15 September 2026

CONSULTATION PAPER

PROPOSED PHASED INTRODUCTION OF A RESOLUTION REGIME FOR THE BERMUDA COMMERCIAL INSURANCE SECTOR

Comments to be received by Tuesday, 15 December 2026

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1. Introduction

1.1. This Consultation Paper (CP) sets out the Bermuda Monetary Authority's (Authority or BMA) proposed approach to introducing a resolution framework for commercial insurers[1];[2] in Bermuda.

1.2. The International Association of Insurance Supervisors (IAIS)[3] defines 'resolution' as '*actions taken by a resolution authority towards an insurer that is no longer viable, or is likely to be no longer viable, and has no reasonable prospect of returning to viability'*. In that context, the Financial Stability Board (FSB)[4] states that '*the objective of an effective resolution regime is to make feasible the resolution of financial institutions without severe systemic disruption and without exposing taxpayers to loss, while protecting vital economic functions*'.

1.3. The Authority intends to adopt a phased approach to establishing a resolution framework for insurers in Bermuda, recognising the need for a methodical and transparent process that is tailored to the unique characteristics of Bermuda and its insurance industry. This iterative approach ensures a high-fidelity transition to international best practices, allowing for adequate calibration of complex regulatory requirements.

1.4. In addition, a phased approach allows for meaningful engagement with industry participants and other stakeholders throughout the process. In that context, this CP is the first step in formal consultations to gather feedback and inform the design and implementation of the framework. This inclusive approach will enhance

[1] For the purpose of this CP, 'insurers' means insurers, reinsurers and insurance groups for which the Authority is the group supervisor. Additionally, a 'commercial insurer' refers to an insurer registered under section 4 of the Bermuda Insurance Act 1978 as Class 3A, Class 3B, Class 4, Class C, Class D, Class E, and insurance groups.

[2]In the context of this consultation paper, the BMA uses **'regime'** to refer to the legislative and regulatory framework, which includes legislation, regulations, rules, and other statutory requirements. **'Framework'** is used more broadly to include the tools, mechanisms and arrangements that support resolution, such as funding arrangements.

[3] The IAIS defines international standards for insurance supervision. It promotes effective and globally consistent supervision of the insurance industry for the benefit and protection of policyholders and contributes to global financial stability. It also works with the FSB, other standard-setting bodies and international organisations to promote stability and development of the financial markets.

[4] The FSB is an international body that promotes global financial stability by coordinating the development of regulatory, supervisory and other financial sector policies. It helps national authorities to implement effective regulatory and supervisory measures and also acts as the interface between sector-specific standard-setting bodies and the G20.

transparency and is intended to ensure the resolution framework is practical, effective and responsive to the concerns of all stakeholders directly impacted.

1.5. By balancing phased development with industry engagement, the Authority aims to establish a resolution framework that adequately safeguards market resilience, aligns with global standards and supports Bermuda's position as a leading international financial centre.

1.6. To this end, the proposal in this CP represents the first phase of establishing the framework. Specifically, it focuses on three foundational elements for the development of the resolution framework:

(1) Designation of the BMA as the Resolution Authority (RA) in relation to insurance sector entities;

(2) Definition of the resolution objectives; and

(3) Identification of the scope of insurers subject to the regime.

1.7. These foundational aspects mark an important initial step in building a robust framework and provide the groundwork for future phases of development. Each subsequent phase will build upon these elements to create a comprehensive and fit-for-purpose framework that supports the orderly resolution of insurers.

1.8. Incremental regulatory requirements associated with the establishment of a resolution regime for in-scope insurers will be introduced in a phased manner, allowing sufficient time for insurers to adapt and achieve compliance. To ensure the resolution framework is implemented effectively without imposing undue or disproportionate regulatory burdens, the Authority and relevant insurers will, wherever feasible, leverage existing relevant elements of the supervisory and enforcement frameworks. This approach aims to integrate resolution requirements seamlessly into current practices, minimising disruption while strengthening the insurance sector's resilience and stability.

2. Background

2.1. Bermuda has established itself as a premier global centre for the provision of insurance services, playing a vital role in both the local economy and the international insurance market. The Authority is committed to safeguarding the long-term sustainability of Bermuda's insurance sector, supporting financial stability and ensuring the sector continues to meet policyholder needs.

2.2. Operating within a framework of effective and transparent regulatory oversight, the Bermuda insurance market continues to set a benchmark for excellence and reliability. To strengthen this position further, the Authority is focused on enhancing Bermuda's financial sector resilience by introducing a resolution framework for insurers. This initiative underscores the Authority's commitment to maintaining a robust and comprehensive regulatory framework.

