



BILTIR

BERMUDA INTERNATIONAL LONG TERM
INSURERS AND REINSURERS

MEMBERS' MEETING

November 8, 2018

Agenda

2:00 p.m.	Welcome Treasury & Membership Update Committee Updates Statutory Meeting Approve Minutes from June 14 and September 27 Members' Meetings Introduction of BILTIR Senior Advisor Objectives	Chantal Cardinez Committee Chairs Sylvia Oliveira
2:30 p.m.	Update Presentation - Association of Bermuda Insurers & Reinsurers (ABIR)	Suzanne Williams , Director of Policy and Regulation, <i>ABIR</i>
3:00 p.m.	Presentation – Bermuda Business Development Agency (BDA)	Jereme Ramsey , Interim Head of Business Development and Risk Solutions, BDA
3:30 p.m.	Break	
3:45 p.m.	Update Presentation - Bermuda Monetary Authority	<i>Bermuda Monetary Authority Team</i>
4:45 p.m.	Member Discussion and Closing Remarks Cocktail reception following meeting	Wenda Roberts



Treasury & Membership Update

Chantal Cardinez, Treasurer



Treasury Update

Profit & Loss: August 1, 2017 - July 31 2018	
Earned membership fees	311,334
Conference registration and sponsorship fees	89,750
Total Revenue	401,084
Consultant Fees	132,813
ABIC Scholarship Award	30,000
All other expenses	178,133
Total Expenses	340,946
NET PROFIT	60,138



Treasury Update

Balance Sheet as of July 31, 2018	
Cash	508,370
Prepaid expenses	21,869
Fixed Assets	895
Total Assets	531,134
Accounts payable and accrued liabilities	9,125
Deferred subscriptions	213,500
Total Liabilities	222,625
RETAINED EARNINGS	308,509



Membership Update

Membership as of November 7, 2018

FULL MEMBERS (44)



ASSOCIATE MEMBERS (15)



BILTIR Committees

Strategy Committee

Scott Selkirk

Regulatory/Legal Committee

Natasha Scotland-Courcy

Tax Committee

Rich Burness

**Capital Committee/Financial
Reporting Committee**

Sylvia Oliveira/Pat Kelleher



Strategy Committee

Scott Selkirk, Chair



Strategy Committee Update

- Post Conference Update
 - Conference had 328 registrants
 - Welcome Reception had 280 R.S.V.P's
 - The Premier's opening remarks were very well received
 - Overall cost for the Conference was over budget due to the increase in registrants
- Conference Survey
 - Encourage members to participate and provide feedback



Strategy Committee Update

➤ Strategy Committee Mandate

- Raise the Profile of BILTIR with assistance from Bermuda Business Development Agency
 - Press Releases
 - Government Relations
 - Website updates on BILTIR activities
 - Social Media
 - BILTIR conference
 - Member Meeting Guest speakers
 - BILTIR conference
 - Other conferences (joint)
 - Develop the BILTIR Fact Sheet



Strategy Committee Update

- Strategy Committee Mandate (cont'd)
 - Community Outreach /Grow Bermudian Staffing
 - BILTIR Scholarship (ABIC)
 - Math GSCE Tutoring Program – Expand to Berkeley
 - Career Fairs
 - Lunch and Learn Sessions
 - University Intern Program
 - Keira Somner has volunteered to take lead
 - Member companies will be contacted for participation in 2019 program
 - Advert will run in December

- If interested in participating in the Strategy Committee contact secretary@biltir.bm



Regulatory/Legal Committee

Natasha Scotland Courcy, Chair



Regulatory/Legal Committee Update

❖ **BMA Proposed Fees for 2019 and 2020 Consultation Paper**

- A summary of the major fee revisions are:
 - Annual fees for Class A, B and D increased by between 12%-32%, while annual fees for Class C and E increased by between 12%-385% in 2019 and 2020
 - Fees for internal capital model applications and Section 6C applications will be assessed on a case-by-case basis
 - New fees proposed in respect of applications to obtain BMA approval for a loss portfolio transfer
 - Filing extension fees tiered based on months past the original deadline
- Update on feedback received from BMA not to reduce fees but to extend implementation from 2 years to 3 years

❖ **AML/ATF Guidance**

• **11 September**

The BMA published a list of frequently asked questions on registering to be a non-licensed AML/ATF regulated financial institution and clarified that the list of persons required to be registered have been expanded to include lending, leasing and financial guarantees

• **13 September**

The BMA also published Guidance Notes confirming the obligation to register under section 9 of POCA only applies to “non-licensed persons”

