

BILTIR Conference: Bermuda Monetary Authority Update

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Agenda

- Insurance Regulatory Sandbox and Innovation Hub
- Insurance Brokers and Agents
- BSCR Amendments
- Regulatory Assessments
- Q&A

Insurance Regulatory Sandbox and Innovation Hub

Insurance Regulatory Sandbox

- BMA recognises the growing importance of disruptive technological innovation in financial services and has launched an insurance regulatory sandbox (Sandbox) and innovation hub
- The Sandbox is designed for companies that are seeking to be subsequently licensed as regular (re)insurers or intermediaries as per Bermuda's Insurance Act 1978
- 2018 amendments to the Insurance Act to facilitate a sandbox was given assent on 23rd July 2018. A guidance note and application form checklist was published on 6 September 2018
- The Sandbox holds great promise for the development of innovative new insurtech products and services; as well as improved efficiency and cost of insurance transactions, speed of claims payment and overall customer satisfaction
- It also holds promise for greater understanding and mitigation of risk

Insurance Regulatory Sandbox (Cont')

- Sandbox allows companies to test new technologies and offer innovative products, services, and delivery mechanisms to a limited number of policyholders (or other clients) in a controlled environment for a limited period of time
- Sandbox is also available for existing insurance licensees who will be encouraged to conduct the proof-of-concept using a separately incorporated company (subsidiary or joint venture) to avoid contagion
- Sandbox will have appropriate safeguards to protect policyholders and counterparties of companies that participate in Sandbox testing
- For transparency, once approved by the Authority, a company is assigned a temporary Sandbox licence in accordance with its business model commencing with “I” as an identifier that the company is in the Sandbox (i.e., **ILT**: long-term insurer; **IGB**: general business insurer; **IM**: insurance manager; **IA**: insurance agent; **IB**: insurance broker)

Insurance Regulatory Sandbox (Cont')

- Upon the successful end of the testing period and upon exiting the Sandbox, the company will be re-licensed to existing classes (i.e. 1, 2, 3, 3A, 3B, 4, A, B, C, D, E, SPI, insurance manager, broker, agent, salesman)
- Companies in the Sandbox will be able to get modifications to certain regulatory requirements while in the Sandbox
- Companies must still meet the fit and proper requirements and minimum licensing criteria
- If interested in participating in the Sandbox or need more information please e-mail the BMA at innovate@bma.bm

Innovation Hub

- Apart from insurtech companies that would qualify for use of the Sandbox, the Authority is keen to promote broader dialogue on standards and expectations related to innovative insurance solutions, including activities that are not directly regulated by the Authority
- The Authority has therefore created a working group (BMA Innovation Working Group BMA IWG) that seeks to act as a platform for exchanging ideas and information
- The innovation hub may also be used by companies that will eventually apply for entry into the Sandbox
- In order to promote closer dialogue between BMA IWG and market participants involved in the development of various innovative solutions, the Authority has set up a central point of contact via a dedicated e-mail account innovate@bma.bm

Insurance Brokers and Agents

Insurance Brokers and Agents

- Ongoing development of Bermuda's (re)insurance regulatory framework continued in 2018 with enhanced oversight proposed for insurance intermediaries
- In August, the BMA issued a consultation paper about the Insurance Brokers and Agents Code of Conduct which will form the basis of the regulatory regime for insurance intermediaries along with a draft of the Insurance (Prudential Standards)(Insurance Brokers and Agents Annual Return) Rules 2018
- The Code will come into effect once published and the established deadline for compliance is 30th June 2019

Bermuda Solvency Capital Requirement (BSCR) Amendments

BSCR Amendments

- The final version of the new rules was published on 17th July 2018
- The new rules will enter into force on 1st January 2019 notwithstanding grade-in provisions
- Not all provisions presented on the BSCR Update Proposal March 2018 will be transposed under the form of rules, some will be transposed under the form of instructions or guidance to be included in the respective upcoming BSCR handbooks to be released in Q4-2018
- The YE 2018 BSCR models will contain the trial-run schedules for information purposes, its filing is voluntary and no trial-exercise will be conducted

Regulatory Assessments

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National Association of Insurance Commissioners (NAIC)

- In early 2019, the BMA will work on a renegotiation of Bermuda's status as a qualified jurisdiction (QJ)
- NAIC is currently working on amendments to the Model Law/Regulation on Credit for Reinsurance in order to support enactment at state level of the EU/US Covered Agreement
 - Foresees elimination of requirement for reinsurers to post collateral as protection for reinsurance ceded for designated “Reciprocal Jurisdictions”
- The BMA is engaging with the NAIC on the proposed revisions to the Credit for Reinsurance Model drafts as they will form the basis for the Bermuda jurisdictional treatment upon reassessment of Bermuda as a QJ
- Bermuda's current status as a QJ is valid until 1st January 2020

Q&A

Thank You