company' means an entity that is a body corporate incorporated, formed or registered in Bermuda (including by way of continuation) that holds participations in one or more companies where at least one of the companies is an insurer.

Consultation question under proposal three:

Do you agree or have any concerns with the proposed definition of an insurance holding company?

Proposal four: Designated Insurance Holding Company

38. Where the Authority is the group supervisor of an insurance group, it shall designate a relevant entity which it considers appropriate as the designated insurance holding company by way of written notice.
39. In determining the appropriate insurance holding company to designate, the Authority shall have regard to the entity that exercises control over;
- (a) Insurers in the group; and
 - (b) Other group members, which may pose a risk to the group's insurance business.
40. The Authority proposes that it may designate the following entities as the designated insurance holding company for an insurance group.
- (a) The ultimate parent incorporated in Bermuda;
 - (b) The specified insurer of the insurance group as defined in section 27B (9) of the Act;
 - (c) The head of an IAIG under section 271 of the Act; or
 - (d) An intermediate holding company incorporated in Bermuda.

41. In the case of IAIGs, the Authority considers it appropriate to designate the head of an IAIG as a designated insurance holding company for the purpose of applying the IAIG group supervision framework.
42. In some cases, it may be useful to directly regulate an intermediate holding company within the group, particularly if the intermediate holding company holds Bermuda-based subsidiaries that the Authority deems significant to the financial health of the group as they control the greatest proportion of insurance business relative to other businesses. To address this, where the Authority determines it is necessary for effective supervision, it will designate an intermediate holding company as the designated insurance holding company. This determination process will involve discussions with other involved supervisors of the members of the insurance group or IAIG.
43. The BMA shall assess regularly whether the designation remains appropriate.

Consultation question under proposal four:

Do you agree with the proposed approach regarding the designation of an insurance holding company for the purposes of group supervision?

Proposal five: Registration of a designated insurance holding company

44. The BMA proposes that it shall register all the designated insurance holding companies for the purposes of group supervision.
45. The registered designated insurance holding company will assume the current roles and responsibilities attributed to the 'designated insurer', including compliance with the group supervision rules and payment of group annual fees.
46. Given the mandatory nature of the registration, the Authority does not propose any registration fees for the designated insurance holding company.
47. The registration of the designated insurance holding company shall remain in force until it is cancelled by the Authority.
48. The Authority shall publish a list on its website of the names of every registered insurance holding company. Where the Authority cancels such registration, it shall delete the name of the insurance holding company from the website listing as soon as reasonably practicable.

Consultation question under proposal five:

Do you see any practical issues with the proposed registration of designated insurance holding companies?

Proposal six: Minimum set of direct powers in relation to designated insurance holding companies of insurance groups, including those designated as IAIGs.

49. With the proposed change to the approach to group supervision, i.e. from an indirect to a direct approach, it is necessary for the Authority to have a minimum set of powers over designated insurance holding companies, including some general supervisory powers that are applicable to insurers. The minimum set of powers will only be used when suitable.
50. Under the current group supervision regime, enforcement of the BMA's powers in relation to an ultimate parent in Bermuda, which is a holding company of a regulated entity, can only be done via the designated insurer. The BMA, therefore, proposes to amend the relevant sections of the Insurance Act (sections 29A, 29B, 29C, 30, 30A, 30AA, 32A, 32B, 32C, 32D, 32F) that were enforced via the designated insurer, to enable direct application over the designated insurance holding company. In addition, the Authority proposes to introduce the following powers:
- a) The power to apply to the courts in Bermuda to issue injunctions restraining specified actions by a designated insurance holding company;
 - b) The power to issue penalties against a designated insurance holding company;
 - c) The power to designate another insurance holding company or insurer within the group as the designated insurance holding company;
 - d) The power to object to an appointment or removal of officers and controllers of the designated insurance holding company if they are not, or no longer fit and proper;
 - e) The power to require a designated insurance holding company, in case of any contraventions, to submit a plan detailing the manner, specific actions to be taken and the timeframe within which the designated insurance holding company will bring itself or the relevant member of the insurance group into compliance with the relevant provision of the Act or applicable rules; and
 - f) The power to present a petition to the courts in Bermuda for the designated insurance holding company to be wound up.
51. The Authority will apply the supervision and enforcement powers proportionately, relative to the nature, scale, and complexity of the insurance group. Further, where relevant, the Authority will engage other involved supervisors of the insurance group before decision-making.
52. The designated insurance holding company shall have the right to appeal a decision made by the Authority under such powers.
53. The following list outlines possible but not necessarily exhaustive scenarios for the Authority to consider exercising the powers set out in the preceding paragraphs.
- a) The group-wide risk management systems, internal controls, or governance arrangements do not meet the Authority's group supervision rules.
 - b) Intra-group transactions and the allocation of risks and financial resources (including large exposures, booking practices, other contagion channels and arrangements for

mitigating risk, such as by reinsurance) do not meet the Authority's group supervision rules.

- c) A proposed acquisition by the designated insurance holding company, which may affect compliance with group requirements or entity-level requirements of any regulated member of the group.
- d) There is insufficient quality or quantity of capital resources or liquid assets or other assets to meet group prudential requirements.
- e) There is insufficient transferability of a group's capital or liquid assets to support the group's regulated activities.
- f) The group-wide recovery plans do not meet the Insurance (Prudential Standards) (Recovery Plan) Rules 2024.
- g) Where the designated insurance holding company is unable to pay its debts within the meaning of sections 161 and 162 of the Companies Act 1981; or the designated insurance holding company has failed to satisfy an obligation to which it is or was subject by virtue of the Act.

54. In circumstances of stress, the potential conflicts between a designated insurance holding company and a regulated group member can become heightened. In this case, the likelihood that actions taken in relation to insurers alone would be insufficient is increased and the need to use direct powers may be critical.

