

Bermuda Captive Owners Association Webinar

Thursday, 31 May 2018

BMA Team Members

- Melissa Morton, Assistant Director, Authorisations
- Graham Lamb, Assistant Director, Insurance Supervision

Agenda

- Overview of the Bermuda Monetary Authority (BMA)
- Bermuda's Captive Legislation
- BMA Captive Supervision
- Bermuda's Captive Market
- Setting up a Captive in Bermuda
- Regulatory Update
 - Electronic Filing Platform
 - Insurance Manager Regime
 - AML/ATF Assessment
 - Technology
- Key Captive Contacts
- Q&A

Overview of the Bermuda Monetary Authority (BMA)



OUR VISION STATEMENT

*Committed to integrity and
excellence.*

MISSION

To protect and enhance Bermuda's reputation and position as a leading international financial centre, utilising a team of highly skilled professionals acting in the public interest to promote financial stability, safeguard our currency and provide effective and efficient supervision and regulation.

Bermuda's Captive Legislation

- Companies Act 1981
- Insurance Act 1978
- Insurance Accounts Regulations 1980
- Insurance Returns and Solvency Regulations 1980
- Segregated Accounts Companies Act 2000
- Guidance Notes
- Code of Conduct
- Also see: www.bermudalaws.bm

BMA Captive Supervision

- **Class 1:** Single-parent captive insuring the risks of its owners or affiliates of the owners
- **Class 2:** (a) a multi-owner captive insuring the risks of its owners or affiliates of the owners; or (b) a single parent or multi-owner captive: (i) insuring the risks arising out of the business or operations of the owners or affiliates, and/or (ii) deriving up to 20.0% of its net premiums from unrelated risks
- **Class 3:** Captive insurers underwriting more than 20.0% and less than 50.0% unrelated business
- **Class A:** A single-parent Long-Term captive insurance company underwriting only the Long-Term business risks of the owners of the insurance company and affiliates of the owners
- **Class B:** Multi-owner Long-Term captives owned by unrelated entities, underwriting only the Long-Term business risks of the owners and affiliates of the owners and/or risks related to or arising out of the business or operations of their owners and affiliates. A single-parent and multi-owner Long-Term captives writing no more than 20% of net premiums from unrelated risks

Bermuda's Captive Market: Insurance Register

Class of Insurer by Licence	2017	%	2016	%
Class 1	218	18.3%	225	18.4%
Class 2	267	22.4%	280	22.9%
Class 3	239	20.1%	254	20.8%
Class 3A	126	10.6%	127	10.4%
Class 3B	25	2.1%	22	1.8%
Class 4	40	3.4%	41	3.3%
Class A	7	0.6%	7	0.7%
Class B	8	0.7%	8	0.7%
Class C	94	7.9%	107	8.7%
Class D	10	0.8%	8	0.7%
Class E	31	2.6%	29	2.4%
Special Purpose Insurer	126	10.6%	115	9.4%
Totals:	1,191	100%	1,223	100%

