

**INSURANCE (PRUDENTIAL STANDARDS) (INSURANCE GROUP SOLVENCY REQUIREMENT) AMENDMENT RULES 2018**

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**BERMUDA**

**INSURANCE (PRUDENTIAL STANDARDS) (INSURANCE GROUP SOLVENCY REQUIREMENT) AMENDMENT RULES 2018**

**BR / 2018**

1. Citation
2. Amends paragraph 6
3. Amends Schedule I
4. Inserts Schedules IIB, IIC, IID, IIE, IIF, IVD, IVE, XXA, XXIA, XXIII
5. Commencement

The Bermuda Monetary Authority, in exercise of the powers conferred by section 6A of the Insurance Act 1978, makes the following Rules:

**Citation**

1. These Rules may be cited as the Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Amendment Rules 2018.

**Amends paragraph 6**

2. Paragraph 6 of the principal Rules is amended—
  - (a) in subparagraph (1) by deleting the words “II, IIA, III, IIIA, IVA, IVB, IVC, V, VI, VII, VIII, VIIIA, IX, X, XIA, XIB, XIC, XID, XII, XIII, XIV, XV, XVIII, XIX, XX and XXI” and substituting “II, IIA, IIB, IIC, IID, IIE, IIF, III, IIIA, IVA, IVB, IVC, IVD, IVE, V, VI, VII, VIII, VIIIA, IX, X, XIA, XIB, XIC, XID, XII, XIII, XIV, XV, XVIII, XIX, XX, XXA, XXI, XXIA and XXIII”;
  - (b) in subparagraph (2) by deleting the words “I, II, IIA, III, IIIA, IVA, IVB, IVC, V, VI, VII, VIII, VIIIA, IX, X, XIA, XIB, XIC, XID, XII, XIII, XIV, XV, XVIII, XIX, XX and XXI” and substituting “I, II, IIA, IIB, IIC, IID, IIE, IIF, III, IIIA, IVA, IVB, IVC, IVD, IVE, V, VI, VII, VIII, VIIIA, IX, X, XIA, XIB, XIC, XID, XII, XIII, XIV, XV, XVIII, XIX, XX, XXA, XXI, XXIA and XXII”;
  - (c) in subparagraph (2A)(b) by deleting the words “II, IIA, III, IIIA, IVA, IVB, IVC, V, VI, VII, VIII, VIIIA, IX, X, XIA, XIB, XIC, XID, XII, XVII, XVIII, XIX, XX and XXI” and substituting “II, IIA, IIB, IIC, IID, IIE, IIF, III, IIIA, IVA, IVB, IVC, IVD, IVE, V, VI, VII, VIII, VIIIA, IX, X, XIA, XIB, XIC, XID, XII, XIII, XVIII, XIX, XX, XXA, XXI, XXIA and XXII”.

**Amends Schedule I**

3. The principal Rules are amended in Schedule I by —
  - (a) repealing paragraph 1 and replacing it as follows—

1. The BSCR shall be established in accordance with the following formula—

$$\sqrt{C_f^2 + C_{eq}^2 + C_{int}^2 + C_{cur}^2 + C_{conc}^2 + C_{prem-gb}^2 + \left[ \frac{1}{2} C_{cred} + C_{rsvs-gb} \right]^2 + \left[ \frac{1}{2} C_{cred} \right]^2 + \left[ C_{LTmort} + C_{LTsl} + C_{LTr} \right]^2}$$