Consultation questions under proposal six:

- **Do you agree with the Authority's view that group supervisors should have a minimum set of direct powers to apply measures on the designated insurance holding companies?**
- **Do you agree with the proposed list of powers?**
- **Do you agree with the scenarios in which these powers may be exercised?**

Proposal seven: Shareholder controller changes and Material Changes involving designated insurance holding companies of insurance groups

Shareholder controller changes (Sections 30D, 30E, 30F)

- 55. The BMA proposes amending the Act to ensure that new or increased control by shareholder controllers of designated insurance holding companies (for private companies) is notified in writing to the Authority prior to the transaction being effected. The thresholds in consideration will be 10%, 20%, 33%, or 50% shareholder control which is consistent with the current thresholds used for insurers.
- 56. Upon receipt of the notice, the Authority will have forty-five days to issue a no objection. Section 30F of the Act will be amended and will apply accordingly in case of an objection by the Authority.
- 57. New or increased control by shareholder controller of designated insurance holding companies that are public companies shall be required to notify the Authority in writing within forty-five days of the transaction completion.

Material Changes (Section 30JB and 30JC)

58. *The BMA* proposes to amend the Act to explicitly require amalgamation with or acquisition of another firm or acquisition of controlling interest in an undertaking that is engaged in a non-insurance business which offers services and products to persons who are not affiliates of the insurer or the sale of an insurer – involving designated insurance holding companies not be effected unless:
- i. A notice in writing has been given to the Authority; and
 - ii. Either the Authority has, before the end of the period of thirty days beginning with the date of service of that notice, notified the designated insurance holding company in writing that there is no objection to effecting the material change, or that period has elapsed without the Authority having served the designated insurance holding company with a written notice of objection to the material change.
59. A designated insurance holding company will be required to assess the risks associated with the material changes adequately. Such assessment will take into account the potential impact of the transaction on the insurance group and where directed by the Authority, shall be provided to the Authority with the notice or be provided as additional information post receipt of the notice where the Authority requests such information.
60. It is expected that a designated insurance holding company would not allow an acquisition, merger and/or amalgamation to be made that would be detrimental or put at risk the financial position of the insurance group or cause harm to the interests of the policyholders of the insurance group.
61. Section 30JC of the Act will be amended and will apply accordingly in case of an objection by the Authority.

Consultation question under proposal seven:

- **Do you agree with the above proposals involving designated insurance holding companies of insurance groups?**
- **Do you foresee any practical impediments to the designated insurance company being able to adequately assess risks associated with the material changes noted above regarding the insurance group?**

General questions for consultation

- **Do you see any practical issues regarding the proposals made for the designated insurance holding company in conjunction with group supervision and considering implications for insurance groups/companies or other factors?**
- **Do you agree with the overall view that introducing a minimum set of direct regulatory powers over the designated insurance holding companies better equips the BMA to conduct group supervision and enforcement more effectively?**

Consequential amendments

62. As a consequence of the above proposals, the Authority is also proposing to amend the following statutory instruments by principally replacing the 'designated insurer' with 'designated insurance holding company' and ensuring that references to 'parent' are references to the designated insurance holding company where appropriate.
- a. Insurance (Group Supervision) Rules 2011
 - b. Insurance (Prudential Standards) (Insurance Group Solvency requirement) Rules 2011
63. Further, the Bermuda Monetary Authority Act 1969 – Fifth Schedule will also be amended with respect to:
- a. Insurance group fees by replacing 'designated insurer' and replacing it with 'designated insurance holding company'.
 - b. Linking all applications and associated fees with respect to an insurance Group that previously were made under sections 6A, 6C and 6D to section 27F and 27FA of the Act.

Commencement provision

64. The Minister will bring the Bill into force by notice. This is to ensure that the amendments, once passed, become enforceable when the consequential amendments to the Group and Prudential Rules are made operable.
65. Existing structures will not be grandfathered, but a one-year transition period will be afforded to allow affected groups and the Authority to prepare for implementing the enhancements.
66. Where mandatory group supervision criteria are not met and group supervision determination needs to be made, the Authority will make an assessment on a case-by-case basis, taking the proposed amendments herein.

Next steps

67. Following this consultation exercise, the Authority will consider the feedback received before finalising any recommendations for amendments to the framework.
68. Industry and other stakeholders are invited to provide feedback on the proposals outlined herein to insuranceregulatoryaffairs@bma.bm no later than the close of business **15 January 2025**.

Appendices:

- A. Illustrative draft Bill of proposed Insurance Act amendments
- B. Conceptual Framework: Typical Insurance Group Supervision Structures in Bermuda

A BILL
entitled
INSURANCE AMENDMENT ACT 2024

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- 37 Amends section 35
- 38 Amends section 44A
- 39 Amendment of the Bermuda Monetary Authority Act 1969
- 40 Commencement

This Bill seeks to amend the Insurance Act 1978 to make provision for the enhancement of oversight and regulation by the Bermuda Monetary Authority of insurance groups by enhancing the criteria for group supervision; by creating a regime for regulating designated insurance holding companies for the purposes of group supervision; by confirming the circumstances in which the Authority shall act as group supervisor; by requiring notification and no-objection of certain material changes with respect to an insurance holding company; and for purposes connected with and incidental to those matters;

Be it enacted by The King's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Assembly of Bermuda, and by the authority of the same, as follows:—

Citation

1 This Act, which amends the Insurance Act 1978 (the “principal Act”), may be cited as the Insurance Amendment Act 2024.

Amends section 1

2 (1) The principal Act is amended in section 1(1) as follows—

- (a) by repealing the definition of “designated insurer”;
- (b) in the definition of “available statutory capital and surplus” and in the definition of “available statutory economic capital and surplus” by deleting the words “any adjustments thereto made under section 6D or by or under Rules made under section 6A” and substituting the words “any adjustments thereto made under section 6D or section 27F, or by or under Rules made under section 6A or section 27F”;
- (c) in the definition of “capital and solvency return”, “enhanced capital requirement”, “participating company”, “statutory economic balance sheet” and “total statutory economic capital and surplus” respectively, by adding after the words “section 6A” the words “or section 27F”;
- (d) in the definition of “recovery plan” by deleting the words “or designated insurer” and substituting the words “or designated insurance holding company”;
- (e) by inserting in the appropriate alphabetical order, the following—
“designated insurance holding company” means an insurance holding company designated under section 27BA;

“insurance holding company” has the meaning given in section 27A.”