2.3. The '*Key Attributes of Effective Resolution Regimes for Financial Institutions*' (Key Attributes[5]) issued by the FSB are a core element of the policy measures developed in response to the Global Financial Crisis (GFC) of 2007–2010. The Key Attributes set out the essential features that resolution regimes should incorporate to enable authorities to resolve failing financial institutions in an orderly manner that limits the overall impact on economic activity, without exposing public funds to loss.

2.4. The GFC exposed the fact that insurers were not immune to financial vulnerabilities[6]. Hence, in November 2019, the IAIS adopted revised Insurance Core Principles (ICPs) and the Common Framework (ComFrame) for the Supervision of Internationally Active Insurance Groups (IAIGs)[7]. This included amendments to ICP 12 and ComFrame on the '*Exit from the market and Resolution of insurers*'[8]. Further enhancements and refinements have been introduced by a subsequent update of ICPs 12 and ComFrame in December 2024[9].

2.5. The objectives of the Key Attributes, ICPs and ComFrame in the context of resolution of an insurer are broadly aligned. In general terms, these emphasise the importance of ensuring an orderly resolution process of financially distressed insurers with the aim of protecting policyholders and mitigating material adverse

[5] FSB *Key Attributes*, https://www.fsb.org/uploads/P250424-3.pdf, 25 April 2024.
[6] EIOPA *Failures and near misses in insurance* https://www.eiopa.europa.eu/publications/failures-and-near-misses-insurance_en#files, 31 January 2023.
[7] The IAIS formulates global core principles for insurance supervision, referred to as ICPs. The ComFrame builds on the ICPs and provides additional standards and guidance specific to the regulation of IAIGs.
[8] The BMA is a member of the IAIS Resolution Working Group, which was responsible for the draft ICP 12. Thus, the Authority has been actively engaged in the discussions and development of the resolution standards for the insurance sector.
[9] IAIS ICPs and ComFrame, https://www.iais.org/uploads/2025/06/IAIS-ICPs-and-ComFrame-December-2024.pdf, December 2024.

impact on the stability and effective functioning of financial system(s), while minimising reliance on public funds.

2.6. The Authority acknowledges the importance of establishing a resolution framework, which is informed by standards and principles from the FSB, IAIS and other international bodies, and draws from the examples and experience of other jurisdictions. At the same time, the resolution framework must be fit for purpose, considering the unique characteristics of Bermuda and its insurance industry.

2.7. That said, it is also important to recognise that the Authority already has in place a set of comprehensive powers, procedures and processes for enhanced monitoring, intervention and broader crisis management of financially distressed insurers. This includes, for example, the ability for the Authority to access Bermuda's Provisional Liquidation (PL) regime[10], a court-supervised mechanism used for distressed corporate restructurings. Building on this strong foundation, the Authority plans to leverage primarily existing powers and capabilities and implement targeted enhancements, where needed, to enable a resolution framework that is effective and follows international standards.

2.8. The Authority has also implemented a recovery planning framework through the Insurance (Prudential Standards) (Recovery Plan) Rules 2024. Recovery plans provide valuable information regarding an insurer's business, governance, recovery capabilities, operational and financial interdependencies, and potential management actions under stress. These recovery planning arrangements serve as an important source of information, data and analysis to support resolution preparedness and, where necessary, the development of resolution strategies and will, therefore, inform resolution-related work undertaken by the Authority.

2.9. The Authority will establish the proposed resolution framework in accordance with the IAIS *'proportionality principle'*. In general terms, this principle provides Authorities with '*the flexibility to tailor their implementation of supervisory*

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[10] The JPL regime refers to the court-supervised process by which Provisional Liquidators are appointed pursuant to provisions in the Companies Act 1981 to control and/or facilitate the restructuring and stabilisation of a distressed company, which may avoid the need for full liquidation.

requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards'. From a resolution-specific perspective, it enables the Authority to develop at jurisdictional level a resolution framework '*in a manner appropriate to its legal structure, market conditions and consumers; and allows the supervisor and/or resolution authority to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole'*[11].

2.10. The Authority adopts a risk-based approach to developing and implementing regulatory policy and requirements at both micro- and macro-prudential levels. The resolution framework will be introduced on the same risk-based principle, in line with the 'proportionality principle', enabling the Authority to focus on addressing (material) risks while avoiding excessive or unnecessary regulatory burden.

