9 May 2016

NOTICE

Insurance (Eligible Capital) Amendment Rules 2016 (the "Rules")

The Bermuda Monetary Authority (the "Authority") proposes to amend the Rules as follows:

1. In Paragraph 2(2)(a)(i) to provide clarity to the requirements of Tier 1 ancillary capital that are capable of absorbing losses on a going concern. This restores text that was deleted in error;

2. In Paragraph 2(3)(a)(ii)(A)(1) to remove the Risk Margin, as reported on Line 18 of the Statutory Economic Balance Sheet, in the calculation of encumbered assets that supports policyholder obligations. This provides consistency of reporting policyholder obligations for Class 4, 3B, & 3A insurers with Class C, D & E insurers.

Comments on the Rules are invited by 23rd June 2016 and should be sent to riskanalytics@bma.bm.

As previously advised, the Authority proposes for all amendments to become effective as of 1st January 2017.

BERMUDA

INSURANCE (ELIGIBLE CAPITAL) AMENDMENT RULES 2016

BR / 2016

The Bermuda Monetary Authority, in exercise of the powers conferred by section 6A(1) of the Insurance Act 1978, makes the following Rules:

Citation

1 These Rules, which amend the Insurance (Eligible Capital) Rules 2012 (the "principal Rules"), may be cited as the Insurance (Eligible Capital) Amendment Rules 2016.

Paragraph 2 amended

2 Paragraph 2 of the principal Rules is amended by:

(i) in subparagraph 2(a)(i), by inserting after the word "concern" the words "either by way of write downs of the principal amount or until losses cease, or mandatory conversation to common stock when losses accumulate"; and

(ii) in subparagraph 3(a)(ii)(A)(1), by deleting the words "17(a) and 18" and inserting "and 17(a)" wherever it appears.

Commencement

3 These Rules come into operation on [ ] 2016.

Made this day of 2016.

Chairman
The Bermuda Monetary Authority

DRAFT