(2) Section 1(5) of the principal Act is repealed.

Amends section 2A

3 The principal Act is amended in section 2A(1)—

- (a) in paragraph (b) by inserting after the words “a registered person” the words “or designated insurance holding company”;
- (b) in paragraph (e)—
 - (i) by deleting the words “an insurer’s” and substituting the words “an insurer or an insurance group’s”; and
 - (ii) by adding after the words “section 6D” the words “or section 27FA”;
- (c) in paragraph (f) by inserting after the words “a registered person” the words “or designated insurance holding company respectively”;
- (d) in paragraph (g) by deleting the words “section 27B” and substituting the words “section 27B(1A)”.

Amends section 2BA

4 The principal Act is amended in section 2BA—

- (a) in subsection (1) by deleting the words “and designated insurers” wherever they appear;
- (b) in subsection (3) by deleting the words “and designated insurer”
- (c) in subsection (4) by deleting the words “or designated insurer”.

Inserts section 6A

5 The principal Act is amended in section 6A as follows—

- (a) in subsection (1) —
 - (i) by inserting the word “and” at the end of paragraph (h);
 - (ii) by repealing paragraph (i);
- (b) in subsection (1A) —
 - (i) by repealing paragraph (c);
 - (ii) in paragraph (d) by adding the word “and” at the end and in paragraph (e) by deleting “; and” and substituting a full stop;
 - (iii) by repealing paragraph (f);
- (c) in subsection (2)(a) by deleting the words “or designated insurers”;
- (d) in subsection (3)(a) and (b) by deleting the words “designated insurer,” .

Amends section 6C

- 6 The principal Act is amended in section 6C as follows—
- (a) in subsection (1) by deleting the words “, designated insurer,” wherever they appear;
 - (b) in subsection (3) by deleting the words “designated insurer or” and the words “of which the designated insurer is a member”;
 - (c) in subsection (4) by deleting the words “or designated insurer”, and by inserting the “or” after the word “agent”;
 - (d) in subsection (5) by deleting the words “designated insurer,”.

Amends section 6D

- 7 The principal Act is amended in section 6D as follows—
- (a) in subsection (1) by deleting the words “or insurance group’s” and by inserting after the words section “6A(1)”, the words “or rules made under section 27F”;
 - (b) in subsection (2) by deleting the words “or designated insurer”;
 - (c) in subsection (3) by deleting the words “or designated insurer”;
 - (d) in subsection (4) by deleting the words “or designated insurer”;
 - (e) in subsection (5) by deleting the words “or designated insurer”;
 - (f) in subsection (6) by deleting the words “or insurance group” wherever they appear, by deleting the words “or the insurance group’s”;
 - (g) in subsection (7) by deleting the words “or designated insurer” and by deleting the words “or insurance group’s”.

Amends section 6G

- 8 The principal Act is amended in section 6G as follows—
- “(a) in subsection (1) by inserting after the words “insurer or” the words “under section 27F to require”;
 - (b) in subsection (3) by inserting after the words “under this section” the words “or section 27F”.

Amends section 14

- 9 The principal Act is amended in section 14(1) as follows—
- “(a) in paragraph (g) by inserting after the words “section 6C(1)” the words “or section 27F in respect of an insurance group”;
 - (b) in paragraph (h) by inserting after the words “an insurer’s or” the words “under section 27F of an”.

Amends section 16

- 10 The principal Act is amended in section 16 as follows—
- (a) in subsection (1A) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”;
 - (b) in subsection (1B) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 27A

11 The principal Act is amended in section 27A by inserting in the appropriate alphabetical order the following—

- (a) by repealing the definition of “equivalent jurisdiction”;
- (b) by inserting in the appropriate alphabetical order the following—

“designated insurance holding company” means an insurance holding company designated under section 27BA;

“insurance holding company” means an entity that is a body corporate incorporated, formed or registered (including by way of continuation) in Bermuda that holds participations in one or more companies where at least one of the companies is an insurer”.

Amends section 27B

- 12 The principal Act is amended in section 27B as follows—
- (a) by repealing subsection (1) and substituting the following—

“ (1) The Authority shall be the group supervisor of an insurance group where the matters set forth in subsection (3)(a) or (b) apply.

(1A) If the Authority deems appropriate, it shall be the group supervisor of an insurance group where subsection (3)(c) applies.”;
 - (b) in subsection (2)—
 - (i) by inserting after the word “determination” the words “under subsection (1A)”;
 - (ii) by deleting the words “set out in subsection (3)” and substituting the words “set out in subsection (3)(c)”;
 - (c) in subsection (3) as follows—
 - (i) in paragraph (3)(b), by deleting the words “a parent entity which is incorporated in Bermuda” and substituting the words “a parent entity which is a body corporate incorporated, formed or registered (including by way of continuation) in Bermuda that is not itself a subsidiary of any other entity (an ultimate parent entity) ” ;

- (ii) in subsection (3)(c) by deleting the words “a parent company which is not incorporated in Bermuda” and substituting the words “a parent company which is not a body corporate incorporated, formed or registered (including by way of continuation) in Bermuda”;
- (d) by repealing and replacing subsections (4) and (5) as follows—
 - “ (4) The Authority shall give notice in writing to the relevant entity in the insurance group—
 - (a) where subsection (3)(a) or (b) applies, that it is the group supervisor for the insurance group; or
 - (b) where subsection (3)(c) applies, of its intention to make a determination to act as group supervisor for the insurance group; and the Authority shall take into account any written representation made by the relevant entity within such period as the Authority may specify in the notice.
 - (5) Where the Authority is the group supervisor pursuant to this section in respect of an insurance group, it shall in accordance with section 27BA designate an entity referred to in that section as the designated insurance holding company in respect of that insurance group for the purposes of this Act and rules made thereunder.”;
- (e) in subsection (6), by deleting the words “designated insurer” and substituting the words “designated insurance holding company”;
- (f) by inserting after subsection (6) the following—
 - “ (6A) The Authority may review its determination under subsection (1A) in respect of an insurance group in the interest of the appropriateness and effectiveness of group supervision for the insurance group.”;
- (g) in subsections (7)(a), (8), (11), (11A), (14) and (15), by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Inserts section 27BA

13 The principal Act is amended by inserting after section 27B the following—

“Power to designate and register insurance holding companies

27BA (1) Where the Authority is the group supervisor pursuant to section 27B in respect of an insurance group, the Authority shall designate an entity that is set forth in subsection (2) as the Authority considers appropriate as the designated insurance holding company for the insurance group for the purposes of this Act and rules made hereunder.

