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Insurance
Week 2026

Japan – Bermuda
Reinsurance Developments

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Meet our Presenters



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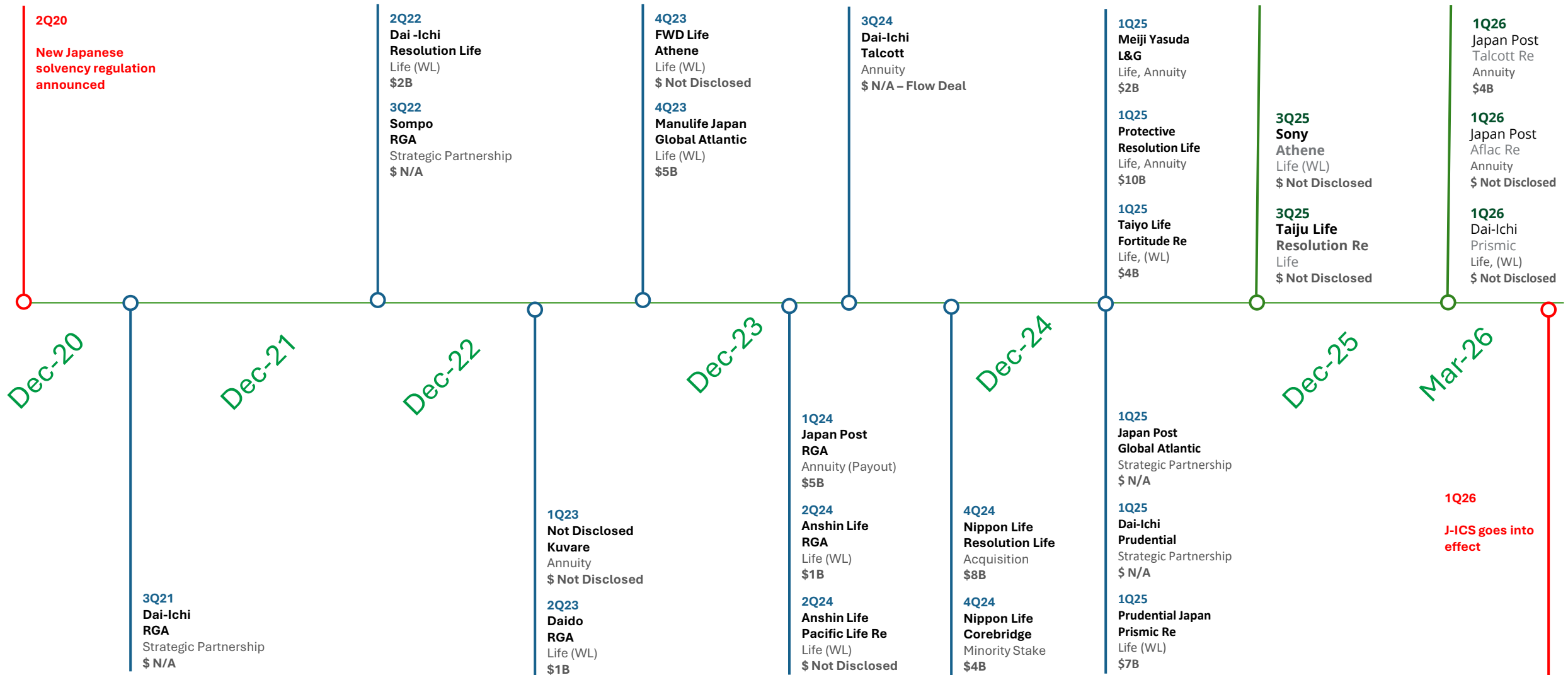
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5	Panel Discussion
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Bermuda-Japan Market Activity



Current Market Activity

Publicly disclosed transactions and partnerships indicate a broader increase in activity in recent years



