



BERMUDA MONETARY AUTHORITY

INFORMATION BULLETIN

INSURANCE ASSESSMENT AND LICENSING COMMITTEE (IALC) UPDATE

28 July 2020

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I. BACKGROUND

1. On 25 April 2007, the Assessment and Licensing Committee (ALC) of the Bermuda Monetary Authority (Authority) was established in accordance with the Terms of Reference (ToR) mandated by the Authority's Board of Directors.
2. The ToR sets out the ALC mandate, in addition to the protocols to be followed, assignment of roles and responsibilities, and the planned activities of the Committee. Over the years, there have been changes in insurance business models and classes of licence, as well as changes to regulatory standards. Thus the ToR has been updated to ensure the ALC continues to be fit-for-purpose. The current version of the ToR dates from 1 January 2019, with the Committee being designated the IALC.

II. ROLE AND FUNCTIONING OF THE IALC

3. The IALC shall review and make decisions on the applications for the grant of licences and registrations under the Insurance Act 1978 (Act), related regulations and rules.
4. The IALC shall consist of a Chairperson (Chair), who shall be the Authority's Chief Executive Officer (CEO), or a designate, and a panel. The panel will be constituted of Senior Managers, Senior Officers and Principals of the Authority.
5. The quorum for meetings of the IALC shall be five members, including the Chair, with a minimum of three Senior Managers including the Chair.
6. The Chair shall have responsibility for assembling a panel who, in the opinion of the Chair after taking into consideration the complexity of the applications, has sufficient combined expertise, experience and/or technical knowledge in relevant fields to robustly debate, assess and conclude the issues at hand.
7. Meetings will be scheduled weekly basis on each Friday; however, the Chair can propose an alternative date if, for example, the meeting is scheduled on a day the Authority is not open for business. In such cases, the Secretary will issue a notice, at minimum, 10 days before the scheduled meeting notifying the public of the alternative date for the IALC meeting. Special meetings may be scheduled by the Chair wherever necessary.
8. In instances where the application is deemed incomplete, the IALC should inform the applicant without delay, and the applicant should be given the opportunity to provide additional information to complete the application.
9. The IALC will convey any concerns with regard to an applicant's proposed insurance activities and explain the reasons for imposing licensing conditions or restrictions (if any).

10. If the application does not meet the minimum licensing criteria discussed in the Act, the IALC will not approve the application. If the application is not approved, the Authority, whenever possible, will communicate the basis for the IALC's decision to the applicant, being mindful there may be legal, confidentiality and other reasons that may prevent the Authority from doing so.
11. Applicants will generally be advised of the IALC's decision by phone before 5 p.m. on the day the application was deliberated by IALC. A follow-up letter will be subsequently issued to the applicant within three business days. However, if the IALC decision is to approve the application "subject to" certain items being addressed by the applicant, the letter may follow once the items identified by the committee have been sufficiently addressed. An applicant that is approved can apply to be licensed – the application shall include the covering letter, written undertakings that have been requested by the Authority, the final updated business plan and the completed Form 1B (insurers) or Form 3 (intermediaries) - See Appendix I and Appendix II.

III. IALC CONSIDERATION FOR REGISTRATION UNDER THE INSURANCE ACT 1978

12. A comprehensive application in support of the applicant's request to be licensed pursuant to the Act, must be filed with the Authority before 5 p.m. on a Monday (or designated submission date in the circumstance that the Authority's offices are closed on a Monday) via Authorisations_eApplications@bma.bm. The application is to be addressed to the attention of the IALC. Applications received after the aforementioned deadline will be considered by the IALC the following week. The applicant must also submit an electronic copy of the full application for the attention of the Licensing team of the Authority.
13. Applications for the insurance sandbox should take into consideration the Authority's specific guidance and check list accessible via the following links:¹ [Guidance Note: Insurance Regulatory Sandbox and Innovation Hub](#); [Application Checklist for the Sandbox and Innovation Hub](#)
14. Pursuant to Section 22(b) of the Bermuda Monetary Authority Act 1969, the Authority reserves the powers to request such information as the Authority may reasonably require to discharge its functions in respect of the supervision, regulation or inspection of the financial institution.

¹ Guidance Note on Insurance Regulatory Sandbox and Innovation Hub and Insurance Regulatory Sandbox Application Form Checklist.