(2) For the purposes of subsection (1), the Authority may designate any one of the following entities as the designated insurance holding company for its insurance group—

- (a) the ultimate parent company incorporated in Bermuda;
- (b) an intermediate holding company incorporated in Bermuda;
- (c) the specified insurer of the insurance group; or
- (d) the head of the IAIG.

(3) In determining the entity to be designated as the designated insurance holding company for an insurance group, the Authority may have regard to the entity that exercises control over—

- (a) insurers in the group; and
- (b) other members of the group which may pose a risk to the insurance business of the group.

(4) The Authority shall give notice in writing to the relevant entity of an insurance group of its intention to designate the entity as the designated insurance holding company for the insurance group.

- (5) A notice issued by the Authority under subsection (4) shall—
 - (a) state the reasons for its intention to designate the entity as the insurance holding company for the insurance group;
 - (b) confirm that the entity may make written representations in relation to such designation, within the time period specified in the notice.

(6) The Authority shall take into consideration any written representations made by the relevant entity within such period specified in the notice, prior to issuing its designation in writing to that entity.

(7) Where the Authority designates an entity as an insurance holding company under this section, the Authority shall issue a certificate of registration in which shall be prescribed—

- (a) the name and business address of the designated insurance holding company;
- (b) the date of registration.

(8) A certificate of registration issued under subsection (7) shall

remain in force until it is cancelled by the Authority.

(9) A certificate of registration issued under this section shall be accepted by all courts as prima facie evidence of the fact that the insurance holding company named therein is registered and of the particulars set forth in the certificate.

(10) The Authority shall publish a list on its website at “www.bma.bm” of the name of every insurance holding company designated and registered under this section; and where such registration is cancelled by the Authority pursuant to subsection (8), the Authority shall delete the name of the insurance holding company from the website listing as soon as reasonably practicable.

Amends section 27C

14 The principal Act is amended in section 27C(1) and (2) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 27CA

15 The principal Act is amended in section 27CA(1) and (2) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Repeals and replaces section 27D

16 The principal Act is amended by repealing and replacing section 27D as follows—

“Authority may withdraw as group supervisor

27D (1) The Authority may withdraw as group supervisor if the matters set forth in section 27B(3)(a) or (b) do not apply and—

- (a) it considers that it would be appropriate to do so having regard to the structure of the insurance group and the relative importance of the insurance group’s insurance business in different countries or territories;
- (b) it determines that there has been a material change in the structure or operations of the insurance group; or
- (c) for any other reason that prevents the Authority from effectively discharging its function as group supervisor for that insurance group.

(2) In connection with withdrawal under this section, the Authority will plan and coordinate meetings in cooperation with the college of supervisors or competent authorities concerned to ensure effective group supervision by a competent authority continues.

(3) The Authority shall notify the relevant insurance group in writing of its intention to withdraw as group supervisor and shall take into account any written representation made by the insurance group within such period as it may specify in the notice.

(4) The Authority shall notify the designated insurance holding

company and the college of supervisors or relevant competent authority in writing of any decision made by it under this section.

Amends section 27F

17 The principal Act is amended in section 27F(2) as follows—

- (a) by substituting a semicolon for the full stop at the end of paragraph (e); and
- (b) by inserting after paragraph (e) the following—
 - “(f) prudential and technical standards, subject to consultation as provided in section 6B;
 - (g) exemptions from or modification of prudential standards;
 - (h) adjustments to enhanced capital requirement, available statutory capital and surplus, total statutory capital and surplus, and available statutory economic capital and surplus.”

Inserts section 27FA

18 The principal Act is amended by inserting after section 27F the following—

“Authority may exempt from or modify prudential or technical standards or adjust enhanced capital requirement, statutory capital and surplus, and insurance reserves

27FA (1) The Authority may where it has made a determination or on the application of designated insurance holding company exempt the designated insurance holding company from the requirement to comply with any prudential or technical standard applicable to it by or under the Rules made under section 27F or modify any such prudential or technical standard applicable to it by or under the Rules made under section 27F.

(2) The provisions of section 6C(2) to (5) shall apply with any necessary modifications with respect to an application under subsection (1) of this section.

(3) Without prejudice to its powers under this Act to give directions the Authority may in the circumstances mentioned in section 6D(6) make such adjustments to an insurance group’s enhanced capital requirement, available statutory capital and surplus, total statutory capital and surplus, and available statutory economic capital and surplus as it considers appropriate, and such adjustments may require an increase in the amount of insurance reserves to the level of prudential standards prescribed under section 27F.

(4) The provisions of section 6D(2) to (5) and (7) shall apply with any necessary modifications with respect to an application by a designated insurance holding company under subsection (3) of this section.”

Amends section 27G

19 The principal Act is amended in section 27G as follows—

- (a) in subsection (1) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”;
- (b) in subsection (2) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 29A

20 The principal Act is amended in section 29A in subsections (1), (4) and (5) by deleting the words “designated insurer” wherever they appear and substituting the words “designated insurance holding company”.

Amends section 29B

21 The principal Act is amended in section 29B in subsections (1), (2), (3) and (4) by deleting the words “designated insurer” wherever they appear and substituting the words “designated insurance holding company”.

Amends section 29C

22 The principal Act is amended in section 29C(2b) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 30

23 The principal Act is amended in section 30(4) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 30A

24 The principal Act is amended in section 30A(1)(b) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 30AA

25 The principal Act is amended in section 30AA(1A) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 30D

26 The principal Act is amended in section 30D(1) and (2) by inserting after the word “insurer” wherever it appears the words “or designated insurance holding company”.

Amends section 30E

27 The principal Act is amended in section 30E(1) and (2) by inserting after the word “insurer” wherever it appears the words “or designated insurance holding company”.

