



## THE NEVIS INTERNATIONAL INSURANCE ORDINANCE, 2004

### GUIDANCE NOTES ON ALLOWABLE ASSETS FOR THE PURPOSE OF CALCULATING THE MARGIN OF SOLVENCY OF INSURERS

#### PART I: Introduction

These guidance notes have been issued by the Registrar of Insurance ("the Registrar") and are the guidance notes referred to in Section 8(2) of the Regulations to the Nevis International Insurance Ordinance, 2004.

These guidance notes have been issued to assist insurers in complying with the Margin of Solvency requirements of the Regulations to the Nevis International Insurance Ordinance, 2004.

#### **Relevant Law**

In April 2004, the Nevis Island Administration passed the Nevis International Insurance Ordinance with a view to providing the proper regulatory environment for offshore insurance entities domiciled in Nevis.

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| The Registrar of Insurance<br>Nevis Financial Services<br>Regulation & Supervision Department<br>P.O. Box 689<br>Main Street, Charlestown<br>Nevis | Tel: (869)-469-1469<br>(869)-469-5521<br>Fax: (869)-469-7739<br>Web: <a href="http://www.nevisfinance.com">http://www.nevisfinance.com</a><br>e-mail: <a href="mailto:insurance@nevisfinance.com">insurance@nevisfinance.com</a> |
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## **PART II: ALLOWABLE ASSETS**

At a minimum, insurers must ensure that their accounting procedures enable them appropriately to match assets and liabilities in order properly to meet claims and other obligations as they arise. In considering whether insurers have such appropriate matching, the Registrar shall consider whether their asset portfolios are adequately diversified and liquid.

Notwithstanding the general allowability of the assets listed below, the Registrar may recommend or require any insurer to diversify or restrict its investments in a manner prescribed by the Registrar.

The following assets shall, generally, be considered allowable:

1. Cash in hand and on deposit with financial institutions of the United Kingdom or any of its overseas territories or any other OECD countries;
2. Bullion, precious metals, precious stones;
3. Irrevocable letters of credit issued by financial institutions of the United Kingdom or any of its overseas territories or any other OECD countries;
4. Debt securities issued or guaranteed by the governments of the United Kingdom or any of its overseas territories or any other OECD countries;
5. Debt securities traded on a recognised stock exchange and issued or guaranteed by corporations (public or private sector, including municipal corporations). Where such securities are rated at investment grade by a recognised credit rating agency such as Standard & Poor's (i.e. equivalent to S&P rating "BBB" and above), the securities shall be considered fully allowable. The Registrar may discount or even disallow the value of such securities with a lower rating;
6. Investments in an index that is traded on a recognised exchange;
7. Mutual funds traded on a recognised exchange;
8. Equities traded on a recognised stock exchange;
9. Mutual funds and hedge funds not traded on a recognised exchange shall be allowable if redeemable within 90 days except that the Registrar shall disallow such investments where he feels there is significant doubt as to the fund's ability to meet its obligations to redeem shares in the fund;
10. Commercial loans whether to third parties or connected parties that can be called at no more than 90 days notice net of provision for bad or doubtful debt;
11. Premiums receivable and accounts receivable net of provision for bad or doubtful debt;
12. Reinsurance balances receivable net of provision for bad or doubtful debt;

Assets not included in the list above are not, by reason of such non-inclusion, disallowed but it is recommended that an insurer holding or intending to hold assets other than those listed and wishing those assets to be considered allowable for purposes of calculating its margin of solvency should seek guidance from the Registrar.

## PART III: SCHEDULE

| <b>List of Stock Exchanges designated as "recognised stock exchanges".</b>   |  |
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| 1. The Eastern Caribbean Securities Exchange   | 2. The Bahamas Stock Exchange  |
| 3. The Bermuda Stock Exchange  | 4. The Jamaica Stock Exchange  |
| 5. The Barbados Stock Exchange   | 6. The Swiss Stock Exchange  |
| 7. The Trinidad Stock Exchange   | 8. The National Stock Exchange of India                                      |
| 9. The Cayman Islands Stock Exchange   | 10. The Australian Stock Exchange and any of its stock exchange subsidiaries |
| 11. The Athens Stock Exchange  | 12. The Copenhagen Stock Exchange  |
| 13. The Colombo Stock Exchange   | 14. The Johannesburg Stock Exchange  |
| 15. The Helsinki Stock Exchange  | 16. The Kuala Lumpur Stock Exchange  |
| 17. The Korea Stock Exchange   | 18. The New Zealand Stock Exchange   |
| 19. The Mexico Stock Exchange  | 20. The Sao Paulo Stock Exchange   |
| 21. The Rio De Janeiro Stock Exchange  | 22. The Stockholm Stock Exchange   |
| 23. The Singapore Stock Exchange   | 24. The Stock Exchange of Thailand   |
| <i>Any stock exchange in the following countries which is a stock exchange within the meaning of the law of the particular country relating to stock exchanges (or as specified below)</i> |  |
| 25. Austria  | 26. Belgium  |
| 27. Spain  | 28. France   |
| 29. Germany  | 30. Guernsey   |
| 31. Ireland (Republic of)  | 32. Italy  |
| 33. Luxembourg   | 34. Japan  |
| 35. Norway   | 36. Netherlands  |
| 37. Portugal   | 38. UK   |
| 39. Hong Kong - Any stock exchange which is recognised under Section 2A (1) of the Hong Kong Companies Ordinance   |  |
| 40. Canada - Any stock exchange prescribed for the purpose of the Canadian Income Tax Act.   |  |
| 41. USA - Any exchange registered with the Securities and Exchange Commission of the United States as a national securities exchange.  |  |
| 42. USA - The NASDAQ Stock Market as maintained through the facilities of the National Association of Securities Dealers, Inc and its subsidiaries.  |  |
| 43. CARICOM - Any exchange registered under the laws of any CARICOM country.   |  |
| 44. OECS - Any exchange registered under the laws of any OECS country.   |  |