IALC CONSIDERATIONS RELATED TO REGISTRATION AS AN INSURER:

15. Applications for licensing as an insurer must include the following:

- A cover letter requesting registration as the respective class(es) of insurer, pursuant to Section 4 of the Act
- A business plan, which must include the following:
 - Detailed information on the business purpose for registration as an insurer, including details of the policyholders, lines of business to be conducted, nature of the risks being insured, deductibles/excess and limits, exposure, net loss retention, primary insurance and reinsurance arrangements, details of the participants and their respective jurisdiction of incorporation and operation, and any other relevant information
 - Ownership and beneficial ownership of the proposed insurer and organisation chart detailing affiliate/subsidiary structures
 - Details on proposed directors, officers, senior management and proposed staffing, including qualifications and experience
 - Proposed capitalisation, including the nature and source of funding, and any contingent capital sources
- Information on the individual shareholders/owners:
 - Personal declaration forms
 - Net worth statements
 - Curriculum vitae
- Information on the corporate shareholders/owners:
 - Most recent audited financial statements of the corporate shareholder/owner
 - Background information
 - Stock exchange listing, if applicable
- Information on the board of directors, senior management and/or key functionaries:
 - Personal declaration forms
 - Curriculum vitae or biographies²
 - Background information
 - Details of the governance framework specifically outlining the level of board oversight and accountability over the key control functions, including details of individuals providing oversight over the key control functions; and if applicable, include details discussing how conflicts of interests will be effectively managed
 - Details of the board committees to be formed, who will be on each committee, frequency of meetings and copies of charters, if available. If applicable, include details discussing how conflicts of interests will be effectively managed

² Controllers, officers and service providers are required to be fit and proper persons to perform functions in relation to any activity carried on by the insurer, pursuant to the Minimum Criteria for Registration Schedule forming part of the Act.

- Pro forma income statements and balance sheets on a five-year basis, demonstrating the viability of the business plan, and also, for all insurers except Special Purpose Insurers (SPIs), to demonstrate that the applicable Minimum Solvency Margin (MSM) and the Liquidity Ratio (LR) under the Act will be maintained at all times
- For commercial, Innovative Insurer - General Business (IIGB) and collateralized insurers, Bermuda Solvency Capital Requirement (BSCR) projection models for the first and fifth year in accordance with the applicable reporting form to demonstrate that the Enhanced Capital Requirement (ECR) prescribed by the Act and the related Rules will be maintained at all times
- For innovative insurers' business, business and technical papers about the proposed business model and platform, including workflow diagrams (if applicable)
- For all insurers except SPIs, details of the capital management policy including target capital levels and access to sources of funding
- Investment guidelines, including targeted asset allocation, limits, exclusions and asset-liability matching to assess the appropriateness of the investment policy to the business and risk profile of the insurer, namely to the nature of the insurance liabilities to be underwritten
- Details evidencing the insurer's ability to comply with the Insurance Code of Conduct
- Copies of all (re)insurance contracts and related agreements as outlined in the business plan
- Support for the assumptions forming the basis of the pro forma income statements and balance sheets enclosed with the application, including an actuarial or feasibility study supporting the projected loss reserves, a description of the products to be offered, distribution methods and channels to be used, risk profile/ appetite, projected set-up and development costs (if applicable)
- Copies of letters of intent from (re)insurance companies the applicant plans to conduct (re)insurance business with, as applicable
- Contact details of the supervisory authority of the owner or controller of the applicant, if the owner or controller is a (re)insurer domiciled in another jurisdiction
- Where the applicant is part of a group, the applicant should submit its corporate and group structure, indicating all of the material entities within the group (including both insurance legal entities and other entities, such as non-regulated entities). Information on the type of related-party transactions and/or relationships between all material entities within the group should also be provided
- The applicant should also provide information to demonstrate the appropriateness of its systems of risk management and internal controls, outsourcing arrangements (both affiliated and non-affiliated), information technology systems, policies and procedures
- Copies of service agreements and outsourcing agreements, if applicable
- If applying to be licensed to underwrite both long-term insurance business and general insurance business (where such is allowed), the applicant should demonstrate to the satisfaction of IALC that its systems of risk management and internal controls are adequate to manage the risks separately for each business stream on both a going concern and a gone concern basis