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$$\begin{aligned}
 & cont'd \sqrt{-.5 \times \left( (C_{LTmort} + C_{LTsl} + C_{LTr}) \times C_{LTlong} \right) + C_{LTmort}^2 + C_{LTlong}^2 + C_{LTother}^2 + C_{LTVA}^2 + C_{cat-gb}^2 + C_{op} + C_{adj}} \\
 & + \left[ BSCR_{Corr} - \left( \sqrt{C_f^2 + C_{eq}^2 + C_{int}^2 + C_{cur}^2 + C_{conc}^2 + C_{prem-gb}^2 + \left[ \frac{1}{2} C_{cred} + C_{rsvs-gb} \right]^2} + \left[ \frac{1}{2} C_{cred} \right]^2 + \left[ C_{LTmort} + C_{LTsl} + C_{LTr} \right]^2 \right. \right. \\
 & \left. \left. cont'd \sqrt{-.5 \times \left( (C_{LTmort} + C_{LTsl} + C_{LTr}) \times C_{LTlong} \right) + C_{LTmort}^2 + C_{LTlong}^2 + C_{LTother}^2 + C_{LTVA}^2 + C_{cat-gb}^2 + C_{op} + C_{adj}} \right] \right) \\
 & \times \text{Transitional Factor}
 \end{aligned}$$

Where—

|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| $C_{fi}$      | = fixed income investment risk charge as calculated in accordance with paragraph 2;                                                                                                                                                                                                                                                                                                                                                                                                  |
| $C_{eq}$      | = equity investment risk charge as calculated in accordance with paragraph 3;                                                                                                                                                                                                                                                                                                                                                                                                        |
| $C_{int}$     | = interest rate / liquidity risk charge as calculated in accordance with paragraph 4;                                                                                                                                                                                                                                                                                                                                                                                                |
| $C_{Curr}$    | = currency risk charge as calculated in accordance with paragraph 5;                                                                                                                                                                                                                                                                                                                                                                                                                 |
| $C_{Conc}$    | = concentration risk charge as calculated in accordance with paragraph 6;                                                                                                                                                                                                                                                                                                                                                                                                            |
| $C_{prem-gb}$ | = premium risk charge for general business as calculated in accordance with paragraph 7;                                                                                                                                                                                                                                                                                                                                                                                             |
| $C_{rsvs-gb}$ | = reserve risk charge for general business as calculated in accordance with paragraph 8;                                                                                                                                                                                                                                                                                                                                                                                             |
| $C_{cred}$    | = credit risk charge as calculated in accordance with paragraph 9;                                                                                                                                                                                                                                                                                                                                                                                                                   |
| $C_{cat-gb}$  | = catastrophe risk charge for general business as calculated in accordance with paragraph 10;                                                                                                                                                                                                                                                                                                                                                                                        |
| $C_{LTother}$ | = other insurance risk charge for long-term business as calculated in accordance with paragraph 11;                                                                                                                                                                                                                                                                                                                                                                                  |
| $C_{LTmort}$  | = insurance risk - mortality charge for long-term business as calculated in accordance with paragraph 12;                                                                                                                                                                                                                                                                                                                                                                            |
| $C_{LTsl}$    | = insurance risk - stop loss charge for long-term business as calculated in accordance with paragraph 13;                                                                                                                                                                                                                                                                                                                                                                            |
| $C_{LTr}$     | = insurance risk - riders charge for long-term business as calculated in accordance with paragraph 14;                                                                                                                                                                                                                                                                                                                                                                               |
| $C_{LTmorb}$  | = insurance risk - morbidity and disability charge for long-term business as calculated in accordance with paragraph 15;                                                                                                                                                                                                                                                                                                                                                             |
| $C_{LTlong}$  | = insurance risk - longevity charge for long-term business as calculated in accordance with paragraph 16;                                                                                                                                                                                                                                                                                                                                                                            |
| $C_{LTVA}$    | = variable annuity guarantee risk charge for long-term business as calculated in accordance with paragraph 17;                                                                                                                                                                                                                                                                                                                                                                       |
| $C_{op}$      | = operational risk charge as calculated in accordance with paragraph 18;                                                                                                                                                                                                                                                                                                                                                                                                             |
| $C_{adj}$     | = charge for capital adjustment, calculated as the sum of (i), (ii) and (iii) where:<br>(i) Regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 19; and<br>(ii) Capital requirement for unregulated entities as determined in accordance with paragraph 20; and<br>(iii) Capital adjustment for the loss-absorbing capacity of deferred taxes calculated as determined in accordance to paragraph 49; |