• **20 September**

Additionally, the BMA published an ‘Occasional Paper’ entitled ‘Identifying, Assessing and Understanding Money Laundering and Terrorism Financing Risks within the Insurance Section’ (the “AML Paper”). The AML Paper focuses on the BMA’s AML/ATF risk-based supervisory approach for the insurance sector



Regulatory/Legal Committee Update

❖ **BMA Enforcement Guide**

- The BMA published an enforcement guide, on 10 September, explaining when, what and how the BMA will take enforcement action. Some of the BMA enforcement options are:
 1. Imposition of directions, restrictions, and conditions
 2. Injunctions
 3. Revocation of licence (generally) and cancellation of registration (AML only)

❖ **Financial Sanctions Guidance**

- The Ministry of Legal Affairs Financial Sanctions Implementation Unit (“FSIU”) published guidance, on 25 September, outlining that all individuals and legal entities (including BILTIR members) who are within or undertake services within Bermuda must comply with financial sanctions that are in force
- The Insurance Act confirms that the BMA takes into consideration compliance with International Sanctions in force in Bermuda in considering whether an insurer is conducting business in a prudent manner



Regulatory/Legal Committee Update

- ❖ **Companies and Limited Liability Company (Beneficial Ownership) Transitional Period Extension**
 - The filing of beneficial ownership information has been extended from 24 September 2018 to 15 December 2018
 - Publicly listed companies (and subsidiaries) are exempt from the beneficial ownership requirements

- ❖ **Policyholder Protection**
 - The Policyholder Protection Act came into force for long-term insurers on 30 July (the Act comes into force on 1 January 2019 for insurers carrying on general business and composites)
 - The Policyholder Protection Act provides:
 - a new “waterfall” of priorities in a winding up of an insurer, being the order in which creditors are paid from the assets of an insolvent company
 - clarity in the law on long term business fund
 - bifurcated approach for long term vs P&C companies
 - certainty on FABN issuance

- ❖ **NAIC Covered Agreement Update**
 - It is anticipated that the final form of the revised CFR Models & Regulations will be adopted at the NAIC 2018 Fall National Meeting on 15–18 November
 - Some relevant issues:
 - The phrase ‘post 100% security’ is still used which we believe is a more onerous obligation than to ‘post collateral for all outstanding liabilities’
 - The Commissioner’s discretion was added to three sections of the CFR Models & Regulations
 - Disparate treatment of non-EU insurers



Tax Committee

Rich Burness, Chair
Presented by Sylvia Oliveira



Tax Committee Update

➤ U.S. Tax Reform

- Industry had expected Treasury to issue guidance by now for review during lame duck period; now targeting by end of November
- Guidance from Treasury expected cover the BEAT net vs. gross treatment for ModCo and Funds Withheld structures
- Treasury also coordinating with Joint Committee on Taxation staff on issues that may be addressed in a tax technical corrections bill
- Keep an eye out for the guidance, to be issued any day now.



Capital /Financial Reporting Committee

Sylvia Oliveira and Pat Kelleher, Co-chairs



Capital/Financial Reporting Committee Update

Consultation Paper: BSCR Update Proposal March 2018

- New rules published: **July 31, 2018**
- New rules effective: **January 1, 2019** (first filing due April 2020)
- Summary of changes (first four grade in linearly over 10 years):
 1. **Equity Charges** change from 14% to 20-45%, with correlations by type and grandfathering of current equity holdings
 2. **Diversification Calculation** change from sum of squares to correlation matrices
 3. **Operational Risk Charges** change of scale, max increases from 10% to 20%
 4. **Interest Rate Charges** allow for alternate shock approach
 5. **Tax Adjustment** for tax payers to calculate required capital on after-tax basis
 6. **DTA Capital Charge** eliminated (#4 and #5 not graded in)



Capital/Financial Reporting Committee Update

Stakeholder Letter from BMA

- BMA published: “*Stakeholder Letter on BDA Solvency Cap Req Update Nov 2017 and Mar 2018 and Assoc Trial Run.pdf*” on BMA website
- Provides history and timeline of BSCR consultation papers for this set of changes
- Summary of industry feedback for both CP’s (Nov 2017 & Mar 2018)
 1. Interest rate shocks too high
 2. Unsupportive of removal of 50% ALM credit
 3. Tax effects to become effective immediately rather than grade-in
 4. Modifications to equity grandfathering
 5. Other minor requests
- Summary of Trial Run results
 - #2 above produced undesirable results
 - Main drivers of changes were correlations and equity risk
- Summary of actions taken based on industry feedback
 - Current Duration Based approach would remain
 - Once companies switch to Shock approach, cannot switch back w/o permission
 - Equity grandfathering extends to Concentration risk calculation
 - Some changes from March 2018 CP will not be found in new rules (published July 2018), but will be found in instructions and guidance to be published in BSCR Handbooks



