

**GUERNSEY
FINANCIAL
SERVICES
COMMISSION**

MICHAEL GRAHAM LLB (Hons)
Deputy Director of Insurance

3 March 2008

Dear Licensee

Amendments to The Insurance Business (Bailiwick of Guernsey) Law, 2002 (“the Law”) and the related Regulations and Codes (“the Amendments”)

We are writing to update you about the Amendments.

As I mentioned in my letter of 30 January 2008, we are still expecting the Ordinance to amend the Law and the related Regulations and Codes to be issued on 12 March 2008. In order to help you prepare for these changes, we have placed draft copies of the following Regulations and Codes on our website within the Insurance News section:

- The Insurance Business (Approved Assets) Regulations, 2008
- The Insurance Business (Asset and Liability Valuation) Regulations, 2008
- The Insurance Business (Annual Return) Regulations, 2008
- The Insurance Business (Duties of General Representative) Regulations, 2008
- Licensed Insurers’ Corporate Governance Code
- Licensed Insurers’ Code of Conduct
- Code of Conduct for Insurers Conducting Long Term Business

Please note that these draft documents are subject to possible refinement arising from consultation with the Policy Council and, therefore, have been provided for informational purposes only. Until these documents are issued in final form, the existing Regulations and Codes remain in full force and effect. Unfortunately, we are unable to release a copy of the amending Ordinance in advance of its enactment.

We are currently in the process of updating the other documents on our website and expect to have the critical documents, namely the solvency summary spreadsheets and related guidance notes and the annual return guidance notes and related checklists, posted to the website in advance of 12 March 2008. We will endeavour to amend the remaining documents by the end of March 2008.

As explained in my letter dated 30 January 2008, with the exception of the solvency summary spreadsheets, these updated documents should be used for any annual returns submitted on or after 12 March 2008, regardless of the year end date. However, if the year end date falls before 12 March 2008, the existing solvency summary spreadsheet should be used to show the actual position as at the year end, irrespective of when the return is filed.

Licensed Insurers' Corporate Governance Code ('CGC')

We have had a number of questions from licensees in respect of the transitional arrangements for the revised CGC. Given the significant number of changes to the requirements, we have decided to give licensees until 30 September 2008 to ensure they are fully compliant with the revised requirements.

The Commission was asked by the Guernsey Insurance Company Management Association (GICMA) to produce a checklist which could be submitted with the annual returns to evidence the extent of adherence to the Corporate Governance principles as required by section 1 (d) of the revised CGC and section 1 (e) of The Insurance Business (Annual Return) Regulations, 2008 (both currently in draft). This checklist has also been placed on our website under the Annual Returns section. Although the use of this checklist is not mandatory, licensees are strongly encouraged to use it to minimise further questions being raised when the annual returns are being reviewed.

Solvency Self Assessment

We are grateful for the comments submitted on the draft Guidance Note on Licensed Insurers' Own Risk and Solvency Assessment issued for consultation on 13 February 2008. As noted in Mike Poulding's email dated 26 February 2008, the Commission will not be holding a general seminar to discuss this issue but instead intends to hold separate meetings with each of the insurance managers and insurance companies that have requested one. Mike Poulding is in the process of arranging these meetings.

Once these meetings have taken place and the Commission's approach has been finalised, we will publish the final Guidance Note on the website. The Commission, therefore, proposes to extend the deadline for the submission of the first of these "Own Solvency Capital Assessments" from year ends falling after the introduction of the revised Insurance Business Law in March 2008 to year ends falling on or after 30 June 2008.

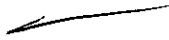
Transitional Provisions for Unapproved Assets

The timely submissions in respect of those licensees requiring consideration under the transitional provisions for unapproved assets as requested in my letter dated 30 January 2008 has been helpful. However, due to the large number of submissions received, the Commission will be unable to process all of these in advance of the anticipated issuance of the revised Law on 12 March 2008. Therefore, for those licensees who have made a submission but have not received a formal response by 12 March 2008, the Commission hereby gives permission to use up to 25% of unapproved assets to maintain the margin of solvency until the appropriate transitional arrangements have been agreed. We expect to be in a position to agree all transitional provisions by the end of March 2008 at the latest.

Please let us know if you have any queries in respect of the above.

Yours faithfully

Michael Graham

A simple, horizontal handwritten flourish consisting of a single, slightly curved line.