



FINANCIAL SERVICES COMMISSION

INFORMATION CIRCULAR

ESTABLISHMENT OF A CATASTROPHE RESERVE FUND

July 16, 2012

1. The Financial Services Commission ("the Commission") intends through this Circular to provide information to insurers registered under the Insurance Act, Cap. 310 ("the Act") on the requirement under Section 155 of the Act to set aside reserves to mitigate the impact resulting from catastrophic events. This Circular is not intended to be a substitute for nor replace any additional obligations mandated by the Act, its regulations or the Financial Services Commission Act 2010-21.
2. The Commission wishes to inform all registered insurers that pursuant to the Insurance (Catastrophe Reserve Fund) Regulations 1998, they are required to establish a Catastrophe Reserve Fund ("the Fund") for the purpose of settling claims made by policy holders as a result of a catastrophe.
3. The Catastrophe Reserve Fund Regulations states that with effect from the 2003 income year, a company shall deduct twenty-five per cent of the net premium income, up to a limit of one hundred per cent of its total shareholders' equity from its property insurance business each year, which shall be placed in the Fund. All insurance companies must have the Fund in place by September 30, 2012.
4. The Fund shall be created by deed of trust, which along with the particulars of the proposed trustees must be submitted to the Financial Services Commission for prior approval. Any changes to the trustee must also be approved by the Financial Services Commission.