$BSCR_{corr}$  = as calculated in accordance with paragraph 21 and

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*TransitionalFactor* = The transitional factor is calculated in accordance to subparagraphs i to iii for insurance groups and increases in equal steps from 1/T on for the financial year beginning on or after 1<sup>st</sup> January 2019 to 100 % by the end of the transitional period T in financial year beginning on or after year 2018+T. The length of the transitional period, T, for insurance groups is based on relative proportions of long term and P&C risks and will be determined as follows:

- i. The proportions of insurance risks that apply only to P&C and only to long-term business are calculated as follows:

$$LT \text{ Proportion} = C_{LT} / (C_{LT} + C_{P\&C})$$

$$P\&C \text{ Proportion} = 1 - LT \text{ Proportion}$$

Where—

$C_{P\&C}$  = The P&C risk module charge as calculated in paragraph 24.

$C_{LT}$  = The Long-Term risk module charge as calculated in paragraph

- ii. The transitional period is calculated by taking a weighted average of a three year transitional period and a ten year transitional period, using as weights the proportions calculated in point i. above, and the result is rounded to the nearest integer. The transitional period is always between three and ten years.
- iii. The transitional period will remain fixed.

- (b) in Table 2 – Capital charge factors for *Eqastclass<sub>i</sub>* by deleting the requirements for “Other tangible assets – net of segregated accounts” and substituting the following—

|                                                    |                                                                                   |       |
|----------------------------------------------------|-----------------------------------------------------------------------------------|-------|
| Other tangible assets – net of segregated accounts | Form 1EBS, Lines 13(k), 14(d) & 36(f)<br>Less Lines 13(b), 13(c), 13(d) and 13(h) | 20.0% |
|----------------------------------------------------|-----------------------------------------------------------------------------------|-------|

- (c) inserting the following after paragraph 20—

21. The  $BSCR_{Corr}$  shall be established on an economic balance sheet (EBS) valuation basis in accordance with the following formula—

$$BSCR_{Corr} = Basic \ BSCR + C_{operational} + C_{regulatoryadj} + Adj_{Other} + Adj_{TP};$$

Where—

*Basic BSCR* = Basic BSCR risk module charge as calculated in accordance with paragraph 22;

$C_{operational}$  = operational risk charge as calculated in accordance with paragraph 45;

$C_{regulatoryadj}$  = regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraphs 46 and 47;

$Adj_{TP}$  = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 48 and

$Adj_{Other}$  = adjustment for the loss absorbing capacity of deferred taxes as calculated in accordance with paragraph 49.

22. The Basic BSCR risk module charge calculation shall be determined in accordance with the following formula—

$$Basic \ BSCR = \sqrt{\sum_{i,j} CorrBBSCR_{i,j} \times C_i \times C_j};$$

Where—

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|                   |   |                                                                                                                                        |
|-------------------|---|----------------------------------------------------------------------------------------------------------------------------------------|
| $CorrBBSCR_{i,j}$ | = | the correlation factors of the Basic BSCR correlation matrix in accordance with Table A;                                               |
| $i, j$            | = | the sum of the different terms should cover all possible combinations of $i$ and $j$ ;                                                 |
| $C_i$ and $C_j$   | = | risk module charge $i$ and risk module charge $j$ which are replaced by the following:<br>$C_{Market}, C_{P\&C}, C_{LT}, C_{Credit}$ ; |
| $C_{Market}$      | = | market risk module charge as calculated in accordance with paragraph 23;                                                               |
| $C_{P\&C}$        | = | P&C risk module charge as calculated in accordance with paragraph 24;                                                                  |
| $C_{LT}$          | = | long-Term risk module charge as calculated in accordance with paragraph 25 and                                                         |
| $C_{Credit}$      | = | credit risk module charge as calculated in accordance with paragraph 36.                                                               |