2.11. To this end, the Authority proposes introducing the following core elements, as foundational building blocks of a resolution regime, which will be transposed into law, for Bermuda insurance sector entities, as set out below in this CP.

3. Proposed first elements of a resolution regime for insurers

Designation of the Resolution Authority

3.1. According to the Key Attributes, jurisdictions should designate an administrative authority (or authorities) to oversee resolution proceedings, which represents a fundamental element of a resolution regime. The Key Attributes are not prescriptive on the placement of the resolution function within a jurisdiction's institutional regulatory architecture. Thus, jurisdictions have taken a pragmatic approach to the location of resolution functions, driven predominantly by existing institutional structures and resource considerations.

3.2. In this context, it is proposed that from an institutional perspective the resolution function is established within the BMA. Hence, the BMA would be designated as the Resolution Authority (RA) in relation to insurance sector entities in Bermuda

[11] Additional reference point 9 found on page. 7 of the IAIS ICPs and ComFrame (December 2024) as cited in Footnote 9 above.

subject to effective governance arrangements to avoid any conflict of interest with its supervisory role.

3.3. In general terms, the main rationale for proposing to designate the BMA as the RA is:

(a) Expertise in insurance regulation: The BMA has extensive expertise as Bermuda's insurance regulator, overseeing the insurance sector under a robust and effective framework aligned with international standards. Its deep understanding of Bermuda's insurance market dynamics and international regulatory landscape makes it particularly well suited to act as the RA.

(b) Synergies: The Authority already has administrative arrangements in place for managing distressed financial entities, which can be seamlessly leveraged and further developed to support the resolution function, as necessary.

(c) Effective decision-making: Co-locating the supervisory and resolution decision-making structures within one single institution would enable coordinated, coherent and timelier decision-making, including information sharing, throughout the crisis continuum. This in turn, would positively contribute to crisis management efforts and foster credibility externally.

(d) Support for financial stability: The BMA's oversight mandate extends beyond insurance to the broader financial sector, i.e., to promote the financial stability and soundness of financial institutions. This holistic view positions the Authority to effectively manage resolution activities that may impact financial stability, both locally and internationally.

(e) Cost efficiency: Building on the Authority's existing structures ensures efficient use of financial and human resources, mitigating increased costs and operational burden of creating a separate, dedicated body that might potentially require additional funding from the industry to establish. Furthermore, this setup enables the Authority to leverage its established financial expertise, skilled workforce, streamlined processes and existing technological capacity to effectively support the RA's operations.

3.4. The Key Attributes state that the RA should have operational independence consistent with its statutory responsibilities, transparent processes, sound governance and adequate resources. In line with these expectations, it is proposed that the BMA assume responsibility for the resolution function under a robust and transparent internal governance framework designed to prevent any conflict of interest with its supervisory mandate. The independence of these two functions within the BMA will be ensured, among others, through operational separation, distinct staffing, dedicated reporting lines and a decision-making structure for resolution activities during both business-as-usual operations and crises. To reinforce this independence, the governance framework will include well-defined policies, procedures and terms of reference for resolution activities, ensuring clarity in roles and responsibilities. Periodic quality assurance reviews and safeguards will be implemented to maintain impartiality and objectivity in decision-making. These measures will support the integrity and effectiveness of the resolution function while adhering to international best practices.

3.5. The formal designation of the BMA as RA in relation to insurance sector entities in Bermuda would be enacted by way of amendment to the BMA Act of 1969.

***Question 1**: The BMA seeks views on the proposal that the Authority takes the role of the RA for the insurance sector entities.*

Definition of the Resolution Objectives (ROs)

3.6. The proposed resolution regime for the insurance sector shall include resolution objectives that the RA must have regard to when taking or considering taking resolution action. Defining resolution objectives is essential for determining appropriate resolution tools and powers, and the broader course of action, in managing insurers in financial distress. To that end, the Authority proposes the following ROs:

(1) Protecting policyholders[12];

[12] Including continuity of cover; claims payments, policy value preservation, and orderly transfers, to protect policyholders' interests and minimise disruptions.

(2) Protecting Bermuda's financial stability[13][14];

(3) Minimising the use of public funds[15];

(4) Protecting client assets; and

(5) Maintaining confidence in Bermuda's insurance market and financial system.