Amends section 30F

28 The principal Act is amended in section 30F(1) as follows—

- (a) in paragraph (a), by inserting after the word “insurer” the words “or designated insurance holding company”;
- (b) by adding at the beginning of paragraph (c) the words “in relation to the requirements with respect to designated insurance holding companies under the Insurance (Group Supervision) Rules 2011 or”.

Amends section 30J

29 The principal Act is amended in section 30J as follows—

- (a) in the heading; by deleting the words “designated insurers” and substituting the words “designated insurance holding companies”;
- (b) in subsection (2), by deleting the words “and a designated insurer” and substituting the words “, and designated insurance holding company (where different),”;
- (c) in subsection (3) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 30JB

30 The principal Act is amended in section 30JB as follows—

- (a) in subsection (2)—
 - (i) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”;
 - (ii) by deleting “section 30JA (1)(b), (c), (d), (e), (f), (g), (h) and (i)” and substituting “section 30JA (1)(d), (f), (g), (h) and (i)”;
- (b) by inserting after subsection (2) the following—

“ (2A) No material change within the meaning of section 30JA(1)(b), (e) or (j) shall be made in respect of a designated insurance holding company unless the requirements of subsection (4) are satisfied.

- (d) in subsection (4)—
 - (i) by deleting the words “subsection (1)” and substituting the words “subsection (1) or (2A)”;
 - (ii) by inserting after the word “insurer” wherever it appears the words “or designated insurance holding company”.

Amends section 30JC

31 The principal Act is amended in section 30JC(1)(b) by inserting after the word “insurer” the words “designated insurance holding company”.

Amends section 32A

32 The principal Act is amended in section 32A—

- (a) in the heading, by deleting the words “designated insurer” wherever they appear and substituting the words “designated insurance holding company”;
- (b) in subsection (1) by deleting the words “designated insurer” where they first appear and substituting the words “designated insurance holding company”;
- (c) in subsection (2) by inserting after the word “particular,” the words “as applicable”;
- (d) by inserting after subsection (2) the following—

“⁽³⁾The Authority may, without prejudice to subsection (1), require a designated insurance holding company to submit a plan detailing the manner, specific actions to be taken and time frame within which the designated insurance holding company will bring itself or the relevant member of the insurance group into compliance with the relevant provision of this Act or rules made hereunder.

⁽⁴⁾The Court on the application of the Authority may issue an injunction restraining specified actions by a designated insurance holding company and the provisions of section 32L apply with any necessary modifications with respect to such application.”.

Amends section 32B

33 The principal Act is amended in section 32B(1) and (2) by deleting the “designated insurer” and substituting the words “designated insurance holding company” .

Amends section 32C

34 The principal Act is amended in section 32C(1) by deleting the words “designated insurer” and substituting the words “designated insurance holding company”.

Amends section 32D

35 The principal Act is amended in section 32D(4) by deleting the words “designated insurers” and substituting the words “designated insurance holding companies”.

Amends section 32F

36 The principal Act is amended in section 32F(3) by deleting the words “designated insurers” and substituting the words “designated insurance holding companies”.

Amends section 35

37 The principal Act is amended in section 35 as follows—

- (a) in subsection (1) as follows—
 - (i) by inserting after the word “insurer” where it first appears the words “or designated insurance holding company”;
 - (ii) in paragraphs (a) and (b) by inserting after the word “insurer” the words “designated insurance holding company”;
- (b) in subsections (3) and (4) by inserting after the word “insurer” wherever it appears the words “or designated insurance holding company”.

Amends section 44A

38 The principal Act is amended in section 44A((1) as follows—

- (a) by inserting after the words “registered person” the words “or a designated insurance holding company (as applicable)”;
- (b) in paragraph (c) —
 - (i) by deleting the words “an insurer’s” and substituting the words “an insurer or insurance group’s”; and
 - (ii) by inserting after the words “section 6D” the words “or section 27F respectively”

Amends the Bermuda Monetary Authority Act 1969

39 The Schedule, which sets forth amendments to the Bermuda Monetary Authority Act 1969, has effect.

Commencement

40 This Act shall come into operation such day as the Minister of Finance may by notice in the Gazette appoint.

SCHEDULE

(section 39)

AMENDMENT OF THE BERMUDA MONETARY AUTHORITY ACT 1969

Amends the Bermuda Monetary Authority Act 1969

1 The Third Schedule to the Bermuda Monetary Authority Act 1969 is amended by inserting after the words “under section 4 or 10” the words “, or designated under section 27BA,”.

2 The Fifth Schedule to the Bermuda Monetary Authority Act 1969 is amended in Part B 2025 as follows—

- (a) by deleting the words “designated insurer” wherever they appear, except in paragraph 8(a) and (b), and substituting the words “designated insurance holding company”;
- (b) in paragraph 2 —
 - (i) in subparagraphs (n), (o), (p) and (q) by inserting after the words “section 6A” the words “or section 27F”
 - (ii) in subparagraphs (s), (t), (u), (v), (y), (aa), (ad), (ae) and (af) by inserting after the words “section 6C” the words “or section 27F”;
 - (iii) in subparagraph (w), by inserting after the words “section 6D” the words “or section 27F”, and by inserting after the words “section 6A” the words “or section 27F”;
 - (iv) in subparagraph (wa), by inserting after the words “section 6D” the words “or section 27F”;
- (c) in paragraph 8(a) by deleting the words “a Class 3A, Class 3B or 4 designated insurer” and substituting the words “a designated insurance holding company”;
- (d) in paragraph 8(b) by deleting the words “Class C, Class D or E designated insurer” and substituting the words “ a designated insurance holding company”.

