

Actuarial & Insurance Solutions

Regulatory Advisory

Bermuda Insurance Regulatory & Strategic Advisory

Deloitte's AIS service offerings focuses on adding value and improving an organization's operations by helping companies navigate Bermuda's regulatory landscape and advising on efficient approaches to managing operations and capital.

Background

With over 350 P&C and Life insurers, Bermuda remains a prime destination for insurance companies, thanks to its sophisticated regulatory environment. The island has a strong reputation as a competitive and leading international financial center amongst global insurance companies. Companies and spital providers are attracted to Bermuda because they can gain access to a wealth of talent, including risk management, ALM, capital and liquidity management expertise.

The regulator governing financial and insurance related activities in Bermuda is the Bermuda Monetary Authority ("BMA"). They have built a risk-based approach to insurance supervision for commercial (re)insurers, adopting core principles from the European Solvency II regime. Today, the jurisdiction has full equivalence to Solvency II, as deemed by the European Commission, and is one of only three jurisdictions in the world with Reciprocal Jurisdiction status granted by the U.S. NAIC.

Regulatory Environment

The primary governing statute in Bermuda is the 1978 Insurance Act which applies to all entities conducting insurance business within Bermuda. The regulatory requirements applicable will depend on the class of insurer. The BMA categorizes insuring entities as:

- Commercial Insurer – Conducts general or long-term insurance business
- Limited-Purpose Insurer – Includes

captives, collateralised insurers, and special-purpose insurers

- Innovative insurer – Conducts insurance business on non-traditional products (e.g. Crypto-currency), or has operational frameworks that are innovative/evolving area of the insurance market

Beginning in 2016, the BMA introduced the Economic Balance Sheet ("EBS") framework as the solvency basis used to determine capital requirements Bermuda Commercial Insurers. The framework shares various similarities with Europe's Solvency II regime. Specifically with respect to insurance liabilities, an EBS Technical Provision ("TP") is established as the sum of a best estimate liability and a risk margin. The BMA also defined two methodologies to determine discount rates to be used, namely the Standard Approach and the Scenario-Based Approach ("SBA").

In terms of capital requirements, Commercial Insurers are required to calculate their Bermuda Solvency Capital Requirement ("BSCR") as part of their financial reporting. The BSCR is predominantly a factor-based approach on the main risk categories: Market risk, Credit Risk, Insurance risk, Premium Risk, Reserve Risk and Operational risk.

In 2023, BMA also introduced further enhancements to the regulatory framework, commonly termed "Consultation Paper 2" (or "CP2"). These enhancements focused around strengthening governance frameworks and the application of the SBA approach.

How Deloitte Can Help

Deloitte CBC has extensive knowledge of the Bermuda regulatory framework and continues to provide training and guidance to Bermuda licensed insurers and new entrants looking to join the Bermuda market. We have a strong working relationship with the BMA and Bermuda licensed insurers to stay abreast of any regulatory changes or innovations in industry practices so that we can share our insights with our clients.

We have also supported many new insurers in analyzing the benefits of operating within Bermuda and navigating the licensing process with the BMA. We can provide important insights on industry practices, feasibility of various (re)insurance structures, and permitted practices within Bermuda.

Meet Our Team



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About Deloitte Bermuda

Deloitte Bermuda has served clients on the island and across the globe for more than 50 years. Deloitte is one of Bermuda's largest professional services firms and our professionals have a single focus: to help clients navigate their business challenges and achieve success. With over one-third of the top reinsurers in the world based in Bermuda and a significant portfolio of asset management companies, our financial services client base is extensive. Bermuda ranks as one of the top three premier insurance jurisdictions in the world. We offer deep understanding of the latest issues, trends and industry insights to support our clients in their complex business environments. Bermuda continues to attract new international companies with its sophisticated workforce and infrastructure, communications and ease of access, as well as its political and economic stability, and uncomplicated legal framework.

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