Japanese Insurance Landscape

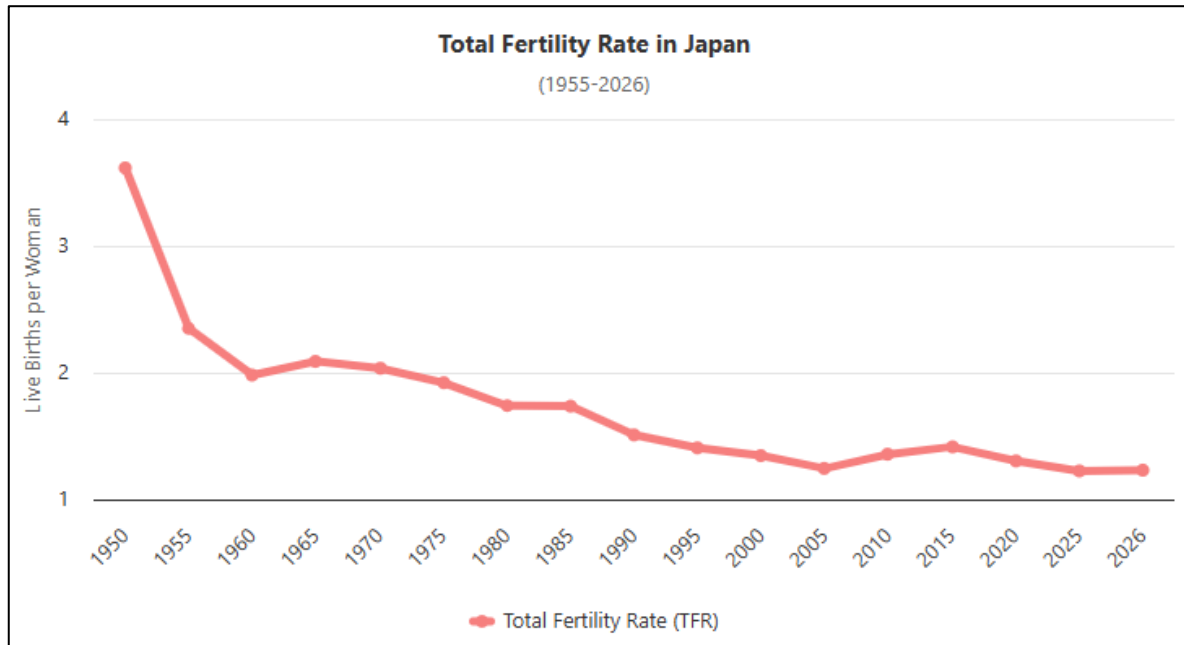


Japanese Insurance Market Demographics

Declining fertility and increasing life expectancy are reshaping the demographic backdrop

