Blue Ocean
REINSURANCE GROUP
60 Nexus Way, Office 108, Camana Bay, George Town
Cayman Islands

29 October 2026

John Rehagen, Chair
Monica Macaluso, Vice Chair
Mutual Recognition of Jurisdictions (E) Working Group
National Association of Insurance Commissioners

Send via email to: Jstultz@naic.org and dschelp@naic.org

Dear Chair Rehagen and Vice Chair Macaluso,

Subject: Cayman Islands Qualified Jurisdiction Review: An Insurance Manager's Perspective on the Strength and Robustness of CIMA's Regulatory and Supervisory Framework

Blue Ocean Insurance Management Services Ltd. ("**Blue Ocean**" or the "**Company**") is an Insurance Manager in the Cayman Islands licensed by the Cayman Islands Monetary Authority ("**CIMA**") on 31 May 2024. The Company provides (re)insurance management services to reinsurers domiciled in the Cayman Islands, the majority of which reinsure risks originating in the United States of America ("**United States**") across both the property and casualty, and life insurance sectors. The Company currently manages ten licensed reinsurers in the Cayman Islands ("**Client Reinsurers**").

In formulating the comments set out in this letter, we have drawn upon our direct experience to assess the depth, rigour and scope of CIMA's regulatory review and supervision of reinsurers licensed in the Cayman Islands. **We have no objection to the letter being made publicly available.**

Licensing - a rigorous, substantive and risk-focused assessment

CIMA required Client Reinsurers to provide detailed explanations and supporting information concerning, among other matters, its proposed operations, strategic objectives, corporate and group structures, capital and solvency arrangements, investment policy, risk management and controls, and financial projections. A substantial part of the licensing review was devoted to an in-depth assessment of the Client Reinsurers' capital and surplus requirements; the composition of its investment portfolio and the adequacy of the associated investment policies, limits and controls; and the robustness of its risk management framework. This included a detailed examination of its stress-testing arrangements, enterprise risk management framework, corporate governance structures, and the qualifications, experience and active involvement of key personnel in overseeing and managing risk. The assessment was further supported by extensive due diligence on all relevant parties, extending throughout the ownership chain to the ultimate beneficial owners ("**UBOs**"). CIMA would not proceed with a licence application until it is satisfied that all outstanding queries have been adequately addressed.

Capital and Surplus Requirements

The Cayman Islands applies a two-tier capital and solvency framework under which reinsurers may adopt their own internal capital models, subject to review and approval by CIMA. Most of the Client Reinsurers utilise the NAIC Risk-Based Capital model ("RBC") as their internal capital model. For newly licensed reinsurers, CIMA generally imposes a high RBC threshold, which serves as the basis for establishing the reinsurer's Prescribed Capital Requirement ("PCR"). Where a Client Reinsurer elects to capitalise in accordance with the Cayman Islands' prescribed capital formula, CIMA assesses the reinsurer's risk profile and may, at its discretion, impose an enhanced PCR to reflect the risks identified. Where a Client Reinsurer's capital falls below its applicable PCR, it is required by the Insurance Act to engage with CIMA and submit a remedial action plan setting out the measures to be taken to restore compliance. This regulatory intervention threshold requires reinsurers to maintain capital levels comfortably above their applicable PCR to avoid enforcement action.

Regulation and Valuation of Investments

CIMA adopts a risk-based yet highly conservative approach to the investment portfolios of reinsurers. Its investment restrictions on the Client Reinsurers extended to exposures to "mortgages and non-agency structured securities," notwithstanding the application of a higher PCR and the implementation of robust risk management controls. This is such broad category that it would capture various types of investments, regardless of their investment-grade ratings. As part of the licensing review process, Client Reinsurers were required to submit detailed stress-testing results to CIMA, demonstrating the potential impact of various stressed scenarios on their financial positions and PCRs. It is our understanding that CIMA has engaged with the cedant's home-state regulator as part of the licensing process for Client Reinsurers. We therefore consider that such regulatory engagement affords the relevant United States regulators an opportunity to review, inter alia, the investment portfolios, asset allocations and collateral arrangements maintained in the United States by the reinsurers concerned.

