

GUERNSEY FINANCIAL SERVICES COMMISSION

SOLVENCY REQUIREMENTS FOR PROTECTED CELL COMPANIES

In accordance with section 11(5)(c) of The Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended (“the Law”), the Commission hereby specifies that the minimum margin of solvency for Protected Cell Companies (“PCCs”) must be calculated on a cell by cell basis in order to determine whether the PCC as a whole meets its solvency requirements under the Law. The solvency margin requirement for each individual cell shall be calculated in accordance with the provisions of Schedule 2 of the Law.

Any solvency deficits arising in the individual cells must be covered either by cell-specific financial instruments, such as letters of credit, or by non-cellular assets. However, a cell may only rely upon the non-cellular assets if a suitable recourse agreement is in place. Where any such solvency deficits are not covered in full by either of the above, the PCC will not be deemed to have met its solvency requirements under the Law.