**Table A – Basic BSCR Correlation Matrix**

| $CorrBBSCR_{i,j}$ | $C_{Market}$ | $C_{Credit}$ | $C_{P\&C}$ | $C_{LT}$ |
|-------------------|--------------|--------------|------------|----------|
| $C_{Market}$      | 1            |              |            |          |
| $C_{Credit}$      | 0.25         | 1            |            |          |
| $C_{P\&C}$        | 0.125        | 0.50         | 1          |          |
| $C_{LT}$          | 0.125        | 0.25         | 0.00       | 1        |

23. The market risk module risk module charge calculation shall be determined in accordance with the following formula—

$$C_{Mrket} = \sqrt{\sum_{i,j} Market_{i,j} \times C_i \times C_j};$$

Where—

|                     |   |                                                                                                                                                                                                                                                                                                                          |
|---------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| $CorrMarket_{i,j}$  | = | the correlation factors of the market risk module in accordance with Table B; where $A = 0$ if interest rate / liquidity risk charge is calculated using the shock-based approach in accordance with paragraph 29 and the risk charge is being determined based on the interest rate up shock, and $A = 0.25$ otherwise; |
| $i, j$              | = | the sum of the different terms should cover all possible combinations of $i$ and $j$ ;                                                                                                                                                                                                                                   |
| $C_i$ and $C_j$     | = | risk charge $i$ and risk charge $j$ which are replaced by the following:<br>$C_{fixedIncome}, C_{equity}, C_{interest}, C_{currency}, C_{concentration}$ ;                                                                                                                                                               |
| $C_{fixedIncome}$   | = | fixed income investment risk charge as calculated in accordance with paragraph 26;                                                                                                                                                                                                                                       |
| $C_{equity}$        | = | equity investment risk charge as calculated in accordance with paragraph 27;                                                                                                                                                                                                                                             |
| $C_{interest}$      | = | interest rate / liquidity risk charge as calculated in accordance with paragraph 29;                                                                                                                                                                                                                                     |
| $C_{currency}$      | = | currency risk charge as calculated in accordance with paragraph 30; and                                                                                                                                                                                                                                                  |
| $C_{concentration}$ | = | concentration risk charge as calculated in accordance with paragraph 31.                                                                                                                                                                                                                                                 |

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**Table B – Market Risk Module Correlation Matrix**

| $CorrMarket_{i,j}$  | $C_{fixedIncome}$ | $C_{equity}$ | $C_{interest}$ | $C_{currency}$ | $C_{concentration}$ |
|---------------------|-------------------|--------------|----------------|----------------|---------------------|
| $C_{fixedIncome}$   | 1                 |              |                |                |                     |
| $C_{equity}$        | 0.50              | 1            |                |                |                     |
| $C_{interest}$      | A                 | A            | 1              |                |                     |
| $C_{currency}$      | 0.25              | 0.25         | 0.25           | 1              |                     |
| $C_{concentration}$ | 0.00              | 0.00         | 0.00           | 0.00           | 1                   |

24. The P&C risk module charge calculation shall be determined in accordance with the following formula—

$$C_{P\&C} = \sqrt{\sum_{i,j} CorrP \& C_{i,j} \times C_i \times C_j} ;$$

Where—

$CorrP \& C_{i,j}$  = the correlation factors of the P&C risk module correlation matrix in accordance with Table C;

= the sum of the different terms should cover all possible combinations of  $i$  and  $j$ ;

$C_i$  and  $C_j$  = risk charge  $i$  and risk charge  $j$  which are replaced by the following:

$C_{premium}$ ,  $C_{reserve}$ ,  $C_{catastrophe}$ ;

$C_{premium}$  = premium risk charge as calculated in accordance with paragraph 32;

$C_{reserve}$  = reserve risk charge as calculated in accordance with paragraph 34; and

$C_{catastrophe}$  = catastrophe risk charge as calculated in accordance with paragraph 37;

**Table C - P&C Risk Module Correlation Matrix**

| $CorrP \& C_{i,j}$ | $C_{premium}$ | $C_{reserve}$ | $C_{catastrophe}$ |
|--------------------|---------------|---------------|-------------------|
| $C_{premium}$      | 1             |               |                   |
| $C_{reserve}$      | 0.25          | 1             |                   |
| $C_{catastrophe}$  | 0.125         | 0.00          | 1                 |