Capital/Financial Reporting Committee Update

Interest Rate Risk Charge

- BMA only remaining issue with BSCR, seeking to update in 2020/2021
- Change would have material impact on several companies
- BMA has issue with 50% ALM credit, based on Y/N for five ALM questions
 - Seeking to remove 50% credit to encourage filers to use Shock Approach
 - BILTIR would like to retain credit; seek ways to make ALM responses more robust
- Shock Approach utilizes shocks higher than any other regime in the world:
 - About 200bps shocks vs. about 75bps under Solvency II
 - Based on ICS model, which is intended for IAIGs
 - Solvency II reviewed its shocks this year and decided not to increase shocks
 - BMA approach offers some offsets but still conservative relative to current approach
 - Shock approach is very onerous to utilize – many members do not have resources
- Interest Rate Risk Working Group has been formed and will begin meeting soon
 - Contact Wenda if interested in joining
 - Seeking active participants only



Capital/Financial Reporting Committee Update

**BMA
Response
letter:**

Workbook Section	Pending Issue	BMA Response
Worksheet submission	<p>1 Users are experiencing crashes when submitting filings</p> <p>2 Downloading the template causes hidden rows. If rows are hidden are they needed? Can they be removed?</p> <p>3 If the BMA will continue to require a printed submission, please consider reviewing the print views before publishing the model. Several tabs bleed over such that blank screens with one row of purple print out. Summary Tab in particular should print such that numbers are not microscopic.</p>	<p>The Authority is working on amending the BSCR reporting from an excel based program to a web-based program. This will resolve the crash issues and provide more efficient reporting method.</p> <p>Please advise the tabs that cause the hidden rows. Based on the response, the Authority will confirm if they are needed.</p> <p>The Authority still requires the printed submission and will ensure future releases remove the blank screens and are legible.</p>
Schedule V(e)	<p>4 Inflation, credit, mortgage scenarios not appropriate for the life sector</p> <p>5 BMA's intent – how are scenarios used – meaningful results?</p> <p>6 BILTIR is interested in working with BMA to create scenarios specific to the life industry</p> <p>7 Request to remove old scenarios, such that the form only includes scenarios currently used by BMA for capital calculation</p>	<p>The Authority would like to confirm that the shocks are generally applicable for life insurers as well. (Note in particular that the mortgage shock is applied to investments as well as to mortgage insurance business.)</p> <p>The Authority assesses the insurer's impact to significant types of severe but plausible scenarios. If such events were to re-occur, the Authority can determine which insurers are most impacted and if the insurer has sufficient capital to withstand such event for occurring and still meet regulatory requirements, it also helps identifying sectorial trends and potential vulnerabilities. Ultimately all this information feeds into supervisory review process and the risk assessment of our insurers.</p> <p>The Authority would be willing to work with BILTIR on creating life specific stress scenarios.</p> <p>The scenarios on Schedule V(e) are for stress testing purposes and are separate from, and supplementary to, capital requirement calculations (irrespective of whether capital requirement calculations are carried out using shocks or otherwise). The Authority reviews the stress scenarios on an annual basis.</p>
Schedule V(c) Schedule of Risk Management – Intra Group Transactions	<p>8 This schedule should ask for Ceded Reserves, rather than Aggregated Exposure Limits and Aggregated Premium Flows, net and gross. The current requests are not meaningful metrics for most reinsurance and retrocession life products</p>	<p>The Authority will review the request.</p>
Schedule XII(a) Eligible Capital	<p>9 Calculated amount is not linked with Summary tab</p>	<p>The Calculated amount is linked to the Summary tab in rows 101:106 of the long-term model. If there are instances where there are discrepancies in the linking, please advise.</p>