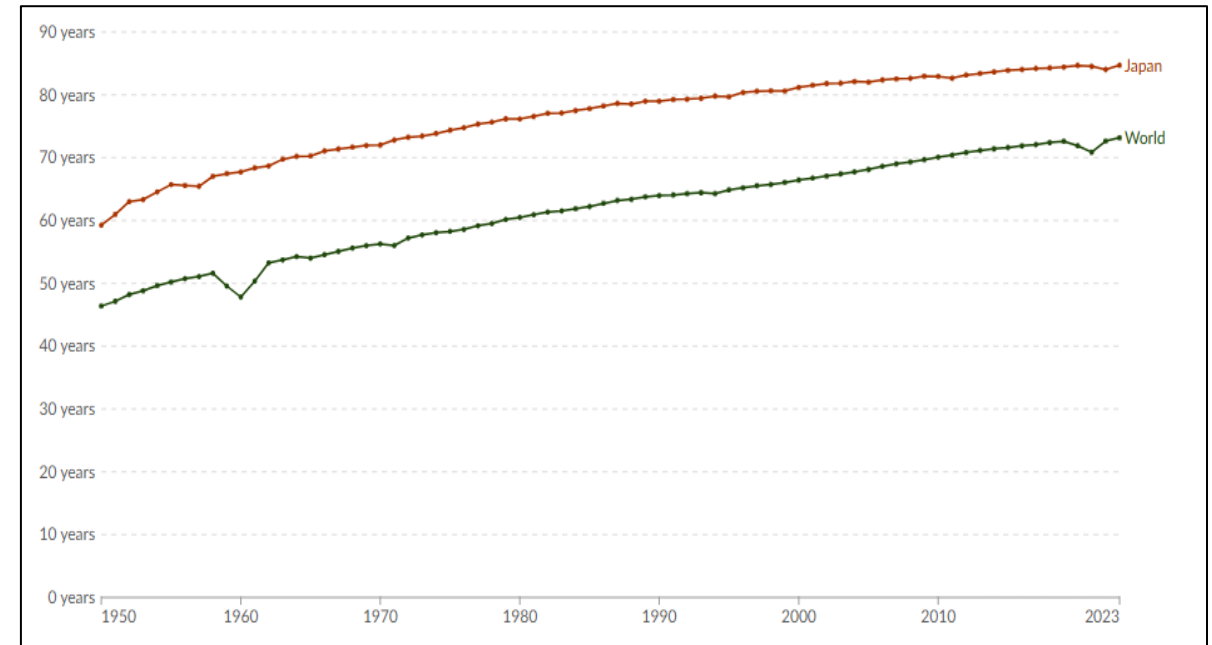


Declining Birth Rates



Source: <https://www.worldometers.info/demographics/japan-demographics/#life-exp>

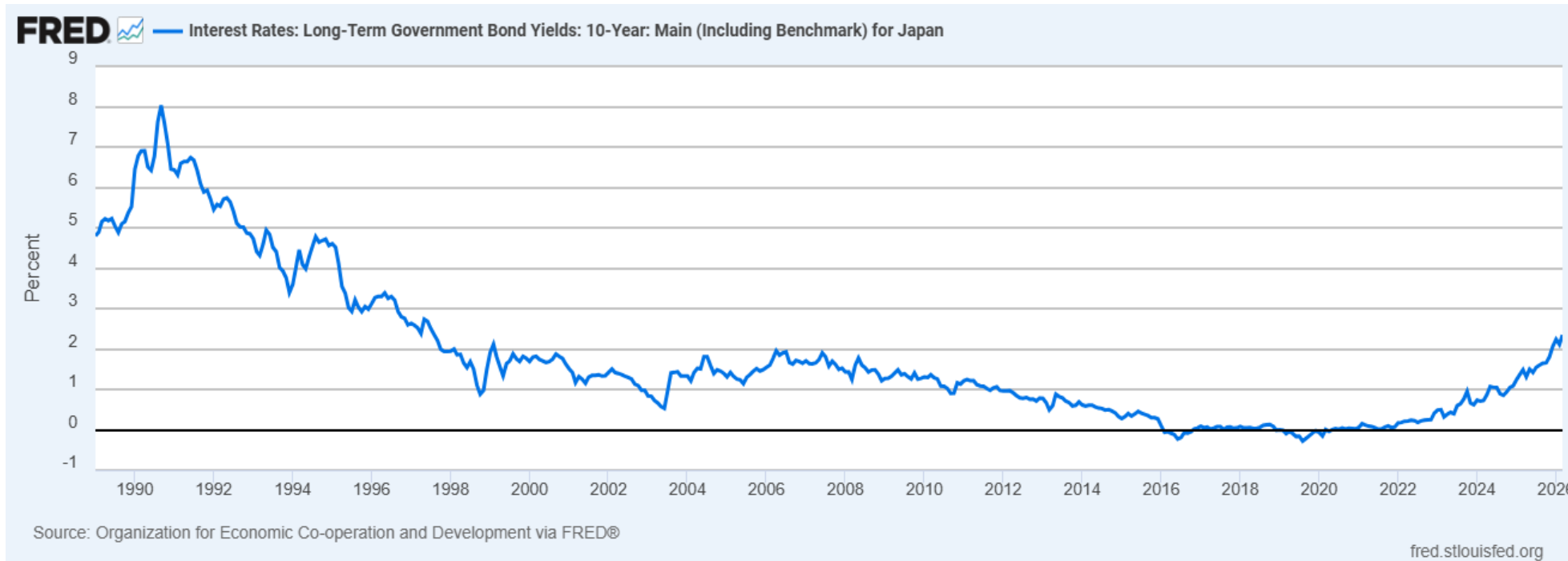
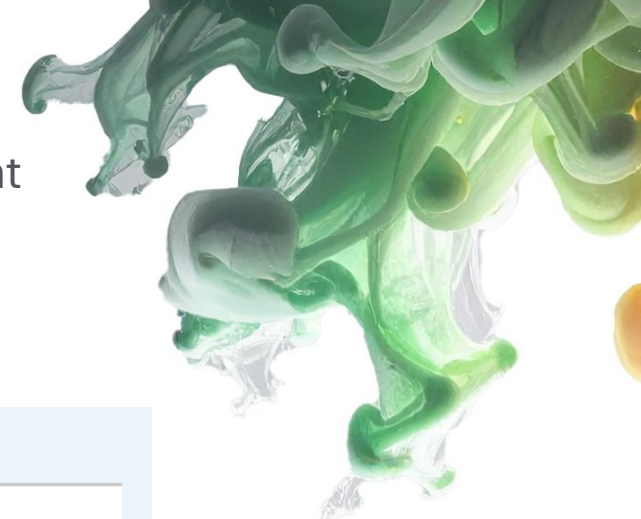
Rising Longevity