25. The Long-Term risk module charge calculation shall be determined in accordance with the following formula—

$$C_{LT} = \sqrt{\sum_{i,j} CorrLT_{i,j} \times C_i \times C_j} ;$$

Where—

$CorrLT_{i,j}$  = the correlation factors of the Long-Term risk module correlation matrix in accordance with table D;

$i,j$  = the sum of the different terms should cover all possible combinations of  $i$  and  $j$ ;

$C_i$  and  $C_j$  = risk charge  $i$  and risk charge  $j$  which are replaced by the following:

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|                         |                                                                                                                            |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------|
|                         | $C_{LTmortality}, C_{LTstoploss}, C_{LTtrider}, C_{LTmorbidity}, C_{LTlongevity}, C_{LTvariableAnnuity}, C_{LTotherrisk};$ |
| $C_{LTmortality}$       | = other insurance risk charge for long-term business as calculated in accordance with paragraph 38;                        |
| $C_{LTstoploss}$        | = insurance risk – mortality charge for long-term business as calculated in accordance with paragraph 39;                  |
| $C_{LTtrider}$          | = insurance risk – stop loss charge for long-term business as calculated in accordance with paragraph 40;                  |
| $C_{LTmorbidity}$       | = insurance risk – riders charge for long-term business as calculated in accordance with paragraph 41;                     |
| $C_{LTlongevity}$       | = insurance risk – morbidity and disability charge for long-term business as calculated in accordance with paragraph 42;   |
| $C_{LTvariableAnnuity}$ | = insurance risk – longevity charge for long-term business as calculated in accordance with paragraph 43 and               |
| $C_{LTotherrisk}$       | = variable annuity guarantee risk charge for long-term business as calculated in accordance with paragraph 44.             |

| $CorrLT_{i,j}$          | $C_{LTmortality}$ | $C_{LTstoploss}$ | $C_{LTtrider}$ | $C_{LTmorbidity}$ | $C_{LTlongevity}$ | $C_{LTvariableAnnuity}$ | $C_{LTotherrisk}$ |
|-------------------------|-------------------|------------------|----------------|-------------------|-------------------|-------------------------|-------------------|
| $C_{LTmortality}$       | 1                 |                  |                |                   |                   |                         |                   |
| $C_{LTstoploss}$        | 0.75              | 1                |                |                   |                   |                         |                   |
| $C_{LTtrider}$          | 0.75              | 0.75             | 1              |                   |                   |                         |                   |
| $C_{LTmorbidity}$       | 0.25              | 0.00             | 0.00           | 1                 |                   |                         |                   |
| $C_{LTlongevity}$       | -0.50             | -0.50            | -0.50          | 0.00              | 1                 |                         |                   |
| $C_{LTvariableAnnuity}$ | 0.00              | 0.00             | 0.00           | 0.00              | 0.00              | 1                       |                   |
| $C_{LTotherrisk}$       | 0.125             | 0.25             | 0.25           | 0.25              | 0.25              | 0.25                    | 1                 |

**Table D – Long-Term Risk Module Correlation Matrix**

26. The fixed income investment risk charge calculation shall be determined in accordance with the following formula—

$$C_{fixedIncome} = \sum_i \chi_i \times FIastclass_i \times \mu_r + Credit\ Derivatives ;$$

Where—

|                       |                                                                                                                                |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------|
| $\chi_i$              | = the capital charge factors prescribed in Table 1A for each type of $FIastclass_i$ ;                                          |
| $FIastclass_i$        | = value of investment in corresponding asset $class_i$ ; and                                                                   |
| $\mu_r$               | = additional diversification adjustment factor applied to cash and cash equivalent balances, or 1 for other asset classes; and |
| $Credit\ Derivatives$ | = the spread risk charge for credit derivatives calculated as per the following formula:                                       |

