



REGULATORY UPDATE

October–December 2024



Preface

This Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 31 December 2024*.

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REGULATORY

Consultation/Discussion Papers

The BMA issued the following Consultation Papers (CP) for consultation and other related documents in Q4-2024:

- A CP entitled [Proposed Instructions and Guidance on the Application of the Prudent Person Principle](#). The Insurance Code of Conduct (Code) and Insurance (Group Supervision) Rules 2011 require insurers to implement the Prudent Person Principle (PPP) as an integral part of their operations for managing investment risk. This CP sets out the BMA's expectations for insurers when adopting the PPP. The consultation period ends on 5 February 2025
- A CP entitled [Proposed Enhancements to the Insurance Group Supervision Framework](#). This CP provides information on proposed regulatory enhancements to strengthen the Authority's group-wide supervision framework. Proposals include regulatory changes to help ensure that group-wide supervision is mandatorily triggered by the presence of both a registered entity and its ultimate parent company in Bermuda where the ultimate parent company also owns insurance entities domiciled outside of Bermuda. Other proposals include providing for a direct approach to the supervision of insurance groups. This would include removing 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. The consultation period ends on 15 February 2025
- A CP entitled [Proposed Enhancements to Public Disclosure Regime – Public Disclosure of Assets and Liabilities for Commercial Long-term Insurers](#). This CP aims to promote transparency and enhance the accessibility and granularity of asset-related disclosures for the benefit of policyholders and other stakeholders of commercial long-term insurers. The consultation period ends on 28 February 2025
- A CP entitled [Proposed Prudential Rules and Technical Standards for Class IILT Insurers, Enhancements for Class IIGB Insurers, Insurance Accounts Regulations 1980 and Insurance Returns and Solvency Regulations 1980](#). This CP outlined the BMA's proposed regulatory framework for Class IILT insurers and a number of enhancements for Class IIGB insurers. The consultation period ends on 28 February 2025
- A CP entitled [Proposed Amendments to the Digital Asset Business Act 2018 and the Digital Asset Business \(Prudential Standards\) \(Annual Return\) Rules 2018](#). The proposed amendments include defining 'control of assets,' enhancing powers for liquidity and capital requirements, introducing wind-down planning requirements and transitioning 'civil penalties' to 'late fees' for late document submissions arising from the untimely submission of required documents. The CP clarifies section 18 (4) and provides information on annual reporting requirements. The proposals aim to clarify legislation, enhance administrative and enforcement powers and mitigate against non-compliance. As it pertains to this CP, the Authority has recognised the need to update the current prudential annual return requirements and reporting filings to ensure that the information collected is relevant to market developments. As such, the BMA has revised the annual return and proposes amending the first Schedule to the Rules to reflect the updates. These amendments are intended to clarify the expectations for prudential reporting
- A [Stakeholder Letter](#) to accompany the revised Consultation Paper (CP) entitled [Proposed Enhancements to the Corporate Services Provider Business Act 2012](#), which responded to industry feedback received on the first version of the CP

Policy and Guidance

The BMA issued the following guidance:

- The [AML-ATF Ministerial Advisory 3 2024](#). This publication discusses the risks in certain jurisdictions arising from inadequate systems and controls for combatting money laundering and terrorist financing. It also lists the higher-risk jurisdictions, those under increased monitoring and those no longer subject to increased monitoring by the Financial Action Task Force (FATF). The use of the Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 (POCA Regulations) require the Bermuda-regulated sector and relevant persons to apply enhanced customer due diligence to high-risk countries
- A Stakeholder Letter to (re)insurers entitled [Recovery Planning: Expectations and Guidelines – Insurance \(Prudential Standards\) \(Recovery Plan\) Rules 2024](#). In April 2024, the BMA issued the *Insurance (Prudential Standards) (Recovery Plan) Rules 2024* (Rules), which are set to take effect on 1 May 2025. This letter discusses the Authority's expectations in relation to recovery planning, it also provides practical examples relating to the challenges (re)insurers face when drafting and implementing a recovery plan that will proportionately reflect their nature, scale and complexity
- A Guidance Note (GN) entitled [Digital Asset Business Single Currency Pegged Stablecoins \(SCPS\)](#) and an accompanying [Stakeholder Letter](#) that details the feedback and responses received from stakeholders, on the previously issued draft GN. The GN outlines the expectations that apply to operators qualifying as Single Currency Pegged Stablecoin Issuers (SCPSIs) and covers areas such as governance, risk management, market-making due diligence, attestations and disclosures. A key aim of the GN is to clarify regulatory expectations so that SCPSIs conduct their operations prudently and transparently
- Updates to the [Application Form for Standard Licence and Registration](#) for firms applying for a licence or registration under the Investment Business Act 2003 (IBA)

