

# LEARN Goes Caribbean

By Michael L. Frank and Larry N. Stern

From the first presentation by the original team in 2010, the Life Education and Reinsurance Navigation (LEARN) program has now been presented to regulators in approximately 30 states and has recently expanded outside the U.S. to regulators in Bermuda and Trinidad & Tobago. Michael Frank and Larry Stern jointly presented at the Bermuda Monetary Authority (the Authority) in November and Central Bank of Trinidad and Tobago (CBTT) in December.

## THE GENESIS OF LEARN

The genesis of LEARN began in 2009 with the objective to help insurance regulators obtain continuing education in reinsurance. What began as an informal discussion with the Delaware

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Department of Insurance gradually became a more formal presentation on the life reinsurance market. With the implementation of the health care reform (PPACA) in 2010, the LEARN presentation was expanded further to include health care reinsurance topics at the request of the insurance regulators.

Today, the LEARN program covers life, annuity, accident and health related topics in reinsurance with expanded topics covering captive reinsurance structures, principle-based reserves (PBR), Actuarial Guideline 48 (XXX/AXXX reserving), longevity risk, treaty provisions and many other topics that are of interest to insurance regulators. The general theme of LEARN is a core package of material expanded to cover special requests of the specific regulators interested in training—each presentation

can be tailored, within reason, to fit the needs of each regulatory jurisdiction.

Currently, the LEARN team has nine instructors including Jeff Burt, John Cathcart, Michael Frank, Carlos Fuentes, Mike Kaster, Jeffrey Katz, David Nussbaum, Tim Robinson and Larry Stern.

## LEARN IN BERMUDA

In November 2015, the LEARN team presented to the Authority. The Authority began an initiative to increase continuing education for its employees and contacted the Society of Actuaries. Per the request of the Authority, the current LEARN presentation was expanded to incorporate information on the following: (1) regulatory topics in the U.S.; (2) trends in the market; (3) new approaches to reinsurance; (4) investments; (5) long-term care; and (6) companies in the news. The standard current LEARN presentation covered topics including risk transfer, reserve credit, longevity risk, sample special risk, and reinsurance treaty provisions.

It was a busy time in Bermuda with Bermuda International Long Term Insurers and Reinsurers ([www.biltir.bm](http://www.biltir.bm)) having planning meetings, as well as one of the more popular sporting events occurring on the island (World Rugby Classic championship matches).

Approximately 20 people from the Authority attended the LEARN meeting and there were good interactions with the participants and the meeting instructors (Larry Stern and Michael Frank). With the Bermuda market being a mature reinsurance industry, significant focus of the presentation centered on understanding the U.S. market and ceding companies, as well as, discussions around capital requirements, NAIC risk-based capital, and Solvency II. A special section covering a high-level summary of property casualty and special risk topics was added to the course with discussion of sample transactions in asbestos liabilities, workers' compensation, catastrophe covers/bonds, pet insurance and other specialty product lines. For sample transactions involving specific companies, we discussed information that was solely in the public domain, including company press releases, so as not to disclose any confidential or proprietary information of insurance and reinsurance organizations.

The emphasis of LEARN in the U.S. concerns regulatory action for ceding companies since state regulators have direct control over their domestic ceding companies. In Bermuda, the emphasis concerns reinsurers because of the nature of this market. Therefore it was important in the Bermuda LEARN presentation to highlight ceding company risk spreading strategies. Sample transactions included both the U.S. and international market since cedants reinsuring in Bermuda come from many countries worldwide.

## ABOUT THE BERMUDA MONETARY AUTHORITY (THE AUTHORITY)

The Authority is the regulator of Bermuda's financial services industry. Established by statute in 1969, it has changed significantly over the past four decades to adapt to changing needs of the financial sector and global regulatory requirements. Today, the Authority supervises and regulates financial institutions operating in Bermuda. Additional responsibilities include issuing Bermuda's national currency, managing exchange control transactions, assisting other agencies with the detection and prevention of financial crime, and advising the government on banking and other financial and monetary matters. The Authority develops risk-based financial regulations that it applies to the supervision of Bermuda's banks, trust companies, investment businesses, investment funds, fund administrators, money service businesses, corporate service providers and insurance companies. It also regulates the Bermuda Stock Exchange.

According to the latest available data, the Authority has regulatory oversight of more than 1,200 insurance companies with gross written premiums of \$163 billion and capital of \$192 billion. Registrations for new insurers were stable year after year with 64 new entities being recorded in 2015.

The Authority has an ongoing commitment to the development of its talent pool. Subject matter experts continue to design specialized training programs to supplement the supervisory and regulatory toolkit of the Authority's professional regulators. In addition to the LEARN program, other upcoming technical training programs (hot topics) at the Authority include Alternative Investment Fund Managers Directive (AIFMD), compliance issues in insurance and asset management, Foreign Account Tax Compliance Act (FATCA), and anti-money laundering awareness.

For additional information about the Authority, visit [www.bma.bm](http://www.bma.bm).

