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## PRESS RELEASE

**For Release: Friday May 1<sup>st</sup> 2009**

### **BERMUDA MONETARY AUTHORITY REACHES ANOTHER MUTUAL RECOGNITION MILESTONE**

#### **Consultation Paper Published on Proposed Application and Approval Process for Internal Models Framework**

The Bermuda Monetary Authority today released for industry comment its Consultation Paper, “*Standards and Applications Framework for the Use of Internal Capital Models for Regulatory Capital Purposes*”. This paper outlines the Authority’s proposed application process and model approval criteria for Class 4 (re)insurers applying to use an internal capital model to determine their regulatory capital.

Establishing an internal capital model framework is part of the Authority’s ongoing work to develop a leading international regulatory framework for Bermuda’s insurance sector. Matthew Elderfield, CEO of the Authority said, “The Authority is working towards the goal of achieving regulatory equivalence for Bermuda’s insurance framework within key international markets. The issuance of this Consultation Paper represents the completion of another milestone for the Authority on the road to mutual recognition.”

The use of regulator-approved internal models is in line with international proposals on solvency that are currently in development, such as Europe’s Solvency II Directive and the International Association of Insurance Supervisors solvency proposals. The Authority began development of its framework in 2008 when it conducted a survey with all Class 4 (re)insurers to evaluate the extent to which internal capital models were in use by companies and the robustness of those models. This activity was followed up with a trial review of a small number of companies’ models. At the end of 2008, the Authority published a report summarising the findings from the survey and reviews.

The Consultation Paper represents the next step in the Authority’s development of its enhanced solvency framework for Bermuda’s largest insurers. This framework includes: the Bermuda Solvency Capital Requirement, the Authority’s standardised capital adequacy model that was introduced at the end of 2008; the internal capital models framework; and an Own Risk and Solvency Assessment (ORSA) regime, which is currently in development.

A copy of the Paper is available to download from the Authority’s website: [www.bma.bm](http://www.bma.bm) The Authority invites the insurance industry and other interested persons to send their comments on the proposals to its Actuarial Services Unit via email to Brant Kizer at [bkizer@bma.bm](mailto:bkizer@bma.bm).

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