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PRESS RELEASE

For Release: Thursday 9th July 2009

BERMUDA MONETARY AUTHORITY SETS APPLICATIONS PROCESS AND STANDARDS FOR INTERNAL CAPITAL MODELS, MOVES FORWARD ON TRANSPARENCY PROPOSALS

Milestone is another step forward in preparing Bermuda for regulatory equivalence

The Bermuda Monetary Authority announced today the latest developments in its programme of ongoing enhancements for its regulatory framework for Bermuda's largest insurers.

The Authority has formally established the standards and applications process for permitting the use of insurers' internal capital models to assess the regulatory capital that would be required for such companies. The Authority has also developed new proposals for applying greater disclosure requirements to Class 4 and 3B insurers. These enhanced transparency requirements would apply to both audited general purpose financial statements as well as statutory filings. Both developments advance the Authority's preparations for assessments to determine broad equivalence of its insurance framework under regimes of other major international jurisdictions, such as Europe's Solvency II Directive.

Matthew Elderfield, CEO of the Authority said, "The Authority has worked for some time on enhancing our insurance framework with the view to obtaining equivalence status with other leading regulators in the world. These latest developments are a significant milestone for the Authority, and show that we are making steady progress towards this important goal for Bermuda."

To support these developments, the Authority has published two market communications; Guidance Notes "*Standards and Application Framework for the Use of Internal Capital Models for Regulatory Capital Purposes*" and "*Consultation Paper on Disclosure and Transparency*".

Standards and Application Framework for the Use of Internal Capital Models for Regulatory Capital Purposes

The internal capital models (ICM) Guidance Notes outlines the various components of the Authority's ICM framework, including: provisions relating to pre-application conditions; application review procedures; and post-approval monitoring and control activities. The paper also provides guidance on the insurers' self-assessment process, which requires an insurer to confirm that its ICM meets a number of general criteria prior to the Authority starting an ICM review.

The implementation of the Authority's internal capital model framework is part of its enhanced solvency regime, which includes the Bermuda Solvency Capital Requirement (BSCR), the Authority's standardised capital adequacy model that was introduced in 2008, and an Own Risk and Solvency Assessment (ORSA) regime, which is currently in development.



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Consultation Paper on Disclosure and Transparency

The Authority is committed to maintaining high standards of regulation that are aligned with international best practice, and appreciates that international standards regarding disclosure and transparency are continuing to evolve. In its Consultation Paper, the Authority proposes a measured approach to enhancing its disclosure regime, with three distinct phases of implementation. Taking this approach affords the Authority the opportunity to ensure that its proposals keep step with international developments while allowing sufficient time for consultation with industry participants.

The Authority has also published the draft Insurance (Prudential Standards) (Class 4 Solvency Requirement) Amendment Order 2009 and the draft Insurance Accounts Amendment Regulations 2009 supporting the Authority's 2009 proposed enhancements. These documents should be read in conjunction with the Consultation Paper.

Both the draft legislation and Consultation Paper are available for download on the Authority's website: www.bma.bm.

The Authority welcomes comments from the insurance industry and other interested persons on the proposals set out in the Consultation Paper. Comments should be sent to the Authority's policy@bma.bm email no later than 31st August 2009.

Enquires relating to internal capital model applications or questions on the Guidance Notes should be directed to the Authority's Actuarial Services Unit via email to Brant Kizer at bkizer@bma.bm.

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