



ADDENDUM TO BULLETIN ON: RELAXATION OF THE MINIMUM CAPITAL TEST REQUIREMENT (AR-ADV-17/01-0007)

1. Reference is made to the Financial Services Commission ("FSC") Bulletin AR-ADV-17/01-0007 dated January 04, 2017 ("the Bulletin").¹ This addendum serves to update and clarify certain aspects of the Bulletin and is to be read together.

2. Stakeholders are hereby advised as follows:

- i. To qualify for the special provisions for the Minimum Capital Test ("MCT") outlined in the Bulletin, investment proposals must be approved and commence within the 2-year window provided for in the January 2017 advisory, that is on or before January 03, 2019.
- ii. General Insurance companies applying for special consideration under the terms of the Bulletin must provide the following for assessment by the FSC:
 - (a) Details of the proposed project inclusive of project description, size of the investment, projected cash flow and yield over the life of the project, the company's assessment of the project's economic impact, with particular reference to employment;
 - (b) Statement of the impact of the project on the company's MCT, with accompanying capital calculation schedules as prescribed by the Insurance Regulations; and
 - (c) Projected Financial Statements over a three (3) year forecast horizon following the execution of the project
- iii. Following on the assessment, FSC will issue its approval by way of a non-objection letter. The process will include approval by the FSC's Board of Commissioners. Expected processing time is 30 to 60 days.
- iv. Based on an assessment of the impact on the company's MCT, the approved Minimum MCT level for the company will be grandfathered for 5 years, after which firms will be required to conform to the applicable minimum standard. However, the company will

¹ Financial Services Commission "Bulletin on: Relaxation of Minimum Capital Requirement Test" January 4, 2017

- v. be required to submit to the FSC by the end year 3 an action plan to return to the normal industry minimum.
- vi. There is no restriction on the number or value of individual projects that can be undertaken under the terms of the Bulletin. However, approval of projects will be on a case-by-case basis, and the impact on MCT will be assessed for each application. This means that any changes will require a new approval. The cumulative effect of a firm's portfolio of projects on its MCT must not fall below the 150% mark.
- vii. During the grandfathering period, firms must demonstrate catastrophe re-insurance cover adequate to absorb the risks of catastrophe events specified by the FSC. The FSC and the industry should discuss the Maximum Probable Loss (MPL) from expected events and the return periods, to set the parameters for the required re-insurance cover. Further, firms will be required to submit the results of annual stress tests, based on parameters to be specified by the FSC.