



8 March 2022

NOTICE

2021 YEAR-END BERMUDA SOLVENCY CAPITAL REQUIREMENT (BSCR) MODEL

FOR INSURANCE GROUPS, CLASS 4, CLASS 3B AND CLASS 3A INSURERS

SCHEDULE V(E) CYBER RISK STRESS TEST SCENARIOS

In response to recent feedback from the market, the Bermuda Monetary Authority (Authority or BMA) would like provide the following additional guidance and clarity to the instructions for Schedule V(e) – Schedule of Risk Management – Section J. Technology Risk a) Cyber Risk Underwriting Scenarios of the 2021 Year End BSCR Model for insurance groups, Class 4, Class 3B and Class 3A insurers:

- a) Part 1: Cyber underwriting details – this section is applicable for all insurers that write affirmative cyber risk policies during the reporting period. Insurers that do not write any affirmative cyber policies during the reporting period shall proceed to item b) for non-affirmative cyber exposures.
- b) Part 2: Non-cyber specific (re)insurance policies issued – this section applies to all insurance groups and Class 4, Class 3B and Class 3A insurers (i.e., those writing affirmative cyber and those that do not).
- c) Part 3: Prescribed cyber stress scenarios – this applies to insurance groups and Class 4, Class 3B and Class 3A insurers who meet at least one of the following materiality thresholds:
 - i. Affirmative cyber gross premium written represents 15% or more of the total gross premium written for the current year;
 - ii. Gross estimated affirmative cyber loss accounts for 10% of the current capital and surplus;
 - iii. Gross estimated non-affirmative cyber loss accounts for 5% of the current capital and surplus; or

- iv. Cyber-related loss events (either arising from affirmative cyber policy or non-affirmative policy responding to a cyber-loss event) constitute 15% of the total losses incurred for the most recent year-end.

Further, the Authority would like to clarify that the required impact to be estimated for all BMA-prescribed stress scenarios (i.e., cloud outage, ransomware and data breach) is to be applied to the top 10 policyholders based on the largest affirmative cyber net loss). (Previous guidance indicated the largest 10 gross cyber limits/exposures).

- d) Part 4: (Re)insurer specific/own cyber stress scenarios – this applies to affirmative cyber writers only.

Finally, the Authority wishes to emphasise that this new section on BMA-prescribed cyber-stress section is to be completed by insurance groups and Class 4, Class 3B and Class 3A insurers for 2021 year-end filing on a best-efforts basis, and will be finalised and fully required for insurance groups and Class 4, Class 3B and Class 3A insurers for 2022 year-end filing.

The Authority has re-published the 2021 year-end Cyber Stress and Scenarios Instructions, which are found on our website at the following link:

<https://www.bma.bm/document-centre/reporting-forms-and-guidelines-insurance>

Any questions relating to the above or the BSCR regulatory reporting should be directed to riskanalytics@bma.bm.