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BERMUDA MONETARY AUTHORITY

PRESS RELEASE

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E.C. DECLARES BERMUDA'S COMMERCIAL (RE)INSURANCE REGIME FULLY EQUIVALENT TO SOLVENCY II

Full equivalence recommended for all three articles of Solvency II

HAMILTON, BERMUDA – The Bermuda Monetary Authority (the "Authority") is pleased with the publication of the European Commission's ("EC") Delegated Act which recognises Bermuda's prudential framework for (re)insurance and group supervision as being fully equivalent to regulatory standards applied to European reinsurance companies and insurance groups in accordance with the requirements of the Solvency II Directive.

The Delegated Act was adopted on 26th November 2015. It is subject to a three month review by the European Parliament and Council. It grants full equivalence to the jurisdiction for an unlimited period. The outcome of the European Parliament and Council's review will be the result of a six-year effort by the Authority. Once the Delegated Act comes into force, the equivalence decision will be applied retroactively to 1st January 2016.

The Delegated Act covers full equivalence for Bermuda reinsurers licensed as Class 3A, 3B, 4, Class C, Class D and Class E (re)insurers and Bermuda insurance groups. Consequently, Bermuda shall be considered by all European Member States as applying an equivalent statutory insurance regime in accordance with the requirements of the three Solvency II Articles: Article 172, equivalence of reinsurance, Article 227, group solvency calculation and Article 260, equivalence of group supervision.

Jeremy Cox, Chief Executive Officer of the Authority said, "This is significant news for Bermuda and the island's future as a strong financial services centre. It's an exciting time for us. The world is watching to see how Europe will transform its risk industry and improve the protection of its policyholders. The world will also be watching to see how Bermuda plays its part in this epic transformation. It has been a long journey and an incredible amount of work has gone into this over the past six years. At the Authority, we are delighted that it is now on the brink of successful completion."

Explained Mr. Cox: "Solvency II equivalence would mean Bermuda's commercial (re)insurers and insurance groups will not be disadvantaged when competing for, and writing, business in the EU. Being an early adopter of Solvency II has granted certainty to commercial (re)insurers operating from Bermuda."

It is also important to note that in line with the Authority's risk-based approach, Bermuda's captives and Special Purpose Insurers ("SPIs") remained out of scope of the Solvency II equivalence assessment. This

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means that Class 1, Class 2 and Class 3, Class A and Class B insurers, and SPIs in accordance with our risk-based regime remain largely unchanged going into 2016. The insurance prudential framework for these insurers is fully aligned with the standards outlined by the International Association of Insurance Supervisors.

"Bermuda has worked long and hard to become a global risk marketplace. It is extremely fortunate to have succeeded in becoming the world's leading Insurance Linked Securities market, premiere captive domicile, as well as a global (re)insurance hub," Mr. Cox said. "The Authority has ensured that these important markets are being supervised appropriately."

Finally, Mr. Cox congratulated the Authority's dedicated team on their tenacity and professionalism. He said: "The Authority has always performed the role of gatekeeper to a very high standard. But this achievement marks not only our supervisory expertise but also our ability to stay focused and keep our eye on the long-term prize. There is now no doubt as to the calibre of commercial (re)insurers operating from Bermuda or the quality of their regulatory environment."

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Notes to editors

Official confirmation of Bermuda's equivalence is expected in 2016. It is likely to follow a three-month period during which the European Parliament (EP) and Council are entitled to object to the draft legislation.

Delegated acts are legislative provisions made by the European Commission which supplement a Directive. They detail how a Directive provision will operate. The Directive must explicitly grant the Commission powers of delegation, defining the objectives, content, scope and duration of the delegation.

The Commission must consult experts from Member States when preparing a delegated act, but is not bound by their opinions. The European Parliament and Council have three months (plus a possible threemonth extension) to consider acts and they have rights either to adopt or to reject them.
The Solvency II Directive is a European Union (EU) directive which introduces risk-sensitive solvency requirements for insurance companies operating in Europe. The prime aim of the Directive is to regulate the amount of capital that EU insurance companies must hold to reduce the risk of insolvency. Insurers

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will be required to ensure that they have enough capital set aside to meet all insurance claims that they are likely to receive.

All insurance companies operating in the EU will have to comply with the Directive when it comes into force.

The Directive has set standards which cover three main areas or Pillars:

Pillar 1: valuation of assets/liabilities and capital requirements
how insurers value their liabilities (including the money that gets paid to policyholders in the event of a claim) and assets (such as government bonds, shares, property) that they own. The rules also cover the amount of funds insurers need to hold in reserve to make sure they can pay policyholders' claims

Pillar 2: governance and risk management
how the structure and management of insurance businesses are governed, enabling insurers to identify, measure, monitor, manage and report risks to which they are exposed.

Pillar 3: reporting and disclosure
ensures what information insurers report on their business and how it is reported. Some reports are public and anyone can see them; some are privately reported to the financial regulator.