

## GUERNSEY ENHANCES RULES FOR INSURANCE-LINKED SECURITIES

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The Guernsey Financial Services Commission (GFSC) has published a new set of rules which clarify the regulatory treatment of collateralised reinsurance, including insurance-linked securities (ILS), and allow for a one-day approval process.

From 1 January 2017, under the Insurance Business (Special Purpose Insurer) Rules 2016, an applicant for the licensing of a new Special Purpose Insurer (SPI) may be granted a single consent for the formation of further SPIs without call for further application.

The streamlined application process typically allows new insurers to be established within one business day.

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The Insurance Business (Solvency) Rules 2015 have also been amended to expressly include the new class of insurer. Under the new rules an SPI is not required to maintain the minimum or prescribed capital requirements, nor to conduct own risk or solvency assessments.

Guernsey Finance Chief Executive Dominic Wheatley said: “These positive changes are a codification of the way the GFSC already applies its discretionary powers and they provide a new level of operational certainty and efficiency for the insurance sector.

“This sort of development highlights Guernsey’s ability to find sensible, proportional regulatory responses to the necessary but growing compliance burden on financial services organisations which we are confident will appeal to others considering ILS structures in particular.”

SPIs must be fully collateralised to the extent of their liabilities and, in addition to ILS, may include collateralised reinsurance, catastrophe bonds, side-cars and life based securitisations.

Typically, cash assets will be applied against liabilities. However, under the changes, the GFSC recognises that the commercial interests of the counterparties may be satisfied using (re)insurance, letters of credit or partly paid shares.

Insurance lawyer Mark Helyar, Of Counsel at Bedell Cristin, welcomed the joined-up approach taken by Guernsey’s insurance sector and the GFSC in developing the new rules.

“Collaboration between industry and the regulator meant that we could deliver this new legislation rapidly,” said Mr Helyar.

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PO Box 655, St Peter Port,  
Guernsey, GY1 3PN

+44 (0)1481 720071

[INFO@WEAREGUERNSEY.COM](mailto:INFO@WEAREGUERNSEY.COM)

