BERMUDA AND SOLVENCY II

- The Solvency II Directive is an insurance regulatory framework that took effect in the European Union (EU) January 1, 2016
- Bermuda's regulator, the Bermuda Monetary Authority (BMA), was recognised by the European Parliament this year as fully equivalent under Solvency II for its commercial re/insurers. The decision puts island-based re/insurance companies on equal footing with EU counterparts
- Switzerland is the only other third-party/non-EU jurisdiction to hold the designation
- The achievement took six years of preparation by the BMA, Bermuda government, and industry groups including ABIR, BIMA and BILTIR
- Sequence of events: the European Commission recommended in November 2015 that Bermuda be approved for full equivalence. A three-month review period by the European Parliament and European Council followed. Final approval was completed March 24, 2016, after publication in the official EU Journal March 4 and a formal 20-day notice period
- BMA equivalency was granted retroactive to January 1 under three measures of Solvency II:
    1) **group capital** (applicable to Bermuda subsidiaries of EU groups, allows non-Bermuda parents to count Bermuda subsidiary capital based on Bermuda rules)
    2) **group supervision** (recognises the BMA as group supervisor of designated Bermuda insurance groups, and the EU will defer to the BMA)
    3) **reinsurance regulation** (removes regulatory restrictions on cross-border trade with Bermuda reinsurers, including removal of collateral requirements)
- For Bermuda insurers, it means an efficient rather than redundant layer of group supervision, and for our reinsurers, including the long-term reinsurance sector, it means cross-border trade without individual jurisdictional restrictions, as well as substantial opportunity to serve the needs of UK and European markets

Connecting Business

Maxwell Roberts Building, 6th Floor
1 Church Street
Hamilton HM 11
Bermuda

+ 1 441 292 0632
info@bda.bm
www.bda.bm

- For US groups with EU business, it means benefits from placing EU reinsurance via Bermuda units
- For EU businesses, insurers and consumers, it means critical access to Bermuda's market capacity and claims-paying record. Coverage provided by Bermuda's commercial insurers and reinsurers makes insurance markets more competitive because more capacity can be offered to clients, and consumers have greater choice of companies. Cross-border trade of reinsurance is essential for smooth functioning of insurance markets when more reinsurance is needed in both the developed and developing world
- Solvency II regulation does NOT affect Bermuda's captives (special purpose insurers)—except the island is now a more highly respected jurisdiction for having achieved the designation, allowing both commercial and captive markets to flourish

BERMUDA RE/INSURERS:

- Contributed $35 billion to US catastrophe losses (2001–12)
- Contribute 53% of California Earthquake Authority (CEA) reinsurance
- Paid $22 billion to rebuild US Gulf and Florida coasts after 2004–05 hurricane seasons
- Paid nearly 30% of insured losses from Hurricanes Katrina, Rita and Wilma
- Paid 9% of US 9/11 claims
- Paid 20% of December 2015 UK flood losses
- Covered 22% of estimated $1billion market loss for 2009 Air France crash
- Paid 51% of reported liabilities from 2010 New Zealand earthquake
- Paid 37% of Chile's 2010 earthquake
- Covered 29% of liabilities for international reinsured share of 2011 Japanese earthquake
- Covered 50% of reported losses for 2012 *Costa Concordia* cruise liner sinking
- Support 25% of US medical liability insurance and reinsurance market

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