Source: Riley (2005); Zijdeman et al. (2015); HMD (2025); UN WPP (2024)

Japanese Insurance Market Economics

A prolonged low-interest rate environment has shaped long-duration liability management



Source: <https://fred.stlouisfed.org/series/IRLTLT01JPM156N?>

Regulatory Updates



Regulatory Update

The Financial Services Agency has proposed amendments to their regulatory framework

01 Supervisory Guidance on Asset-Intensive Reinsurance

02 Discussions on Enhancing Corporate Risk Management (Captive Legislation)

保険会社向けの総合的な監督指針新旧対照表(案)															
改正案	現行														
II 保険監督上の評価項目	II 保険監督上の評価項目														
II-2 財務の健全性	Comprehensive Supervisory Guidelines for Insurance Companies: Comparison Table (Draft)														
II-2-1 責任準備金等															
II-2-1-4 経理処 【(1)～(9) 略】															
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Strengthened oversight: Japan's financial regulator is eyeing Bermudian life reinsurance deals

Japan's financial regulator is moving to tighten oversight of life insurers offloading their risks to reinsurers, after a series of multibillion-dollar deals involving Bermudian companies.

The country's Financial Services Authority has proposed an amendment to its insurance regulations that would beef up scrutiny of contracts and the reinsurers taking on the risk, as well as areas including asset management, collateral, concentration risk and stress testing.

If implemented, the changes would impose increased regulatory friction on an accelerating deal

Proposed Amendments to the Supervisory Guidance on Asset-Intensive Reinsurance

Shift toward substance-based risk transfer assessment and stronger governance for asset-intensive reinsurance

Substance over form risk transfer	Reinsurance must reflect the economic reality of risk ownership. Greater scrutiny is applied on contractual features that can shift risk back to the cedant, including reinsurer discretion, impairment and recapture provisions.
Recoverability & liquidity focus	Stronger expectations to evidence that reinsurance recoverable are both collectible and timely. Explicit focus on settlement delays and deeper assessment of the reinsurer’s financial condition.
Collateral & recapture readiness	More defined expectations for collateral quality, liquidity, and diversification. Firms should have clear triggers for increasing collateral and a practical, enforceable recapture and asset recovery plan that can be executed under stress.
Enhanced stress testing	Stress testing should cover severe but plausible outcomes, including multi-factor market shocks, correlation breakdown, and liquidity strain. Scenarios should also consider stressed recapture events and reinsurer distress or failure.
Governance & group oversight	Board-approved retention and cession policies, independent control function review, concentration limits, and conflict of interest management. Group-wide frameworks should address response actions in adverse scenarios, including collateral impairment and counterparty deterioration.

Discussions on Enhancing Corporate Risk Management incl. Captive Legislation

New Proposed Captive Legislation – J-FSA may allow more non-insurance companies in Japan to launch its own insurance subsidiary as part of their initiatives of strengthening corporate risk management capabilities



Proposed Reform

Japan's Financial Services Agency is exploring a simplified approval and regulatory framework that would allow companies to establish non-life insurance subsidiaries to cover part of their own group risks. These entities, if implemented, would operate alongside traditional carriers rather than replace them, creating a domestic captive-style model in a market where this option has historically required an offshore structure.



Why It Matters

The potential reform responds to rising corporate exposure to natural catastrophe, cyber and supply chain risks, as well as pressure from higher insurance costs and limited cover for certain exposures. It also reflects a broader effort to address weaknesses in market structure and conduct following recent scrutiny of governance and competition in Japan's non-life sector.



