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PRESS RELEASE

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BERMUDA MONETARY AUTHORITY PROPOSES SERIES OF ENHANCEMENTS TO BERMUDA'S REGULATORY REGIME FOR INSURERS

BMA publishes documents outlining preparations for mutual recognition, proposals for the introduction of group supervision, and guidance for Special Purpose Insurers

The Bermuda Monetary Authority has published three market communications that address specific initiatives designed to further enhance Bermuda's regulatory framework for the insurance sector. These documents are: a report entitled 'Bermuda's Insurance Solvency Framework – The Roadmap to Mutual Recognition'; a Discussion Paper on Groups Supervision; and a Consultation Paper on guidance for Special Purpose Insurers.

Matthew Elderfield, CEO of the Authority said, "The series of documents published yesterday show that Bermuda is continuing to develop a leading international regulatory framework for insurance. Coming shortly after EU agreement on the Solvency II directive, our initiatives demonstrate that the Bermuda regulatory framework is keeping pace with international developments and that Bermuda is on-track for regulatory equivalence with Europe. This means Bermuda-based firms are in a position to operate globally without regulatory barriers, due to the high standards that are being put in place."

The Authority is working towards an important objective of achieving mutual recognition (or regulatory equivalence) for Bermuda's regulatory framework in key international markets, with a particular emphasis on insurance regulation. '*Bermuda's Insurance Solvency Framework – The Roadmap to Mutual Recognition*' details the Authority's work plan toward this goal.

Mr. Elderfield said, "We have already made significant progress towards the goal of enhancing our regime and ensuring regulatory equivalence with our key trading partners, however considerable work remains to be done. Our Roadmap provides details of the initiatives the Authority will undertake over the next couple of years to complete our work."

The Authority is also proposing to implement group-wide supervision for insurance groups operating within Bermuda. The Discussion Paper '*Implementing Group-wide Supervision*' released yesterday for industry comment, highlights the critical issues the Authority would be considering for inclusion in its proposals, such as determining the lead supervisor for a group, the calculation of group solvency, the treatment of intra-group transactions, eligible capital, reporting requirements, group corporate governance and risk management. The scope of group-wide supervision would apply to Class 4 and Class 3B re/insurers.

"Our discussion paper provides the Authority's contribution to the growing debate on group supervision," Mr. Elderfield said. "Recent market events have highlighted the importance of assessing risk at a group level. The Authority already has a program of supervisory colleges in place and is now setting out its proposals to require Bermuda's large commercial insurance firms to be subject to group supervision."



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The *Consultation Paper on guidance for Special Purpose Insurers (SPI)* also published yesterday is designed to provide clarity as to the minimum prudential requirements for the new SPI class that was introduced in legislation in 2008.

Mr. Elderfield said, “The Authority recognises the importance of ensuring that the regulatory framework in Bermuda allows market innovation by being sufficiently flexible and responsive to new developments, subject to appropriate minimum prudential standards. The SPI guidance sets out our thinking for the ground rules for market participants planning to use side cars, cat bonds and other special purpose vehicles.”

The guidance, once adopted, will assist market participants in putting forward applications for SPI structures such as side cars and cat bonds that demonstrate compliance with the Authority’s standards.

All three documents are available on the Authority’s website: www.bma.bm

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