### LEARN IN TRINIDAD AND TOBAGO

In December 2015, the LEARN team presented to the Central Bank of Trinidad and Tobago (CBTT). Similarly, the CBTT reached out to the Society of Actuaries for an education session. The material covered was similar to the Bermuda presentation with an expansion to cover the international reinsurance market beyond the U.S. Sample reinsurance markets included Bermuda, Cayman Islands, U.K., Brazil, Canada, Ireland, Australia, and China.

Similar to Bermuda, it was a busy time in Trinidad since the Caribbean Actuarial Association ([www.caa.com.bb](http://www.caa.com.bb)) was having its annual meeting in Trinidad and approximately 200 actuaries from the U.S., Canada, Europe, South America and the Caribbean were in attendance.

Approximately 20 people from the CBTT attended the LEARN meeting; there were good interactions with the participants and



the meeting instructors. CBTT specifically requested discussion focused on reinsurance structures, criteria for assessing adequacy of reinsurance; uses and misuses of reinsurance, and emerging reinsurance issues.

The LEARN presentation/discussion was a lead into a specific presentation provided by CBTT, which was an update on the regulation environment in Trinidad & Tobago (T&T), as well as, feedback of the reinsurance regulations in T&T. Some highlights of the T&T regulatory environment include the following:

- The Trinidad legislation does not prescribe specific requirements for reinsurance arrangements.
- Foreign reinsurers need not be licensed in the jurisdiction.
- The language of the Insurance Act is very general whereby insurers must maintain "adequate" reinsurance.
- The regulator, CBTT, does not mandate or approve individual reinsurance arrangements, but it has the authority to require remedial action if the insurer is found to be pursuing or about to pursue a course of conduct that is an unsafe or unsound practice or is pursuing or is about to pursue a course of conduct, that may directly or indirectly be prejudicial to the interest of policyholders.
- The CBTT does not prohibit reinsurance with related parties, but closely supervises such arrangements. A registered insurer in T&T is required to have and maintain adequate ar-

rangements for the reinsurance of its insurance business. It is, therefore, the responsibility of the insurer to develop prudent approaches to managing its reinsurance risks and to maintain adequate and acceptable reinsurance at all times.

In the months preceding the LEARN presentation, the CBTT embarked on the development of a guideline applicable to all life insurers and general insurers registered in T&T in respect of reinsurance on local and international business. The purpose of this guideline is to be transparent regarding the CBTT's expectations of insurers to have effective reinsurance risk management policies, practices and procedures and to ensure that reinsurance risk management is part of an insurer's enterprise risk management framework.

In addition, a self-assessment questionnaire for attestation by key officers will be required. This is a fundamental shift in the CBTT's supervisory approach for reinsurance. The guideline was drafted based on the review of International Association of Insurance Supervisors (IAIS) specifically Insurance Code Principle (ICP) 13 along with other international and regional regulatory practices combined with specific local issues currently being faced in T&T. (Note: According to the IAIS website, the IAIS represents insurance regulators and supervisors of more than 200 jurisdictions in nearly 140 countries, constituting 97 percent of the world's insurance premiums.)

According to the CBTT, the LEARN presentation was timely and informative as the CBTT was at the time deliberating its policy position for the draft guideline on certain key areas such as fronting, related party arrangements, definition of risk transfer, collateral or other requirements for arrangements with unrated reinsurers and stress testing of the reinsurance program.

Despite differences in legislation, such as the U.S. requirements for risk-based capital, reserve credit security, risk transfer and licensing of reinsurers, to name a few, the LEARN discussions proved useful. In particular, the CBTT noted key treaty provisions and the NAIC Model Act on credit for reinsurance, particularly in relation to unauthorized reinsurers. The CBTT is therefore revisiting some of its initial criteria proposed in the draft guideline.

The next phase is to expose the draft guideline to the insurers for consultation and make the necessary amendments to facilitate implementation. According to CBTT, there are 14 property and casualty companies and 18 life companies domiciled in Trinidad & Tobago.

#### ABOUT THE CENTRAL BANK OF TRINIDAD AND TOBAGO (CBTT)

The Central Bank Act of 1964 entrusts the CBTT with a range of responsibilities, including: (1) issuing and redeeming currency; (2) developing and implementing monetary policy; (3) acting

as banker and advisor to the government; (4) acting as banker to the commercial banks; (5) issuing of securities on behalf of the government; (6) managing the foreign exchange market and protecting the external value of the currency; (7) investing the country's external reserves and the HSF; (8) fostering and promoting financial stability; and (9) conducting intelligence-gathering and research. The CBTT's Financial Institution Supervision Department (FISD) regulates banks, insurance companies, insurance intermediaries and pension funds by its powers under the Financial Institutions Act, 2008 (the FIA), and the Insurance Act, Chapter 84:01 (the IA).

The CBTT is also instrumental in the development of the Trinidad and Tobago financial system and continues to adopt policies which foster economic growth and development. For more information about the CBTT, visit [www.central-bank.org.tt](http://www.central-bank.org.tt).

#### SPECIAL THANKS

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Both Michael and Larry have been elected and served on the Reinsurance Section Council and both have been instructors for the SOA LEARN program since 2010.



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