Market Implications

If implemented, the framework could widen access to captive-style risk financing, reduce dependence on a small number of large insurers and support more tailored coverage structures within Japan. At the same time, key questions remain around solvency safeguards, permitted activities and how regulators would supervise subsidiaries whose underwriting is limited to their parent group.

J-ICS



Japan's Insurance Capital Standards (J-ICS)

A move from factor-based to an economic, stress-based capital framework

A shift to economic reality

- J-ICS replaces Japan's traditional solvency margin with an economic-value framework that measures solvency based on the market-consistent value of assets and liabilities.
- Balance-sheet movements and valuation choices therefore have a direct and visible impact on reported solvency.

Stress-driven, risk-based capital

- Required capital is calibrated to a one-year 99.5% stress, covering insurance, market, credit, catastrophe and operational risks, with diversification explicitly recognized.
- For many Japanese life insurers, this means solvency outcomes are driven as much by market risk and ALM structure as by traditional actuarial assumptions.

ESR as the focal point

- Capital strength is expressed through the Economic Solvency Ratio ("ESR"), which compares qualifying capital to required capital.
- ESR becomes the primary lens through which regulators and management assess resilience, replacing a collection of discrete solvency indicators with a single, integrated metric.

Judgement and design choices drive outcomes

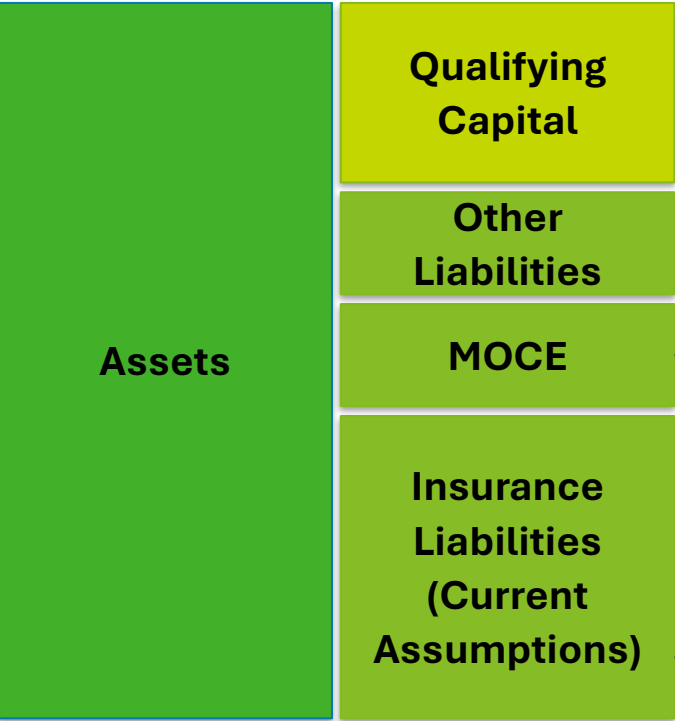
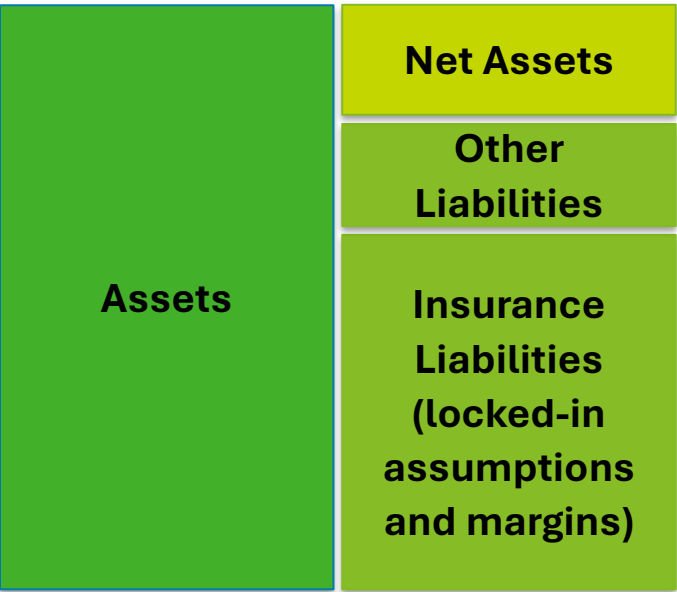
- Not all capital counts equally. Eligibility, tiering, deductions and loss-absorbency determine how much capital is recognized under J-ICS.
- Results depend heavily on methodology choices, assumptions, simplifications and reinsurance treatment.