- Commercial, IIGB and collateralized insurers must include details explaining how head office requirements will be met
- Acceptance letters (unconditional) from proposed service providers the applicant is proposing to appoint (approved auditor, loss reserve specialist or approved actuary, principal representative, insurance manager, etc.)
- The applicant's legal documents, including Memorandum of Association, copies of Permit under the Companies Act 1981 (if applicable and available), Certificate of Incorporation (if applicable and available) or draft Form 1B, if not yet incorporated
- Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) policies and procedures in those cases where the applicant is proposing to write direct long-term insurance business, including the names of the persons the applicant will appoint in the role of Compliance Officer and the Money Laundering Reporting Officer
- Details evidencing the insurer's ability to comply with the International Sanctions Regulations 2013
- Details of any permissions the applicant will request pursuant to the Act once the licence has been obtained, if such permission was contemplated as part of the business model discussed in the application (for example, permissions requested pursuant to Sections 6C, 56, 57A of the Act). To the extent possible, the Licensing team shall collaborate with the relevant teams within the Authority to assess the likelihood that the requested permissions will be granted so that the applicant can be notified in such cases where it is unlikely that the permission will be granted. This information will be important to the applicant if an approval from the Authority was contemplated as part of the business model
- Any other information that is considered to be relevant to the proposed application for licensing
- The Authority recommends innovative insurer applicants contact the Authority in advance of submitting an application to discuss their prospective application and for the Authority to provide specific guidance on the application process

IALC CONSIDERATIONS RELATED TO REGISTRATION AS AN INSURANCE MANAGER, INSURANCE BROKER, INSURANCE AGENT, INSURANCE MARKETPLACE OR INNOVATIVE INTERMEDIARY

16. Applications for registration as an insurance manager, insurance broker, insurance agent, insurance marketplace or innovative intermediary, pursuant to Section 10 of the Act:
- Cover letter discussing the category of licence the applicant is seeking registration as pursuant to Section 10 of the Act
 - A business plan setting out the following:
 - The applicant's ownership and beneficial ownership structure
 - Detailed explanation on the business purpose underlying the application for registration, including details of the proposed services to be provided, participants/clients and their respective jurisdictions, any outsourced services, information to demonstrate the appropriateness of its systems and processes,

internal controls, information technology systems, policies and procedures, and any other relevant information

- Details on proposed directors, officers, senior management and proposed staffing, including qualifications and experience; and if applicable, include details discussing how conflicts of interests will be effectively managed
- An insurance agent shall demonstrate any respective delegated underwriting authority arrangements, counterparties and exposure limits
- Details of the presence the applicant intends to establish in Bermuda to facilitate business purpose
- Information on the individual shareholders/owners:
 - Personal declaration forms
 - Net worth statements
 - Curriculum vitae
- Information on the corporate shareholders/owners:
 - Most recent audited financial statements of the corporate shareholder/owner
 - Regulatory filings, if applicable
 - Background information
 - Stock exchange listing, if applicable
- Information on the board of directors, senior management and/or key functionaries:
 - Personal declaration forms
 - Curriculum vitae or biographies
 - Background information
- Pro forma income statements and balance sheets on a five-year basis, demonstrating the viability of the business plan; including support for all assumptions made
- Details of the professional indemnity/errors and omissions insurance cover to be maintained by the applicant upon registration
- Draft copies of all proposed service level agreements, and any other relevant information
- Letters of intent from insurance companies that the applicant intends to provide services
- AML/ATF policies and procedures and risk assessments for all insurance managers and insurance marketplaces, including the details of the Money Laundering Reporting Officer and the Compliance Officer
- AML/ATF policies and procedures and risk assessments for insurance brokers or innovative intermediaries engaging in direct long-term business, including the details of the Money Laundering Reporting Officer and the Compliance Officer
- Details of how the applicant will comply with the International Sanctions Regulations 2013
- The applicant's legal documents, including Memorandum of Association, copies of the proposed Permit under the Companies Act 1981, Certificate of Incorporation (if applicable and available) or draft Form 3 if not yet incorporated
- Information on how insurance managers, insurance brokers, insurance agents, insurance marketplaces, or innovative intermediaries shall meet their requirements under the respective Codes of Conduct

- Any other information that is considered to be relevant to the proposed application for licensing
- The Authority recommends innovative intermediary applicants contact the Authority in advance of submitting an application to discuss their prospective application and for the Authority to provide specific guidance on the application process

Appendix I

Form 1B



THE INSURANCE ACT 1978
(the Act)
(Section 4 of the Act)

1. State the full legal name of the Company.
2. _____
3. State the full address of -
 - (a) the registered office of the Company in Bermuda.