Bermuda's Captive Market: New Insurance Registrations 2017

ANALYSIS OF ADDITIONS TO THE REGISTER

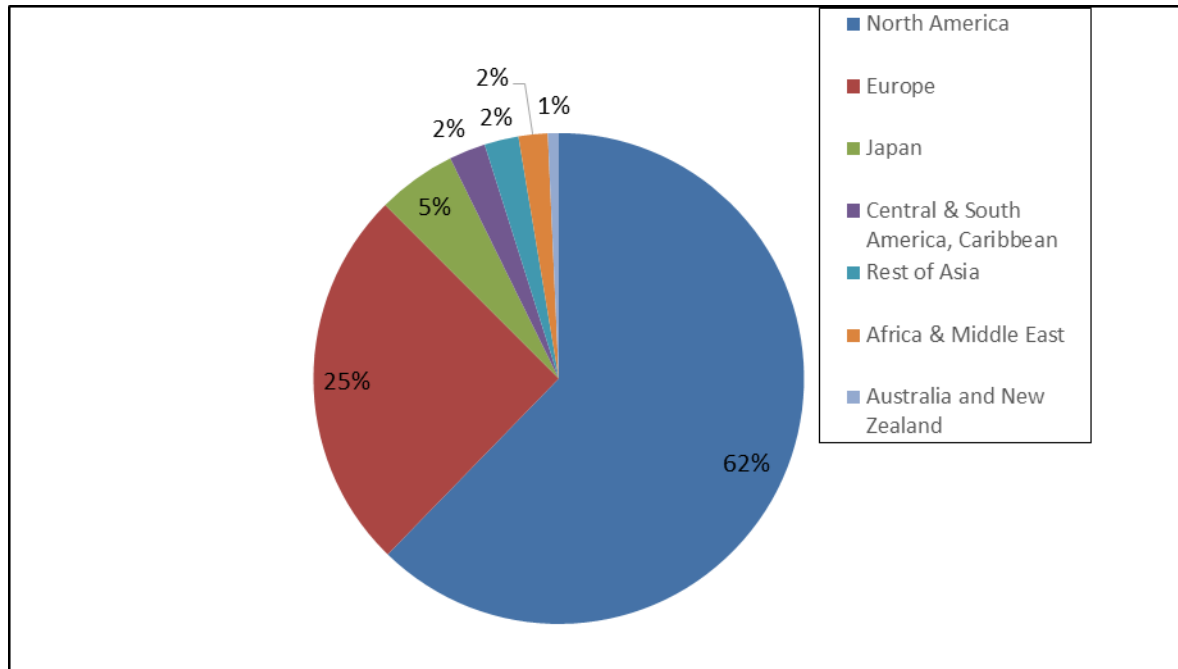
Class of Insurer by licence	2017 Registrations	%	2016 Registrations	%
Class 1	12	20.7%	4	9.5%
Class 2	1	1.7%	4	9.5%
Class 3	4	6.9%	4	9.5%
Class 3A	6	10.3%	7	16.7%
Class 3B	4	6.9%	0	0.0%
Class 4	1	1.7%	2	4.8%
Class A	0	0.0%	1	2.4%
Class B	0	0.0%	0	0.0%
Class C	1	1.7%	1	2.4%
Class D	0	0.0%	1	2.4%
Class E	5	8.6%	1	2.4%
SPI	24	41.4%	17	40.5%
Totals:	58	100%	42	100%

Bermuda's Captive Market:

Source: BMA Captive/SPI Report 2017

Geography of Risk Assumption

- Majority of premium risk is North America (62%)



Bermuda's Captive Market:

Source: BMA Captive/SPI Report 2017

Bermuda remains one of the few captive domiciles that is home to a broad range of industries

Top Industries by Parent		Top Industries by Premium Written	
Industry		Industry	
Financial Institution	18%	Financial Institution	54%
Shipping, Transport & Storage	14%	Shipping, Transport & Storage	11%
Automotive, Manufacturing and Retail	11%	Wholesale and Retail	6%
Energy, Power and Utilities	9%	Administrative and Support Services	5%
Healthcare	8%	Energy, Power and Utilities	5%
Professional Services	8%	Automotive, Manufacturing and Retail	4%
Wholesale and Retail	7%	Technology and Telecoms	4%
Administrative and Support Services	6%	Professional Services	3%
Construction	4%	Healthcare	2%

- Property represents 55% of all captive business
- Casualty represents 45% of all captive business

Setting up a Captive in Bermuda

All applications must include the following:

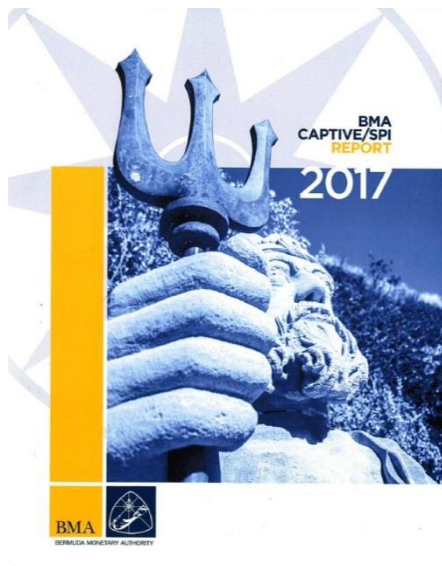
- Cover letter
- Business plan
- Pro-forma income statements and balance sheets on a five year basis
- Support for assumptions including an actuarial feasibility study
- Copies of letters of intent from (re)insurance companies that the (re)insurer plans to conduct insurance business with
- Letter of approval from the supervisory authority in the home jurisdiction
- A certificate of good standing from an outside jurisdiction
- Information on the corporate shareholders/owners
- Most recent audited financial statements of the corporate shareholder/owner

Setting up a captive in Bermuda – cont'd

- Information on the individuals shareholders/owners
- Net worth statements
- Information on the Board of Directors, senior management and/or key functionaries
- Acceptance letters from applicable service providers
- Form 2 - Memorandum of Association
- Form 1b: Pre-incorporation Form; and Form 1 - Application for Consent to be Registered (Form 3 for intermediaries) – upon registration

Regulatory Update: Electronic Filing Platform

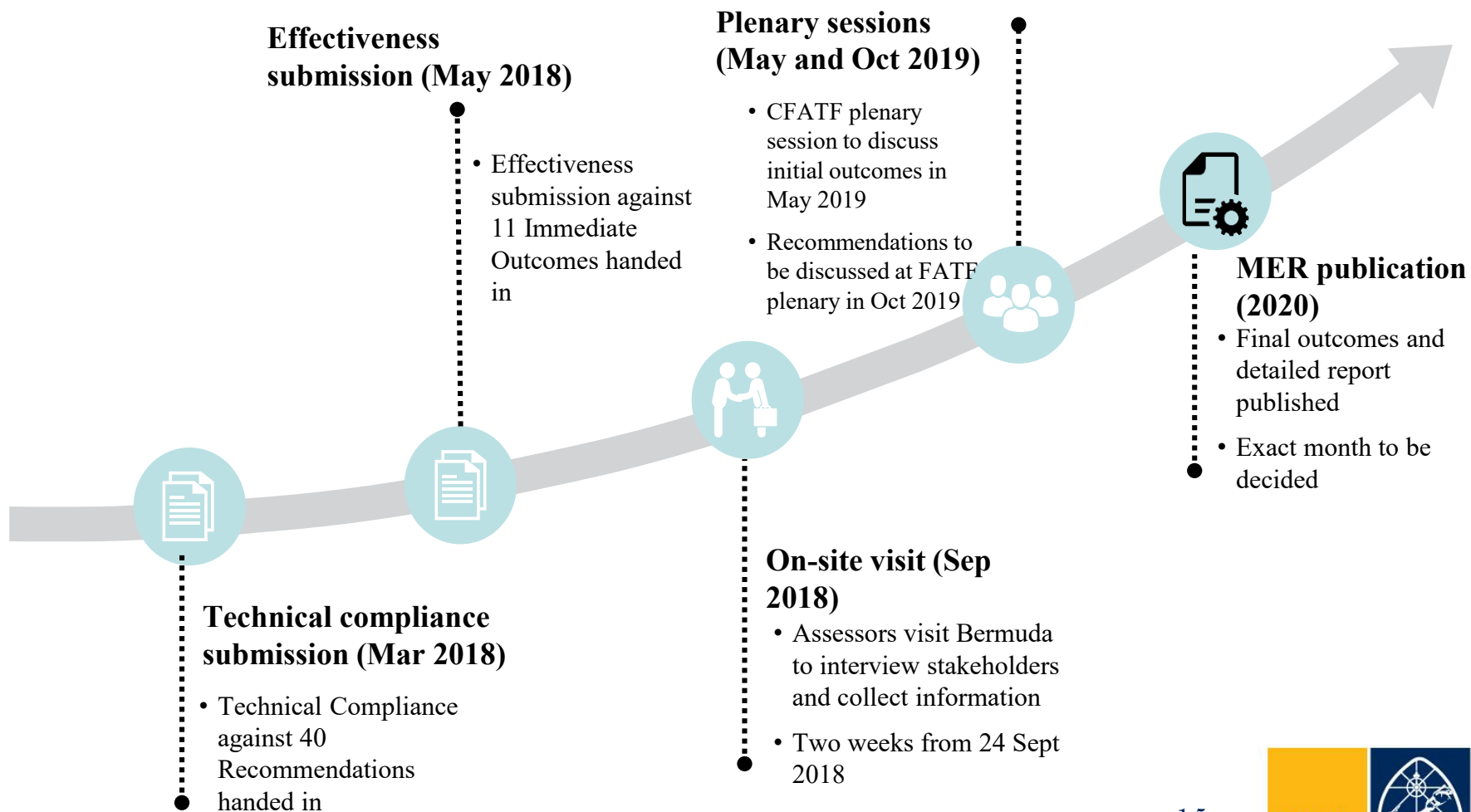
- More granular data collected which enhances the overall supervision of the entity
- Better quantitative and qualitative analysis
- Enhanced statistical reporting
- Reduction in the number of industry data calls
- More meaningful reports.