3.7. The Authority proposes to consider a flexible, context-sensitive approach that does not rely on a predetermined priority ranking of resolution objectives. Instead, it deems appropriate to assess and balance these objectives based on the specific circumstances of each resolution case, as well as prevailing conditions in the financial system at the time of the crisis. This approach aims to support sound, context-sensitive decision-making and enable effective response to a wide range of scenarios. In general terms, an entity should be subject to resolution action where there is high probability that such proceedings can be successfully implemented and that the resolution objectives would be achieved to a greater extent than would be the case under normal insolvency proceedings. Resolution action may be triggered if one or more resolution objectives are deemed at risk.

3.8. The resolution objectives will be formally enacted by way of amendment to the appropriate legislative instruments.

***Question 2**: The BMA seeks views on the proposed list of resolution objectives and the approach that (i) these objectives should not be subject to any predefined order of priority, and (ii) one or more may be invoked depending upon the circumstances of the case.*

Scope of entities subject to the Regime

3.9. The Key Attributes set out the essential features of resolution regimes that jurisdictions must adopt to ensure effective and orderly resolution of financial institutions in distress. In that context, the ICPs and ComFrame state that an RA should have effective processes and procedures in place to prepare for and

[13] Financial stability is the condition in which the financial system functions effectively, supports economic growth and withstands shocks without causing widespread disruptions. It includes mitigating systemic risks, such as contagion and spillovers, excessive risk taking, etc., to prevent crises and protect the real economy.

[14] This may include supporting the continuity of services and functions that are critical or essential to Bermuda's economy and financial system, where disruption to such services or functions could adversely affect the real economy or local financial stability, including in the short term, as appropriate.

[15] Should be broadly understood as protecting public funds by minimising reliance on public financial support.

conduct the resolution of insurers. These processes and procedures should encompass establishing strategies and actions for effectively resolving an insurer, which includes resolution planning and, where warranted, the development of resolution plans for relevant insurers.

3.10. The proposed scope of the resolution regime for Bermuda will be carefully targeted to include domestic insurers and large international insurers, focusing regulatory efforts on insurers where the potential risks to Bermuda's financial stability and real economy are the most significant. Large international insurers, particularly those designated as IAIGs, operate complex and interconnected businesses with material exposures across jurisdictions and sectors, playing a critical role in global insurance markets. Their failure could lead to severe disruptions within Bermuda and/or the global insurance sector, with potential far-reaching and long-term adverse implications for the financial system and the real economy. Similarly, domestic insurers play a vital role in Bermuda's domestic economy by providing essential coverage to individuals and businesses. The failure of a domestic insurer could jeopardise critical services, disrupt claims payments, and erode public confidence in the local insurance market. Accordingly, the BMA proposes that the resolution regime apply to[16]:

(a) Domestic insurers[17]; and
(b) Insurers designated as IAIGs by the BMA, where the BMA acts as the Group-wide supervisor.

3.11. The BMA may also bring within scope insurers licensed by the BMA that are part of a foreign-incorporated IAIG[18]. Furthermore, the Authority recognises the importance of maintaining a resolution framework that is both comprehensive and adaptable to emerging risks within the insurance sector. To this end, the Authority

[16] For clarity, the inclusion of entities within the scope of the resolution regime means that local resolution requirements would apply to these insurers. In this regard, as emphasised in Sections 2.9, 2.10, and 3.12, 3.15 hereafter, resolution-related requirements shall be designed and applied in a manner that is risk-based and proportionate, thereby avoiding a one-size-fits-all approach. Consequently, it is noteworthy that certain elements of a resolution framework may be deemed either irrelevant or disproportionate for certain (groups of) entities and, therefore, may not apply.
[17] Insurers writing domestic business as defined in the Insurance Act 1978.
[18] To the extent possible and appropriate, coordination and cooperation with other relevant regulatory authorities within the group will be prioritised to minimise misaligned or unbalanced resolution-related requests and requirements.

will reserve the discretion to include additional Bermuda-domiciled commercial insurers, even if they fall outside the proposed scope, when deemed appropriate. Such discretion will be exercised only under specific circumstances, i.e., when an entity is assessed as critical to Bermuda, as its failure could undermine the jurisdiction's financial stability or result in a material adverse impact on Bermuda's real economy.

3.12. This proposed approach ensures that regulatory efforts are proportionate and focused on insurers that pose the greatest risks to Bermuda's financial and economic stability.

3.13. Within this scope, as outlined in Section 3.10, the RA may develop a resolution plan for certain insurers; however, not all insurers subject to the resolution regime will necessarily require a plan.

3.14. Resolution plans are specific, actionable blueprints developed for individual insurers or groups of insurers within the context of the resolution planning framework. Tailored to an insurer's unique structure, operations and risk profile, among others, these plans detail the steps to be taken in the event of an insurer's failure. They cover critical aspects related to the execution of resolution strategies and tools.

