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EXPLANATORY MEMORANDUM

Eligible Capital Rules 2011 (“the Rules”)

1. The proposed Rules correspond with the proposals set out in the Bermuda Monetary Authority’s Consultation Paper on Eligible Capital December 2010 and pursuant sections 6A of the Insurance Act 1978.

2. The proposals set out rules in respect of the requirement of insurers to have available statutory capital and surplus equal to or above their minimum margin of solvency and enhanced capital requirement subject to eligible capital rules.