Regulatory Update: Insurance Manager Regime

- As part of the ongoing development of Bermuda's (re)insurance regulatory framework, BMA enhanced its oversight of Insurance Managers in 2016 because the BMA recognises the key role that Insurance Managers play in Bermuda for both Captive and Commercial Insurance Market.
- Insurance Manager Code of Conduct was Issued August 2016 with a transition period to 31st December 2016. The BMA assesses the Insurance Manager's compliance with the Code of Conduct in a proportionate manner relative to their nature and scale and complexity.
- Proceeds of Crime Amendment Act 2017 brought all Insurance Managers under the scope of AML/ATF Regulation as recognised financial institutions.

Regulatory Update: AML/ATF Assessment



Regulatory Update: Technology

- Never before has technology been such a focus for the BMA.
- Not only does the BMA continue to incorporate new technology into its supervisory processes to enhance efficiencies, but the BMA is also seeking to regulate new technology.
- On 11 April, the BMA posted a 150-page CP outlining a proposed Digital Asset Business regime. BMA will be implementing a robust risk-based supervisory approach for the financial entities seeking to operate a Digital Asset Business in Bermuda. BMA has been working to ensure that the regulatory framework for this new area of business is aligned with international regulatory standards; including those standards related to anti-money laundering and anti-terrorist financing.

Regulatory Update: Technology cont.

- The next day, 12 April, the BMA released a second CP proposing the launch of two parallel innovation tracks; an insurance regulatory sandbox (designed for (re)insurance entities which carry out activities which would otherwise require a licence per the Insurance Act 1978) and an innovation hub (for brand new services that do not currently require licences).
- The sandbox will allow companies to test new technologies and offer innovative services in a controlled environment. The innovation hub will act as a central point of contact between the BMA and potential new service providers.
- Persons with any questions about the regulatory sandbox/innovation hub should e-mail the BMA at innovate@bma.bm

Key Captive Contacts

- AML enquiries - aml@bma.bm; Chris Brown, Deputy Director, AML, cbrown@bma.bm; Bruce Law, Assistant Director, AML Supervision, blaw@bma.bm
- Insurance enquiries - insuranceinfo@bma.bm; Insurance Managers - insurancemanagers@bma.bm; Licensing; insurancelicensing@bma.bm
- Leslie Robinson, Assistant Director – Corporate Authorisations, lrobinson@bma.bm
- Melissa Morton, Assistant Director – Authorisations, mmorton@bma.bm

QUESTIONS?