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|                                                     |                                                                                                                                                   |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>CreditDerivatives</i>                            | = greater of:                                                                                                                                     |
|                                                     | i. <i>CreditDerivatives</i> <sub>ShockUp</sub> and                                                                                                |
|                                                     | ii. <i>CreditDerivatives</i> <sub>ShockDown</sub> .                                                                                               |
| <i>CreditDerivatives</i> <sub>ShockUp</sub>         | = the spread risk charge for credit derivatives resulting from an upward credit spread shock calculated as per the following formula:             |
| <i>CreditDerivatives</i> <sub>ShockUp</sub>         | $= \sum_i (LCD_{i \text{ BShock}(x_i)} - LCD_{i \text{ AShock}(x_i)}) + \text{Max}(SCD_{i \text{ BShock}(x_i)} - SCD_{i \text{ AShock}(x_i)}, 0)$ |
| <i>CreditDerivatives</i> <sub>ShockDown</sub>       | = the spread risk charge for credit derivatives resulting from an downward credit spread shock calculated as per the following formula:           |
| <i>CreditDerivatives</i> <sub>ShockDown</sub>       | $= \sum_i (LCD_{i \text{ BShock}(x_i)} - LCD_{i \text{ AShock}(x_i)}) + \text{Max}(SCD_{i \text{ BShock}(x_i)} - SCD_{i \text{ AShock}(x_i)}, 0)$ |
| <i>LCD</i> <sub>i BShock(x<sub>i</sub>)</sub>       | = refers to the valuation of long exposures for credit derivatives before applying the instantaneous shock $X_i$ as per table 1B                  |
| <i>LCD</i> <sub>i AShock(x<sub>i</sub>)</sub>       | = refers to the valuation of long exposures for credit derivatives after applying instantaneous shock $X_i$ as per table 1B                       |
| <i>SCDAssets</i> <sub>i BShock(x<sub>i</sub>)</sub> | = refers to the valuation of short exposures for credit derivatives before applying the instantaneous shock $X_i$ as per table 1B                 |
| <i>SCDAssets</i> <sub>i AShock(x<sub>i</sub>)</sub> | = refers to the valuation of short exposures for credit derivatives after applying the instantaneous shock $X_i$ as per table 1B                  |

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**Table 1A – Capital charge factors for  $Flastclass_i$**