- Updates to the [Application Form for a Test Licence](#) for firms applying for a test licence under the Investment Business Act 2003 (IBA)

Updates to Reporting Forms and Guidelines

The Authority published the following reporting forms and guidelines in Q4-2024:

- Lapse Liquidity Scenario-Based Approach (SBA) Return Template (10 October)
- Information Bulletin – Assets and Scenario-Based Approach-related Approvals (10 October)
- Discount Rates 31 March 2024 (Restated Discount Rates) (14 October)
- Discount Rates 30 June 2024 (Restated Discount Rates) (14 October)
- Discount Rates 30 September 2024 (14 October)
- Group 2024 BSCR (2 December)
- Collateralized Insurers 2024 BSCR (2 December)
- Class D 2024 BSCR (2 December)
- Class E 2024 BSCR (2 December)
- Class C 2024 BSCR (2 December)
- Class 4 2024 BSCR (2 December)
- Class 3B 2024 BSCR (2 December)
- Class 3A 2024 BSCR (2 December)
- 2024 Year-End Stress and Scenario Instructions for Class C, D and E (2 December)
- 2024 Year-End Stress and Scenario Instructions for Class 4, 3B and Insurance Groups (2 December)
- 2024 Year-End Stress and Scenario Instructions for Class 3A (2 December)
- 2024 Year-End Long-Term Instructions Handbook (2 December)

- 2024 Year-End Insurance Group Instructions Handbook (2 December)
- 2024 Year-End Insurance General Business Handbook (2 December)
- 2024 Year-End Filing Requirements for Insurance Groups (2 December)
- 2024 Year-End Filing Requirements for Class D and E (2 December)
- 2024 Year-End Filing Requirements for Class C (2 December)
- 2024 Year-End Filing Requirements for Class 4 and Class 3B (2 December)
- 2024 Year-End Filing Requirements for Class 3A (2 December)

- [*The Evolution of Asset Intensive Insurance*](#) (16 December) – This paper updates the Authority’s previous paper dated 18 December 2023 entitled Supervision and Regulation of Private Equity (PE) Insurers in Bermuda. The paper aims to enhance the understanding of these risks and how they manifest in the context of asset-intensive reinsurance business, including strategic alliances between life and annuity insurers and asset management firms, including PE firms
- [*Bermuda Long-term Insurance Market Analysis and Stress Testing Report*](#) (20 December) – This report highlights the key market characteristics of Bermuda’s commercial long-term insurance sector and the results of the mandatory annual stress testing exercise. The report discusses the sector’s growth, which has been driven by demand from direct insurers or institutions that use reinsurance to manage their exposures, risks, balance sheet volatility and capital. This demand has been against the backdrop of a challenging economic environment and an ageing population with improved mortality
- [*Bermuda Insurance Property and Casualty Market Catastrophe Risk and Stress Testing Analysis – Report on 2023 Year-end Data*](#) (20 December) – This report highlights the key market characteristics of Bermuda’s commercial P&C insurance sector and the results of the mandatory annual stress testing exercise. The report demonstrates the Bermuda P&C market’s overall resilience and Bermuda insurers’ ability to absorb large losses while remaining adequately capitalised with liquid resources to settle policyholder claims
- [*Catastrophe Risk Modelling - 2023 Report*](#) (20 December) – This annual report offers an overview of the catastrophe modelling practices in Bermuda and reaffirms the Authority’s commitment to maintaining high standards of transparency

BMA Reports and Surveys

The Authority published the following reports and surveys in Q4-2024:

- [*Bermuda Insurance Sector Operational Cyber Risk Management – 2024 Report*](#) (18 November) – This report provides insights into information obtained in the enhanced 2023 year-end Bermuda Solvency Capital Requirement (BSCR) cyber filing returns from commercial insurers, insurance managers, brokers and agents
- [*Bermuda’s Coordinated Portfolio Investment Survey \(CPIS\) – 2023 Report*](#) (11 December) – This study is part of the International Monetary Fund’s comprehensive international survey and measures Bermuda’s foreign portfolio investment asset holdings. Key aspects of the report include a breakdown of the holdings by type and geographical distribution, as well as by insurance, investment funds, banks and the Government of Bermuda
- [*Macroprudential Risk Report: Annual Statutory Filings of P&C Commercial Insurers \(Legal Entities\)*](#) (13 December) – This report presents aggregated information based on the annual statutory filings of Bermuda P&C commercial insurers. The report provides key statistics as well as analyses and interpretations of the market data

LEGISLATIVE

Bermuda Monetary Authority (Polymer Currency Forms and Designs) Amendment Regulations 2024

The regulations were issued to enable the BMA to update the form and design of coins to feature the image of His Majesty King Charles III. The regulations came into force on 13 December 2024.

