1st July 2013

NOTICE

Insurance (Eligible Capital) Rules 2012

1. The Bermuda Monetary Authority (the "Authority") proposes that the following amendment be made to the Insurance (Eligible Capital) Rules 2012 (the "Rules"):

    a. Paragraph 2(3)(a) to be amended to include an additional consideration in the calculation of the amount of encumbered assets to be transferred from Tier 1 basic capital to Tier 2 basic capital and to clarify the treatment of assets pledged solely for risk management purposes.

    b. Paragraph 2(3)(c) to be amended to clarify the loss absorbency criteria for preference shares qualifying as Tier 1 basic capital.

    c. The foregoing matters are housekeeping in nature and are proposed by the Authority to ensure clarity and consistency in the manner in which the Rules are read and interpreted by stakeholders.

2. Comments on the Rules are invited by 6th September 2013 and should be sent to email address: policy@bma.bm

3. It is proposed that all amendments will become effective as of 1st January 2014.

THE INSURANCE ACT 1978

2013 : XX

ELIGIBLE CAPITAL AMENDMENT RULES 2013

ARRANGEMENT OF SECTIONS

In exercise of the powers conferred upon the Authority by section 6A(1) of the Insurance Act 1978, the following Rules are made:

Citation and commencement

1. (1) These Rules may be cited as the Eligible Capital Amendment Rules 2013.

(2) These Rules shall come into force on 1 January 2014.

Interpretation

2. (1) Pargraph 2 of the principal Rules is amended—

(a) in subparagraph (3) (a) (ii) by:

(i) deleting the word “higher” and replacing it with the word “sum” where it occurs;

(ii) deleting the word “where” and replacing it with the words “to the extent”;

(iii) repealing sub-subparagrah “(A)” and replacing it as follows—

“(A) the value of the policyholder obligations of the insurer for which assets have been held which will be either:

(i) The value calculated in accordance with Form 1A, Lines 16, 17 (a) and 18 for Class 3A, Class 3B and Class 4 insurers and Form 4, Line 27 (a) for Class E, Class D and Class C insurers and Form 6 Lines, 16, 17 (a), 18 and 27 (a) for composite insurers; or

(ii) where applicable, the value of the ceding insurer’s reserves where the ceding insurer is subject to statutory reserving requirements that are in excess of the Bermuda statutory reserve requirement and the insurer has been required to post collateral to meet the ceding insurer’s reserves; and”

(iii) inserting after sub-subparagraph (iii) —

“(iv) where the insurer has pledged assets solely for the risk management purpose, such encumbered assests must not be deducted;”.

(b) in subparagraph (3) (c) (i) by:

(i) deleting the words “write downs of the principal amount of until lossess cease, or”; and

(ii) inserting after the word “accumulate” the words “or are non-cumulative”.

Made this day of 2013.

Gerald Simons

Chairman, The Bermuda Monetary Authority