Capital/Financial Reporting Committee Update

Workbook Section	Pending Issue	BMA Response
Arrangement and Issues with Tabs	10 The number of tabs is onerous	
	11 The non-EBS continue to be included in the BSCR filing (e.g. Schedules XI, XII, XIII and XIII A, etc), but these do not contribute to the actual calculation of the ratio or targeted capital. These make the exercise very onerous	The Authority requires that non-EBS tabs to be completed for assessment of the Bermuda entity as well as market statistics; such tabs are Premium (Schedule IVB), Reserve values (Schedule VII & VIII) and Ceded Reinsurance details (Schedule XVIII); Schedule XVI - Schedule of Regulated Non-Insurance Financial Operating Entities contributes to the BSCR calculation in the Summary tab;
	12 BMA to consider rearranging tabs in groups, as follows: <ul style="list-style-type: none"> o Group 1 – Schedules required for Summary tab calculation o Group 2 – Disclosure only tabs o Group 3 – Calculation tabs (some inputs on calculations tabs – consider moving into a schedule) o Group 1 can be used for simplified/modified BSCR submissions, for BSCR pro-forma submissions etc. 	The Authority will consider re-arranging the tabs as proposed, however the tab arrangement is based on the Prudential Standard Rules requirements, and this may cause more confusion when referencing the applicable schedule.
	13 Some macros automatically move you to the front of the spreadsheet, which is frustrating.	Please advise the tabs that the causes the macros to move users to the front of the spreadsheet and the Authority will remove in future releases.
	14 Hidden tabs to be removed if they are not required	See answer to question #2.
Data Input/ Workbook protection	15 When using drop downs for grandfathering on the Summary Tab- each time the workbook is opened and the message “cells has been unexpectedly modified” appears. Does this need to appear as a warning message to be cleared?	The May 2018 re-release of the market trial run has the pop-up warning message removed; Future releases will be corrected for this as well.
	16 Import tab is difficult to work with	
	17 When additional rows are added to the Import tab in new versions, it defeats the purpose of being able to move between model versions	For a financial reporting period, the Authority does not increase/remove rows in the import/export tabs; For changes to regulatory requirements (IE Stress Scenarios) the Authority amends the rows for this.
	18 The protections make it very tedious to copy and paste information into the actual worksheets.	The Authority has amended the schedules to allow for the copy and paste functionality (as well as the import functionality that allows for importation with ease). Further when the Authority implements the web-based reporting forms, this will allow for easier importation of data.



Capital/Financial Reporting Committee Update

Workbook Section	Pending Issue	BMA Response
	<p>19 Instead of Import Tab, the request is to either</p> <ul style="list-style-type: none"> o Remove any blank columns and rows between years/rows between input/white cells, so inputs can be copy/pasted together at the same time, or o Remove the protection only in between the input cell areas, so that the inputs can be copy/pasted together at the same time instead of piecemeal 	<p>The Authority will consider having 2 import tabs;</p> <ul style="list-style-type: none"> i) an import tab with the 2017 year-end requirements ii) an import tab with the 2018 year-end requirements; <p>each of these tabs will be unprotected.</p>
Requested Clarifications	<p>20 Clarification requested from the BMA for defining “deposit asset”.</p> <p>21 Fund withheld instructions are unclear. More detail required.</p>	<p>Deposit Assets refer to insurance contracts that do not transfer significant insurance risk (as defined by the applicable GAAP), and insurers are required to report such transactions using deposit accounting rules.</p> <p>For funds withheld agreements - in the event of default, whom bears the risk:</p> <ul style="list-style-type: none"> i) Reinsurer bears the risk of the assets held then these are reported on Schedule XVIII Schedule of Particulars of Ceded Reinsurance; ii) the insurer/company bears the risk of the assets held then these are reported on Schedule IIA Schedule of Funds Held by Ceding Reinsurers in Segregated Accounts/Trusts
Trial Run Shocks	<p>22 Why do we need to input the shocked values? Can’t they be automatically calculated based on the factors in the CP?</p> <p>23 Can you remove the prompt to enter a shock value after every entry – very onerous</p>	<p>Note that the shocked value is not necessarily $(1-\text{shock}\%)*(\text{market value})$, for example for derivatives. Therefore a simple automatic formula would not work in all cases. However possibilities to streamline the calculations will be considered.</p> <p>Currently if the shocked values are left blank, the applicable capital charge schedule will default to the shock factors as proposed in the Consultation Paper; but it is up to the insurer to make sure that this default calculation, as a result of leaving cells blank, does not lead to an incorrect result.</p> <p>The Authority will look into possibilities to remove or reduce the prompt messages, where appropriate, in conjunction with reviewing the implementation of certain calculations (see the answer above).</p>



