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PRESS RELEASE

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Bermuda Monetary Authority Issues Proposals for Group Supervision in Latest Step toward Solvency II Equivalence

Policy and resources being developed to support introduction of group supervision

The Bermuda Monetary Authority has released details of its proposed group-wide supervision framework for Bermuda's insurance sector in a Consultation Paper entitled "*Insurance Groups Regulatory Framework*". Draft legislation to facilitate implementation of the group-wide supervision regime for Bermuda (re)insurers will also be issued shortly.

Jeremy Cox, Chief Executive Officer at the Authority said, "For some time now the Authority has been focused on enhancing our insurance regime in preparation for achieving regulatory equivalence under Europe's Solvency II Directive. The publication of our group supervision Consultation Paper shows that we are maintaining momentum on our regulatory change programme for Bermuda's insurance sector, and also reaching the key policy development and implementation milestones set out in our equivalence work plan. In fact, we have successfully accelerated our groups programme and published this Consultation Paper ahead of schedule; it was originally due to be completed by the end of March as per our Solvency II Roadmap."

The Consultation Paper describes the scope of the Authority's group-wide supervision regime and outlines the conditions under which the Authority would seek to be considered a Group-wide Supervisor. It also describes other features of the framework including: the assessment of group corporate governance and risk management; group-wide solvency assessments, which includes a discussion of the treatment of intra-group transactions and risk concentrations; and the Authority's statutory reporting requirements for groups. In addition, the Paper explores the efficacy of group support as an important factor in determining group-wide solvency, and the treatment of unregulated entities that are part of the group. Since any group-wide supervisory regime hinges on the principle of supervisory cooperation and equivalence among regulators, the Paper also seeks to explain the Authority's own proposed equivalence framework.

Mr. Cox added that the Authority recognises it will require significant resources to support implementation of group supervision effectively. "In order for us to conduct group assessments for supervisory purposes, effectively be a group-wide supervisor, and participate in additional supervisory colleges, we will need to have appropriate resources," he said. "With that in mind, we will be heavily focused on building on the existing senior-level expertise and skills in our supervisory and policy teams during this year, which will be dedicated to us implementing group supervision."



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He also acknowledged the work of the team that developed the group supervision framework, and the cooperation of Bermuda's insurance market.

“Our ability to achieve this milestone so efficiently is testament to the skill and hard work of our technical teams within the insurance, policy and risk areas of the Authority,” said Mr. Cox. “I would like to thank them all, and in particular our project leader Craig Swan, Director, Policy, Research and Risk Assessment, his deputy on this initiative Yvette Pierre, Assistant Director, Risk and Kevin Anderson, Senior Analyst in the Policy, Research and Risk Assessment department. We also sincerely appreciate the invaluable feedback we received from industry and members of the Insurance Advisory Committee during our extensive consultation with the market.”

There are a significant number of Bermuda (re)insurers currently operating within a group structure. The Authority began its consultation process on group supervision for Bermuda's largest commercial insurers last year with the distribution of a Discussion Paper to the market. The feedback received from this initial phase of consultation, as well as international standards in development, provided useful input for the proposals published in the Consultation Paper.

Mr. Cox, said, “The Authority is looking to develop a group-wide supervisory regime that addresses the needs of the Bermuda jurisdiction, while at the same time being compliant with evolving international standards. It is important to note however that our goal is to achieve broad equivalence with international standards, including under Solvency II. This means we will not simply duplicate international standards, but will instead seek to adapt them intelligently in line with the nature of the Bermuda market.”

Consistent with the Authority's risk-based approach to regulation, the scope of its group-wide supervision regime will initially apply to the jurisdiction's Class 4 and Class 3B (re)insurers, the largest firms with the highest risk profiles. However it will be expanded in the future in line with changes in the international regulatory environment.

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