3 The Fifth Schedule to the Bermuda Monetary Authority Act 1969 is amended in Part C 2026—

- (a) by deleting the words “designated insurer” wherever they appear, except in paragraph 8(a) and (b), and substituting the words “designated insurance holding company”;
- (b) in paragraph 2 —

- (i) in subparagraphs (n), (o), (p) and (q) by inserting after the words “section 6A” the words “or section 27F”;
- (ii) in subparagraphs (s), (t), (u), (v), (y), (aa), (ad), (ae) and (af) by inserting after the words “section 6C” the words “or section 27F”;
- (iii) in subparagraph (w), by inserting after the words “section 6D” the words “or section 27F”, and after the words “section 6A” the words “or section 27F”;
- (iv) in subparagraph (wa), by inserting after the words “after section 6D” the words “or section 27F”;
- (c) in paragraph 8(a) by deleting the words “a Class 3A, Class 3B or 4 designated insurer” and substituting the words “is a designated insurance holding company”;
- (d) in paragraph 8(b) by deleting the words “a Class C, Class D or E designated insurer” and substituting the words “a designated insurance holding company”.

INSURANCE AMENDMENT BILL 2024

EXPLANATORY MEMORANDUM

This Bill seeks to amend the Insurance Act 1978 (the “Act”) to make provision for the enhancement of oversight and regulation by the Bermuda Monetary Authority of insurance groups by enhancing the criteria for group supervision; by creating a regime for regulating designated insurance holding companies for the purposes of group supervision; by confirming the circumstances in which the Authority shall act as group supervisor; by requiring notification and no-objection of certain material changes with respect to an insurance holding company; and for purposes connected with and incidental to those matters;

Clause 1 provides for the title of the Bill.

Clause 2 amends section 1 of the Act with respect to definitions for the interpretation of the Act including a definition of “designated insurance holding company”, “insurance holding company” and amending definitions to reflect the change from supervision of “designated insurers” of an insurance group to supervision of “designated insurance holding companies” of an insurance group.

Clause 3 amends section 2A of the Act to delete the reference to “designated insurer” and substitute a reference to “designated insurance holding company”.

Clause 4 amends section 2BA to delete references to “designated insurer”.

Clause 5 amends section 6A of the Act (which relates to rules for prudential and technical standards) to make housekeeping amendments delete references to “designated insurer”, and to delete the reference to internationally active insurance groups. Rules with respect to insurance groups will be made under section 27F.

Clause 6 amends section 6C of the Act (which relates to the exemption of insurers, insurance managers and intermediaries from or modification of prudential or technical standards) to make housekeeping amendments to delete a reference to “designated insurer”. Rules with respect to insurance groups are made under section 27F.

Clause 7 amends section 6D of the Act (which relates to adjustment of enhanced capital requirement, statutory capital and surplus, insurance reserves) to make housekeeping amendments to delete a reference to “designated insurer”. Rules with respect to insurance groups are made under section 27F.

Clause 8 amends section 6G of the Act (recovery plan) with respect to rules regarding insurance groups under section 27F.

Clause 9 amends section 14 of the Act with respect to fees.

Clause 10 amends section 16 of the Act (which relates to appointment and approval of auditors) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 11 amends section 27A of the Act to insert definitions of “insurance holding company” and “designated insurance holding company”.

Clause 12 amends section 27B of the Act to confirm the circumstances in which the Authority shall act as group supervisor and the matters pursuant to which the Authority may make a determination whether to act as group supervisor for an insurance group. A new subsection (6A) has been inserted to confirm the Authority's power to, from time to time, review its determination with respect to group supervision. This clause also substitutes the designation of insurance holding companies, for the designation of designated insurers.

Clause 13 inserts section 27BA in the Act with respect to designated insurance holding companies. Section 27BA makes provision for the designation and registration of insurance holding companies and brings them within scope of the Act for the purposes of enhancing effective group supervision. The effect is to apply the provisions that currently relate to designated insurers to designated insurance holding companies.

Clause 14 amends section 27C of the Act (power of Authority to exclude specified entities from group supervision in certain circumstances) to substitute a reference to "designated insurance holding company" for "designated insurer".

Clause 15 amends section 27CA of the Act (power of Authority to include specified entities from group supervision) to substitute a reference to "designated insurance holding company" for "designated insurer".

Clause 16 repeals and replaces section 27D of the Act (power to withdraw as group supervisor) to substitute a reference to "designated insurance holding company" for "designated insurer" and renumbers existing provisions. This clause also clarifies the circumstances in which the Authority may withdraw and collaborate with the college of supervisors or relevant competent authorities respect to group supervision by a competent authority.

Clause 17 amends section 27F (Authority to make rules) in consequence of the housekeeping amendments to sections 6A, 6C and 6D of the Act, to provide for rules to be made under Part IVA of the Act in relation to insurance groups.

Clause 18 inserts section 27FA in the Act to set forth provisions for exemption from or modification of prudential standards, or adjustments in relation to an insurance group under section 27F.

Clause 19 amends section 27G of the Act (appointment of approved group actuary) to substitute a reference to "designated insurance holding company" for "designated insurer".

Clause 20 amends section 29A of the Act (power to obtain information and reports) to refer to "designated insurance holding company".

Clause 21 amends section 29B of the Act (power to require production of documents) to substitute a reference to "designated insurance holding company" for "designated insurer".

Clause 22 amends section 29C of the Act (communication with Authority) to substitute a reference to "designated insurance holding company" for "designated insurer".

Clause 23 amends section 30 of the Act (investigations on behalf of the Authority) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 24 amends section 30A of the Act (investigations of suspected contraventions) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 25 amends section 30AA of the Act (power to require production of documents) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 26 amends section 30D of the Act (notification by shareholder controllers of new or increased control – private companies) to include designated insurance holding companies.

Clause 27 amends section 30E of the Act (notification by shareholder controllers of new or increased control – public companies) to include designated insurance holding companies.

Clause 28 amends section 30F (objection to new or increased control) to include designated insurance holding companies.

Clause 29 amends section 30J of the Act (notification of change of controller and officer) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 30 amends section 30JB of the Act (notification of material change: insurer or insurance group) to substitute a reference to “designated insurance holding company” for “designated insurer”. This clause also amends section 30JB of the Act to require notification and provide power for objections with respect to an amalgamation or merger with or acquisition of another firm, and with respect to the sale of shares of a designated insurance holding company.

Clause 31 amends section 30JC of the Act ((objection to material change: insurer and insurance group) to include a designated insurance holding company.