From JGAAP balance sheet to J-ICS solvency

How assets and liabilities are re-measured on an economic basis to produce the ESR

JGAAP Balance Sheet

Economic value Balance Sheet

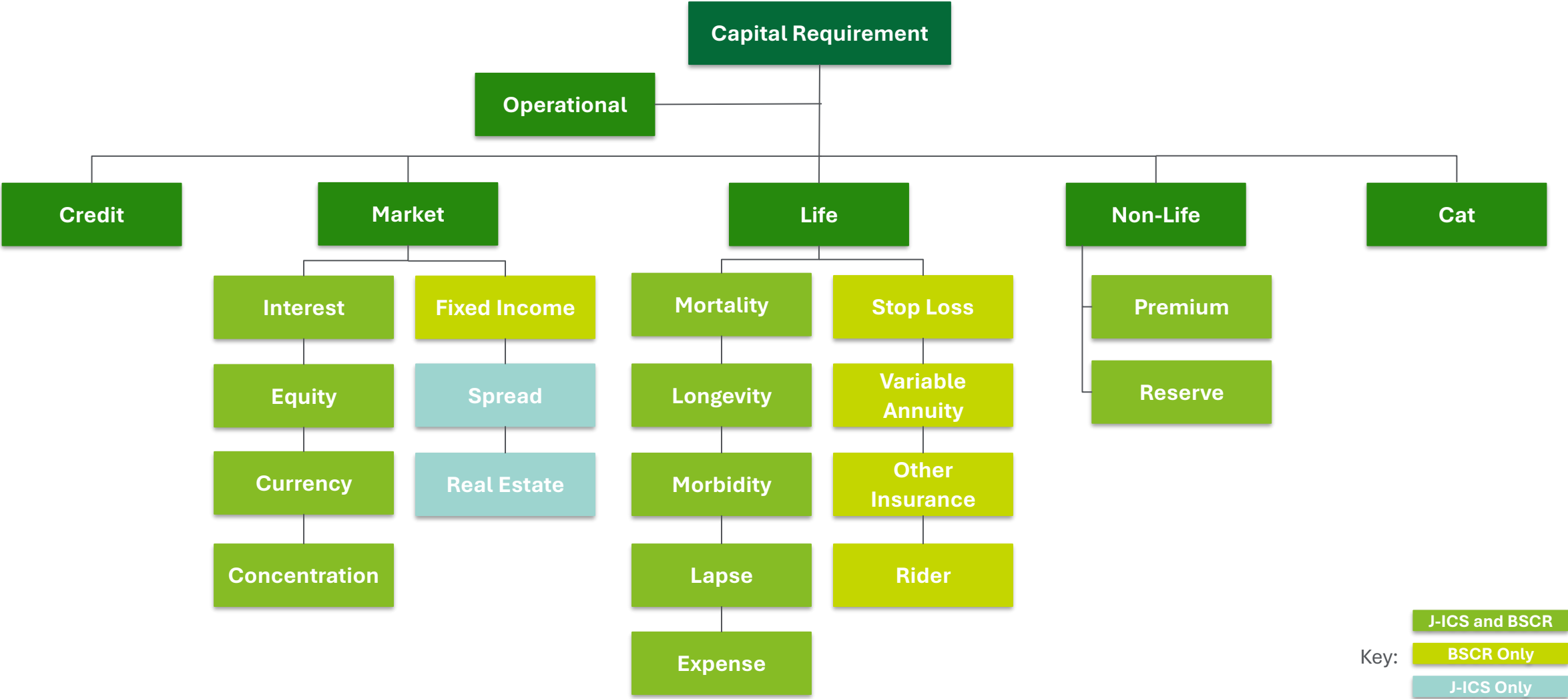


Current Estimate

$$ESR = \frac{\text{Qualifying Capital}}{\text{Capital Requirement}}$$

Comparing J-ICS and Bermuda BSCR Capital Requirements

Capital requirements are broadly aligned with some differentiated factors



Panel Discussion





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