

	Unlimited Tier 1 capital	Limited Tier 1 capital	Tier 2 capital
<b>Features<sup>6</sup></b>	Permanent capital that is fully available to cover losses of the insurer at all times on a going-concern and a wind-up basis	Capital that lacks some characteristics of Unlimited Tier 1 capital, but which provides a degree of loss absorbency during ongoing operations and is subordinated to the rights and reasonable expectation of policyholders	Capital that provides loss absorbency in insolvency or winding-up only
<b>Examples</b>	Ordinary shares, retained earnings <sup>7</sup>	Some forms of subordinated Debt <sup>8</sup>	Callable bonds <sup>9</sup>
<b>Quality</b>	Highest	Medium	Lowest
<b>Composition limits</b>	No limit	≤ 10% of the PCA	≤ 50% of the PCA

Read the full legal update:

[What does a risk-based capital solvency regime involve for Hong Kong insurers?](#)