



BERMUDA MONETARY AUTHORITY

INFORMATION BULLETIN

**THE INSURANCE (GROUP SUPERVISION) RULES 2011: ELIGIBLE
CAPITAL - EXTENSION TO TRANSITION PERIOD FOR ELIGIBLE
CAPITAL INSTRUMENTS COMPLIANCE**

12TH January 2012

Introduction

The Authority issued the Insurance (Group Supervision) Rules 2011 in November 2011 for further consultation with the market as part of finalising supporting legislation to implement group supervision in Bermuda. Comments from market participants included feedback on several eligible capital requirements. This feedback included the transitional period for firms to bring certain capital instruments into compliance under the new eligible capital standards. Subsequently, the process to bring the Rules into effect for implementation in 2012 was successfully completed.

The Authority has since concluded that specific transitional periods should be reviewed and extended. The extension is designed to ensure Bermuda's insurers can take full advantage of reaching compliance in a timeframe that is consistent with similar transitional periods in place in Europe; it is also based on further input received from the market. Details of the extension are provided below.

Extension to Transition Period to Achieve Compliance for Eligible Capital Instruments

The transition period for insurers to bring their capital instruments into compliance with the Authority's new eligible capital standards has been extended to ten years, i.e. to 1st January 2024 (from the original five years), or such different period as the European Commission may permit. This transitional period should provide insurers with an appropriate amount of time to bring their capital instruments into compliance with the new eligible capital standards.

Accordingly, the Authority has revised the transitional provision within its eligible capital rules to allow an insurer to include, until 1st January 2024, in the appropriate tier of capital, instruments that do not meet the requirement for cancellation or indefinite deferral upon a breach or imminent breach of the ECR (Enhanced Capital Requirement). The Insurance (Group Supervision) Rules 2011 will be amended in due course to reflect this extension.