Capital/Financial Reporting Committee Update

Workbook Section	Pending Issue	BMA Response
Miscellaneous	<p>24 EBS should not require haircuts to reinsurance reserves</p> <ul style="list-style-type: none"> o This is double counting the risk since a credit risk charge is applied to the balance o This contradicts the principles of EBS, which calls for a best estimate 	<p>Allowance for expected reinsurance defaults is in line with market consistent valuation principles please refer to paragraphs 155 and 156 of the Guidance Notes for Commercial Insurers and Groups Statutory Reporting Regime 30 Nov 2016</p>
	<p>25 Reserve roll forward – why does it include IBNR and pending claims? Is it change in Policy reserve balances?</p>	<p>If the IBNR and pending claims liabilities were omitted, the values reported in the reserve roll forward would not reconcile with the amounts reported on the balance sheet. The change in the value of these items can allocated where deemed most appropriate.</p>
	<p>26 Can decimal rounding be cleaned up to avoid unsubstantiated ‘false’ values in the checks.</p>	<p>The rounding/decimal differences in checks will be corrected in the 2018 year-end model.</p>
	<p>27 CISSA – specific page numbers are very onerous. Perhaps use a table of contents or prescribed format for BSCR use</p>	<p>The Authority will consider the request and may update in future release.</p>
	<p>28 ENID is a P&C concept and should be removed</p>	<p>The Authority will consider the request and may update in future release.</p>
	<p>29 Why is longevity in company specific parameters? Why aren’t inputs/current processes being used?</p>	<p>Longevity risk is addressed in the LT Insurance Risks section of the standard BSCR model. It functions effectively for longevity risk exposures such as common payout annuity and pension liabilities. When the standard model does not adequately reflect the underlying risk, adjustments can be made within the Company Specific Parameters upon approval from the Authority. A few companies issue longevity swaps which do not fit the standard risk profile anticipated by the BSCR model. An approach for determining adjustments for longevity swap risk has been developed and is applied on the Company Specific Parameters process. However, variations in the structure, attachment, detachment and other parameters necessitate continued individual consideration. Consequently BMA approval is still needed to ensure consistent and appropriate application.</p>



Statutory Meeting

Sylvia Oliveira



Governance Matters

1. Approve minutes from the June 14 and September 27, 2018 Members' meetings
2. Welcome new member Munich Re of Bermuda, Ltd
3. BILTIR Senior Advisor Update





BILTIR Members Meeting

Senior Advisor Report

November 8, 2018



BILTIR Senior Advisor

- Ronald Klein, FSA, MAAA
- 38 years of insurance and reinsurance experience with Mutual of New York, Swiss Re, AIG and Zurich Insurance Group
- Currently Director of Global Ageing with The Geneva Association
- First BILTIR Senior Advisor (part-time role)
- Co-Chair ReFocus Planning Committee, former SOA Board member, patent holder for Vita Mortality Bond

Observations and Accomplishments

- BILTIR Conference
- Meeting with BILTIR Board
- Meeting with the BMA
- Meeting with ABIC
- Meeting with ABIR
- Outreach to members



BILTIR Conference



- Record attendance and new venue
- High quality speakers
- Excellent networking opportunities
- Beautiful venue
- Expert moderation



Meeting with BILTIR Board

- BILTIR has grown from 4 founding members to 42 full members and 17 associate members
- The Board needed assistance – new role of Senior Advisor
- Vision to grow BILTIR, for BILTIR to become the most effective voice of the Bermuda long-term insurance industry, to provide real value for members
- Board members are extremely proactive for the industry
- More transparency and communication is vital

Meeting Meeting with the BMA BILTIR Board

- Initial meeting with Craig Swan, Ricardo Garcia and Richard May
- Main messages:
 - BMA under scheduled Solvency II review with most categories labeled as “Good” (middle category)
 - Main goals are stability and predictability
 - Concern with statements in Europe about transfer of longevity risk to Bermuda
 - Cyber risk is of high importance to the BMA

Meeting with ABIC

- Initial meeting with Richard Winchell
- Sylvia and Chip are Board members
- Focus on international business growth in Bermuda
- Issues of focus:
 - Financial literacy for residents
 - Jobs for residents
 - Immigration
 - EU “Black List”

Meeting with ABIR

- Initial meeting with John Huff
- Currently 24 member companies
- Most areas of concern are shared by BILTIR
 - Immigration
 - EU “Blacklist”
 - Better relationships with Brussels in light of Brexit
- Opportunity to work even more closely together:
 - Joint conference
 - Single letters signed by both organizations
 - Financial literacy work (with ABIC)

Outreach to Members

- Conducted a few phone calls with members
- Goal is to speak with each member company
 - Value of BILTIR
 - Suggestions for improvements
 - Top issues facing your company
 - Areas to become more involved
- Please contact me directly at senioradvisor@biltir.bm to set up a call or simply call me at any time on +41 78 652 8635



Ideas

- Periodic newsletter to members
- Board members to speak at meetings, to media, on videos for better BILTIR exposure
- Overlapping conference with ABIR including a high-level keynote speaker and non-life 101 for BILTIR members (and life 101 for ABIR members)
- Methods to attract new members