Clause 32 amends section 32A of the Act (which relates to the issue of directions in respect of contraventions by designated insurers) to refer to designated insurance holding companies and adds additional provisions.

Clause 33 amends section 32B of the Act (procedure for giving directions) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 34 amends section 32C of the Act (which relates to the issue of directions in case of urgency) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 35 amends section 32D of the Act (power to impose civil penalties for breach of requirements) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 36 amends section 32F of the Act (public censure) to substitute a reference to “designated insurance holding company” for “designated insurer”.

Clause 37 amends section 35 of the Act (winding up on petition of the Authority) to provide for the Authority to petition the Court for winding up of designated insurance holding companies in certain circumstances.

Clause 38 amends section 44A (rights of appeal) to include a reference to “designated insurance holding company”.

Clause 39 and the Schedule provide for amendments to the Bermuda Monetary Authority Act 1969 relating to designated insurance holding companies.

Clause 40 provides for the commencement of this Bill.

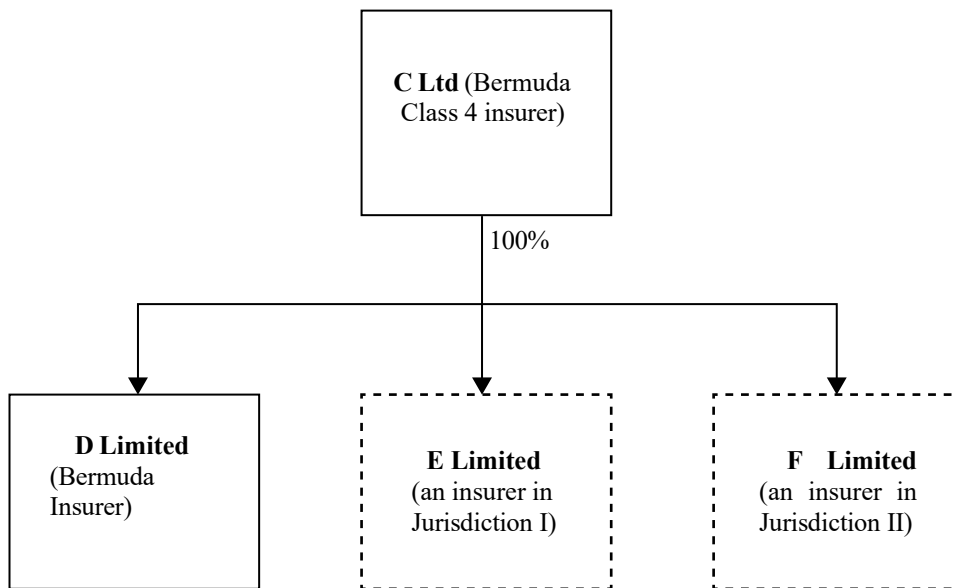
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Appendix B

TYPICAL INSURANCE GROUP STRUCTURES OPERATING IN BERMUDA

The examples below are for the purposes of illustration only with respect to contents covered in the consultation paper and are not intended to set forth all forms of financial structures in Bermuda. Whilst the illustrations are not extended to include conglomerates and/or mixed financial holding companies, the Authority’s approach to such groups i.e. where the insurance group forms part of a financial group then the Authority will apply group-wide supervision to the insurance sub-group and will liaise with the other sectoral supervisors to assess the overall group effects on the insurance sub-group among other supervisory practices. The Authority will provide additional guidance in the future on conglomerates and/or mixed financial holding groups if such structures become prevalent in Bermuda.

Example 1 - An insurance group with an Insurer as the Parent. The Insurer is a Bermuda entity.

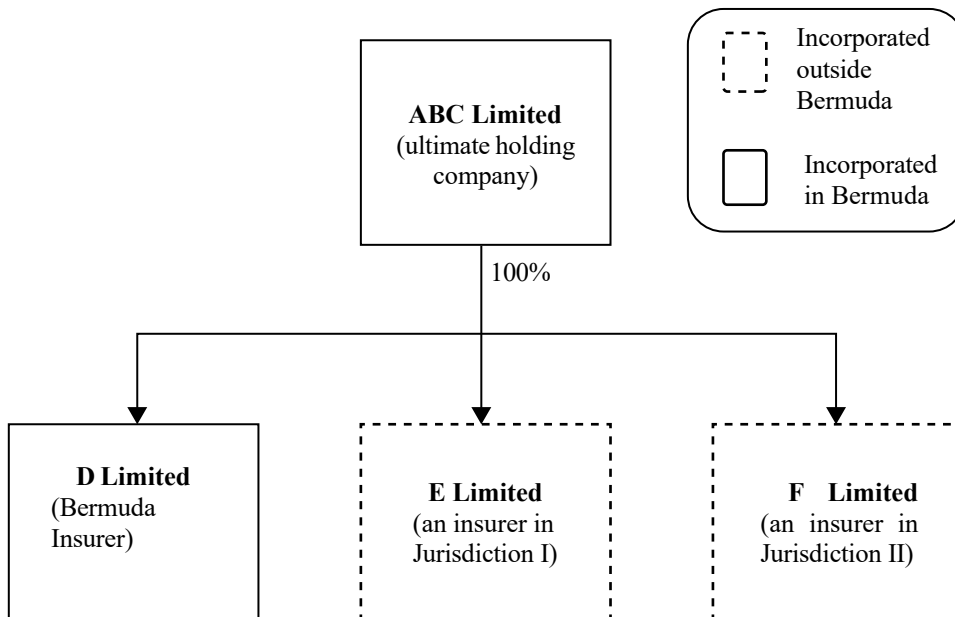


Group supervision will apply at C Ltd. Level and cover at a minimum Firms D, E and F accordingly. C will be the designated Insurance Holding Company and will assume the previous roles and responsibility of the Designated Insurer.

Example 2 - An insurance group with an ultimate holding company incorporated in Bermuda

The ultimate holding company (i.e. ABC Limited) of the insurance group is a company incorporated in Bermuda which has control over all the insurers (i.e. Insurers D, E and F) in the insurance group. The BMA would designate ABC Limited as an Insurance Holding Company. The group supervised by BMA at minimum will have ABC Limited and its subsidiaries.

