

Alert

NAIC Grants Bermuda Reciprocal Jurisdiction Status, Affecting (Re)insurers' Requirements to Post Collateral

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The National Association of Insurance Commissioners (NAIC) has reaffirmed Bermuda as a Qualified Jurisdiction, ensuring continued efficiency in the cross-border operations of Bermuda (re)insurers in the US market. It has also designated the island a Reciprocal Jurisdiction effective from 1 January 2020, giving Bermuda 'covered agreement' status with the United States. This means that (re)insurers licensed and domiciled in Bermuda will not be required to post reinsurance collateral, putting them on an equal footing with EU and UK (re)insurers.

The NAIC renewed Bermuda's status as a Qualified Jurisdiction following a recent re-evaluation of Bermuda's insurance regulatory body, the Bermuda Monetary Authority (BMA). Qualified Jurisdiction status makes Bermuda-domiciled (re)insurers eligible for reduced (re)insurance collateral requirements under the NAIC's Credit for Reinsurance Model Law and Regulations. It is applicable to (re)insurers of Class 3A, Class 3B and Class 4, and long-term (re)insurers of Class C, Class D and Class E.

The new designation of Reciprocal Jurisdiction provides the additional advantage of rendering Bermuda (re)insurers in the relevant classes eligible for zero collateral relief.

Reciprocal Jurisdiction status therefore enhances the attractiveness and the reputation of Bermuda as a competitive, leading global (re)insurance jurisdiction. The designation is only given to Qualified Jurisdictions in good standing with the NAIC, and following a comprehensive evaluation.

The NAIC is the US standard-setting and regulatory support organization of the chief insurance regulators of the 50 states, the District of Columbia and five US territories. Bermuda has been included on its list of Qualified Jurisdictions since the list was first compiled in 2015. Bermuda is one of only seven jurisdictions with the Qualified Jurisdiction status (France, Germany, Ireland, Japan, Switzerland and the United Kingdom being the other jurisdictions). Bermuda is one of three jurisdictions with Reciprocal Jurisdiction status (Japan and Switzerland being the other jurisdictions).

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