 - (b) the principal office of the Company in Bermuda.

 - (c) the registered office and the principal business address abroad (in case of company incorporated abroad).

3. State date and place of incorporation.

4. State the legal form of the Company by ticking the appropriate box under (i) and (ii) -
 - (i) Company organised by shares
 - Mutual Company
 - (ii) Exempted Company
 - Permit Company
5. (i) State the amount of the issued and paid-up capital at present, and the date paid in.

- (ii) Has the whole of the paid-up capital been subscribed in cash? If not, give full details.

6. Confirm a final version the Company's business plan is enclosed with the registration application.

Yes
No

7. If the insurer is a new company, confirm a copy of the Company's Certificate of Incorporation is enclosed with the application.

Yes
No

8. State the date when the Company intends to commence writing insurance business.

9. State the full name and address of the following who have accepted their appointment, attaching formal evidence of acceptance of appointment duly signed -

(i) Principal Representative (must be resident in Bermuda).

(ii) Insurance Manager (or confirm if the Company will be self-managing).

(iii) Auditor.

(iv) For companies carrying on general business - state the full name and address of the Approved Loss Reserve Specialist to be approved (not applicable to Class 1 insurers unless 30% or more of the exposure relates to Professional Liability Cover).

(v) For companies carrying on long-term business - state the full name and address of the Approved Actuary to be approved.

12. Confirm all written undertakings to be provided by the Company, as communicated in the Authority's response to the Company's application to the Insurance Assessment and Licensing Committee, have been provided by letter.

Yes

No

If no, please explain -

13 Confirm the Company has Board approved policies and procedures covering compliance with the International Sanctions Regulations 2013.

Yes

No

If no, please explain -

14 Confirm the Company has policies and procedures on Suspicious Activity Reporting in cases where the applicant is proposing not to write direct long-term business.

Yes

No

If no, please explain -

15. Please provide details of other Bermuda Monetary Authority regulatory applications that the Company will be making or is planning to make at the time of registration.

14. State the date on which the Company's financial year will end.

We certify that to the best of our knowledge and belief all of the information given in this application is true and correct and that all estimates given are true estimates based upon facts which have been carefully considered and assessed.

(Signed) _____ Date _____
(Director)

(Name) _____

(Signed) _____ Date _____
(Resident Director)

(Name) _____

(Signed) _____ Date _____
(Principal Representative)

(Name) _____

Note: Any information supplied pursuant to this form will be dealt with in CONFIDENCE in accordance with Section 52 of the Act.

APPENDIX II

Form 3



THE INSURANCE ACT 1978
(the Act)
(Section 10 of the Act)

- | | | |
|--|-----------------------|--------------------------|
| * Application being completed as
(tick appropriate box) | Insurance Manager | <input type="checkbox"/> |
| | Insurance Broker | <input type="checkbox"/> |
| | Insurance Agent | <input type="checkbox"/> |
| | Insurance Marketplace | <input type="checkbox"/> |
| | Insurance Salesmen | <input type="checkbox"/> |

1. State the full legal name of the Company: _____

2. State the full address of -

(a) the registered office of the Company in Bermuda.

(b) the principal office of the Company in Bermuda.

(c) the registered office and the principal business address abroad (in case of company incorporated abroad).

3. (a) Name and address of local attorney or legal adviser:

(b) Name and address of auditor in Bermuda: _____

4. If the entity is being registered as an insurance manager, insurance broker or insurance agent confirm the Company's professional indemnity cover provider(s) and limits of coverage.

5. Confirm all written undertakings to be provided by the Company, as communicated in the Authority's response to the Company's application to the Insurance Assessment and Licensing Committee, have been provided.

Yes

No

If no, please explain _____

6. State the date on which the Company's financial year will end.

7. Details, if any, of any insurance business to be carried on under section 47(2)(a) of the Act*

I/We certify that to the best of my/our knowledge and belief, all of the information given in this application is true and correct and all estimates given are true estimates based upon facts which have been carefully considered and assessed.

Name(s)

Signature(s)

Dated

*Your attention is drawn to the provisions of section 47(1) of the Act and the liability which attaches under section 48 of the Act should the intermediary breach section 47(1) of the Act.