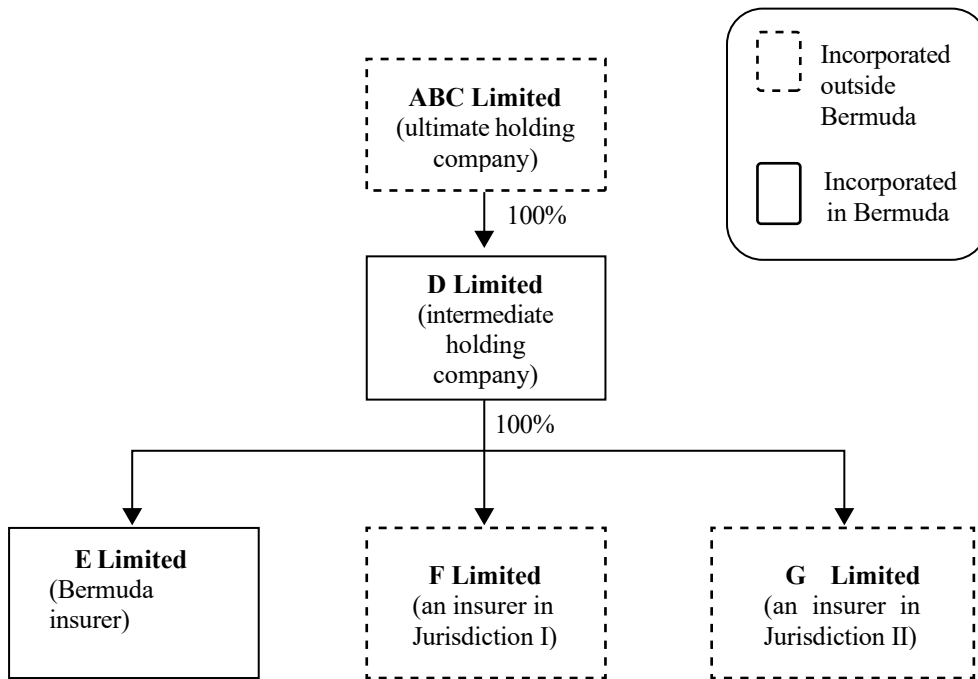
ABC Limited, as the designated insurance holding company, will assume all the duties and responsibilities currently performed by the Designated Insurer.



Example 3 - An insurance group with an ultimate holding company incorporated outside Bermuda

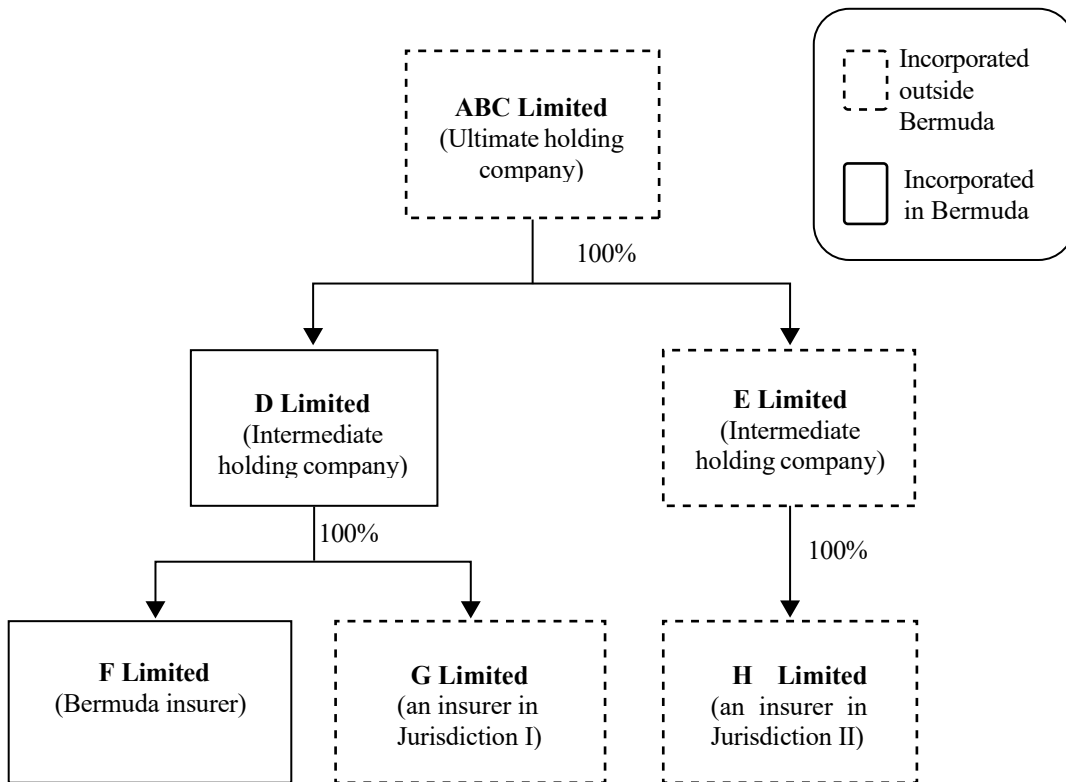
The ultimate holding company (i.e. ABC Limited) is a company incorporated outside Bermuda. The intermediate holding company (i.e. D Limited) is incorporated in Bermuda. D Limited has control over all insurance entities (i.e. E,F,G) in the insurance group.

In this scenario, the BMA will designate D Limited as an Insurance Holding Company. D will assume all the duties and responsibilities that are currently performed by the Designated Insurer.



Example 4 – An insurance group with multiple intermediate holding companies, one incorporated in Bermuda and the other incorporated outside Bermuda

In this scenario, BMA can only designate D Limited as an Insurance Holding Company because both ABC Limited and E Limited are incorporated outside Bermuda. F Limited and G Limited will be default members of the BMA supervised group (sub-group). H Limited is not a subsidiary of D Limited. The BMA will assess and determine the need for sub-group supervision to the extent ABC Group is an insurance Group supervised by another Insurance regulatory Authority- i.e. A sub-group need not be created if appropriate Group supervision occurs at ABC level.



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