Holding Company Systems

CIMA's Fitness and Propriety assessment extended across the Client Reinsurer's entire ownership structure, including holding companies, affiliates, UBOs and subsidiaries (if any), with consideration given to both controlling and economic interests. Where a Client Reinsurer formed part of a group, CIMA required a complete description of the group's ownership structure and each entity within the group, including its full legal name, jurisdiction of incorporation, nature of business and, where applicable, the name of its regulator. Where the ultimate shareholder was a corporate entity, CIMA required its consolidated financial statements for the preceding two financial years. In addition, net worth statements prepared by an independent person were required for all UBOs holding an ownership interest of 10% or more in the Client Reinsurer. These requirements were in addition to the financial statements required in respect of the immediate shareholder.

The licensing (and shareholder change) process also involved extensive due diligence on proposed directors, senior officers, shareholders and UBOs, with particular emphasis on their competence, integrity and financial soundness. Notably, for several Client Reinsurers CIMA's due diligence extended to UBOs holding indirect interests of less than 5% in the Company, demonstrating the depth of scrutiny applied to the ownership structure. Following approval, any changes to the ownership structure extending up to the ultimate beneficial owners could not be effected without CIMA's prior approval.

Risk Management

Throughout the licensing application review process, the Client Reinsurers were required to provide extensive information and supporting documentation to enable CIMA to conduct a thorough assessment of their risk management frameworks. The review process also involved in-person meetings and conference calls with the respective Client Reinsurers to discuss and clarify matters arising during the review. Certain Client Reinsurers were also required to submit Own Risk and Solvency Assessment ("ORSA") reports and cash flow testing as part of their annual regulatory filings, together with audited financial statements and other prescribed information. These requirements support CIMA's ongoing assessment of the adequacy of an insurer's risk management framework and its ability to meet its obligations under varying financial and stress scenarios.

In addition to the requirements prescribed under the Insurance Act and its associated regulations, all Client Reinsurers are required to comply with the Rules issued by CIMA, including specific Rules addressing risk management and corporate governance. These Rules constitute mandatory regulatory requirements, rather than voluntary guidance, and form an integral part of the regulatory framework applicable to the Client Reinsurers.

Liabilities and Reserves, and Independent Audits

The Cayman Islands regulatory framework imposes specific actuarial oversight requirements on reinsurers, including the appointment of both an Appointed Actuary and a Peer Review Actuary, as well as the preparation and submission of an actuarial valuation of assets and liabilities. These measures introduce an additional level of independent professional review and oversight, complementing the actuarial assessments performed in connection with the annual external audit.

In addition, Client Reinsurers are required to have their financial statements audited annually by an external auditor approved by CIMA and based in the Cayman Islands. The framework further requires the establishment of an Audit Committee to provide oversight of the external audit process and associated governance and internal control arrangements.

Filings with Supervisory Authority

All Client Reinsurers are required to submit annual regulatory returns, including audited financial statements and other prescribed information. In addition, quarterly management accounts must be submitted to CIMA within 60 days of the end of each quarter. These accounts must evidence the Company's capital position and demonstrate compliance with its PCR, as certified by its Appointed Actuary. Certain Client Reinsurers are also required to provide quarterly confirmations that their investment portfolios remain compliant with CIMA-approved investment limitations, together with commentary on changes in asset composition and movements in the PCR relative to the preceding quarter.

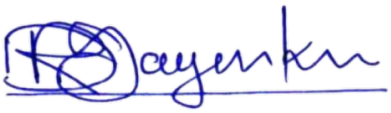
Conclusion

Based on our experience as an Insurance Manager managing reinsurers, CIMA's approach to the licensing of reinsurers and its subsequent regulatory oversight involves a substantive, risk-based assessment of the business. The process extends well beyond an administrative verification of prescribed forms and supporting documentation. Its purpose is to determine whether Cayman-based reinsurers are appropriately structured,

adequately capitalised and resourced, and equipped to conduct its business prudently in accordance with the Cayman Islands' regulatory framework.

We consider the regulatory requirements applicable to Client Reinsurers to be rigorous and robust, and consistent with the NAIC's expectations regarding the effectiveness of a jurisdiction's supervisory system.

Yours faithfully,



Ruwan Jayasekera
Director/COO
Blue Ocean Insurance Management Services Ltd.

Email: RJayasekera@blueoceanreinsurancegroup.com
Tel: +1 345 323 0774

Copied:
Adrian Lynch, Director/CEO- Blue Ocean Insurance Management Services Ltd.