Bermuda Monetary Authority (Commemorative Coin Series) (Bermuda Flowers) Amendment Regulations 2024

The regulations were issued to allow for the design of the 2025 Bermuda Yellow Buttercup commemorative coin to be updated to reflect the image of His Majesty King Charles III. They came into force on 12 December 2024.

INTERNATIONAL AFFAIRS

The BMA played an active role on the international stage throughout Q4-2024.

International Association of Insurance Supervisors (IAIS)

The BMA is represented on nearly all of the IAIS Committees and Subcommittees and actively participated in the work conducted by these groups during the fourth quarter.

The Executive Committee (ExCo) of the IAIS had discussions and/or made decisions on the below topics:

- Approval of the proposed in-person subcommittee and forum meetings for 2025
- Approval of the draft Roadmap 2025-2026 and projects and activities of the Roadmap 2025-2026
- Support for a proposal for the Risk-Based Solvency Implementation Forum (RBSIF) to develop public version of the guidance report on transitioning to risk-based solvency regimes

- Agreement on next steps after receiving an update on the draft Issues Paper on structural shifts in the life insurance sector
- Discussion on the future activities relating to the Insurance Capital Standard (ICS) implementation
- Support for the recommendation to establish an ExCo small group on ICS implementation. The Secretariat was tasked with developing a draft mandate for this ExCo small group
- Approval of the draft revised application paper on climate risk scenario analysis, draft revised application paper on climate risk market conduct issues and draft revised supporting material

Other International Affairs Activity

The BMA participated in the following meetings and international conferences in Q4-2024:

- An in-person bilateral meeting with the European Insurance and Occupational Pensions Authority (EIOPA) in Frankfurt, Germany
- Bilateral meetings with the Italian Institute for the Supervision of Insurance (IVASS) in Rome, Italy, the Japanese Financial Services Authority (JFSA) in Cape Town, South Africa, a virtual meeting with the Central Bank of Ireland (CBI) and a virtual meeting with the Central Bank of the Netherlands
- A bilateral meeting with the Malta Financial Services Authority (MFSA) in Cape Town, South Africa
- A virtual meeting with the Federal Insurance Office (FIO)
- The National Association of Insurance Commissioners (NAIC) Fall International meeting in Denver, Colorado
- The IAIS Annual Conference, Cape Town, South Africa
- The Lloyd's International Regulators Programme in London, UK
- The Bank for International Settlements (BIS), the Financial Stability Board (FSB) and the International Association of Deposit Insurers (IADI) 2024 Resolution Conference in Basel, Switzerland

- The Official Monetary and Financial Institutions Forum (OMFIF) Roundtable Discussion with Patrick Bolton and Haizhou Huang, authors of the book *Money Capital* in London, UK
- The second 2024 meeting of the Regulatory Oversight Committee (ROC) of the Legal Entity Identifier (LEI) in Paris, France
- The third Global Financial Regulators Summit of the Financial Services Regulatory Authority of the Abu Dhabi Global Market in Abu Dhabi, United Arab Emirates
- International Organisation of Securities Commissions (IOSCO) Growth and Emerging Markets Committee (GEMC's) Annual Meeting in Ankara, Turkey, where the BMA participated in a workshop on SupTech
- A virtual presentation for the Global Financial Innovation Network's (GFIN) Coordination Group
- The IAIS Macprudential Committee meeting, Cape Town, South Africa
- The 114th Session of the Organisation for Economic Co-operation and Development (OECD) Insurance and Private Pensions Committee, Paris, France
- The Institute of International Finance (IIF) Insurance Breakfast, Cape Town, South Africa
- The FSB, Regional Consultative Group America meeting in Santiago, Chile
- The Group of International Finance Centre Supervisors (GIFCS) Autumn Plenary in Tortola, British Virgin Islands



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