3.15. To determine which insurers require a resolution plan, the RA, in consultation with members of the Crisis Management Group (CMG)[19] or other relevant crisis management fora, where applicable, will assess the insurer's significance to the local economy and the broader crisis management implications, including group-wide cross-border considerations. In alignment with the FSB[20] expectations, this assessment will be guided by specific criteria, such as the insurer's nature, scale, complexity, substitutability, cross-border operations and interconnectedness. These criteria will support a coordinated and effective approach to crisis

[19] In general terms, CMGs are collaborative arrangements led by home authorities with the involvement of key host authorities of globally important financial institutions. They promote coordination among relevant authorities to enhance readiness for managing and resolving financial institutions in distress, including insurers, which may have potential cross-border implications. CMGs are a core element of the post-GFC coordination infrastructure. For further reference to CMGs, see Section 8 and subsequent sections of the FSB Key Attributes as well as the relevant text in the IAIS ICPs and ComFrame.

[20] FSB Report, *Scope of Insurers Subject to the Recovery and Resolution Planning Requirements in the FSB Key Attributes* https://www.fsb.org/uploads/P290426-1.pdf, 29 April 2026.

management while ensuring proportionality in the application of resolution planning requirements.

3.16. Insurers will receive formal communication from the Authority if the RA determines that a resolution plan will be developed for them. This communication will outline the rationale for requiring a resolution plan, provide details regarding the development process and specify any actions expected from the insurer[21]. This targeted approach ensures clarity and transparency in the resolution process.

3.17. Overall, the proposed approach aims to ensure that the resolution framework remains proportionate, adaptable and responsive to evolving risks. This will mitigate potential legal and financial implications that may arise from an overly rigid or narrowly defined scope, thereby effectively supporting the overarching resolution objectives.

3.18. The scope of entities subject to the resolution regime will be formally enacted through amendment to the Insurance Act 1978.

> ***Question 3****: The BMA seeks views on the proposed scope of insurers subject to the resolution regime, including proposed criteria for determining the scope of insurers to be subject to resolution planning.*

4. Future work on the resolution framework for insurers

4.1. As previously noted, the Authority is committed to developing and implementing a resolution framework for the insurance sector entities in Bermuda through a phased approach. The Authority's approach emphasises a commitment to transparency, collaboration, and alignment with international best practices in implementing new regulatory initiatives.

4.2. For clarity, certain key elements of the resolution framework, such as resolution powers, resolution tools, resolution planning aspects, cross-border cooperation and safeguards, fall outside the scope of this CP. These components will be

[21] Resolution expectations shall be assessed as part of the resolution planning process and be informed by the Group's resolution strategy. Elements such as business strategic analysis, the assessment of liquidity and capital position, interconnectedness and related considerations are integral parts of a resolution plan. These elements contribute to defining the most effective resolution strategy for an insurer, including the selection of suitable resolution tools and actions.

addressed in future phases of the framework's development, building upon both the initial elements proposed in this CP and the Authority's existing powers, procedures and processes for enhanced monitoring, intervention and broader crisis management of financially distressed insurers. This includes leveraging the existing PL regime, a court-supervised mechanism used for distressed corporate restructurings, as outlined in Section 2.7 of this paper.

4.3. Once the initial elements of the framework outlined in this CP are established, the next phase of its development will focus on addressing the additional aspects of the resolution framework referenced in Section 4.2 above. At every stage, the Authority will maintain its commitment to transparency and collaboration through ongoing engagement and consultation with industry participants and other relevant stakeholders. This ensures the framework is adequate, strengthens the resilience of Bermuda's insurance sector, supports Bermuda's financial stability and aligns with evolving global standards.

4.4. In addition, the Authority may, as the framework develops, publish supplementary guidance, technical papers or other supporting documentation to provide further detail on specific aspects of the resolution framework. These materials will clarify expectations, facilitate better understanding among stakeholders, and support consistent implementation. The timing and scope of these publications will depend on policy development progress and feedback received through stakeholder consultations.

***Question 4**: The BMA seeks feedback on any practical issues that the proposals in this CP may introduce once implemented.*

The BMA welcomes views from insurance entities, associations, consultants, other parties in the insurance industry and the wider financial services sector.

Stakeholders are invited to send feedback on the questions in this consultation paper to policy@bma.bm.

*Please submit your written comments no later than the close of business on Tuesday, **15 December 2026.***

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