| Type of fixed income investments<br><i>Flastclass<sub>i</sub></i> | Statement Source<br><br>These Rules                                                                                                                                                                                                                                  | Capital Factor<br><br>$\chi_i$ |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| <i>Corporate and Sovereign Bonds</i>                              |                                                                                                                                                                                                                                                                      |                                |
| BSCR rating 0                                                     | Schedule IIB, Column (1), Line 1, (Schedule IIC, Column (1), Line 1 – Column (2), Line 1), (Schedule IID, Column (1), Line 1 – Column (2), Line 1), (Schedule IIE, Column (1), Line 1 – Column (2), Line 1), (Schedule IIF, Column (1), Line 1 – Column (2), Line 1) | 0.0%                           |
| BSCR rating 1                                                     | Schedule IIB, Column (1), Line 2, (Schedule IIC, Column (1), Line 2 – Column (2), Line 2), (Schedule IID, Column (1), Line 2 – Column (2), Line 2), (Schedule IIE, Column (1), Line 2 – Column (2), Line 2), (Schedule IIF, Column (1), Line 2 – Column (2), Line 2) | 0.4%                           |
| BSCR rating 2                                                     | Schedule IIB, Column (1), Line 3, (Schedule IIC, Column (1), Line 3 – Column (2), Line 3), (Schedule IID, Column (1), Line 3 – Column (2), Line 3), (Schedule IIE, Column (1), Line 3 – Column (2), Line 3), (Schedule IIF, Column (1), Line 3 – Column (2), Line 3) | 0.8%                           |
| BSCR rating 3                                                     | Schedule IIB, Column (1), Line 4, (Schedule IIC, Column (1), Line 4 – Column (2), Line 4), (Schedule IID, Column (1), Line 4 – Column (2), Line 4), (Schedule IIE, Column (1), Line 4 – Column (2), Line 4), (Schedule IIF, Column (1), Line 4 – Column (2), Line 4) | 1.5%                           |
| BSCR rating 4                                                     | Schedule IIB, Column (1), Line 5, (Schedule IIC, Column (1), Line 5 – Column (2), Line 5), (Schedule IID, Column (1), Line 5 – Column (2), Line 5), (Schedule IIE, Column (1), Line 5 – Column (2), Line 5), (Schedule IIF, Column (1), Line 5 – Column (2), Line 5) | 3.0%                           |
| BSCR rating 5                                                     | Schedule IIB, Column (1), Line 6, (Schedule IIC, Column (1), Line 6 – Column (2), Line 6), (Schedule IID, Column (1), Line 6 – Column (2), Line 6), (Schedule IIE, Column (1), Line 6 – Column (2), Line 6), (Schedule IIF, Column (1), Line 6 – Column (2), Line 6) | 8.0%                           |
| BSCR rating 6                                                     | Schedule IIB, Column (1), Line 7, (Schedule IIC, Column (1), Line 7 – Column (2), Line 7), (Schedule IID, Column (1), Line 7 – Column (2), Line 7), (Schedule IIE, Column (1), Line 7 – Column (2), Line 7), (Schedule IIF, Column (1), Line 7 – Column (2), Line 7) | 15.0%                          |
| BSCR rating 7                                                     | Schedule IIB, Column (1), Line 8, (Schedule IIC, Column (1), Line 8 – Column (2), Line 8), (Schedule IID, Column (1), Line 8 – Column (2), Line 8), (Schedule IIE, Column (1), Line 8 – Column (2), Line 8), (Schedule IIF, Column (1), Line 8 – Column (2), Line 8) | 26.3%                          |
| BSCR rating 8                                                     | Schedule IIB, Column (1), Line 9, (Schedule IIC, Column (1), Line 9 – Column (2), Line 9), (Schedule IID, Column (1), Line 9 – Column (2), Line 9), (Schedule IIE, Column (1), Line 9 – Column (2), Line 9), (Schedule IIF, Column (1), Line 9 – Column (2), Line 9) | 35.0%                          |
| <i>Residential Mortgage-Backed Securities</i>                     |                                                                                                                                                                                                                                                                      |                                |
| BSCR rating 1                                                     | Schedule IIB, Column (3), Line 2, (Schedule IIC, Column (3), Line 2 – Column (4), Line 2), (Schedule IID, Column (3), Line 2 – Column (4), Line 2), (Schedule IIE, Column (3), Line 2 – Column (4), Line 2), (Schedule IIF, Column (3), Line 2 – Column (4), Line 2) | 0.6%                           |
| BSCR rating 2                                                     | Schedule IIB, Column (3), Line 3, (Schedule IIC, Column (3), Line 3 – Column (4), Line 3), (Schedule IID, Column (3), Line 3 – Column (4), Line 3), (Schedule IIE, Column (3), Line 3 – Column (4), Line 3), (Schedule IIF, Column (3), Line 3 – Column (4), Line 3) | 1.2%                           |
| BSCR rating 3                                                     | Schedule IIB, Column (3), Line 4, (Schedule IIC, Column (3), Line 4 – Column (4), Line 4), (Schedule IID, Column (3), Line 4 – Column (4), Line 4), (Schedule IIE, Column (3), Line 4 – Column (4), Line 4), (Schedule IIF, Column (3), Line 4 – Column (4), Line 4) | 2.0%                           |
| BSCR rating 4                                                     | Schedule IIB, Column (3), Line 5, (Schedule IIC, Column (3), Line 5 – Column (4), Line 5), (Schedule IID, Column (3), Line 5 – Column (4), Line 5), (Schedule IIE, Column (3), Line 5 – Column (4), Line 5), (Schedule IIF, Column (3), Line 5 – Column (4), Line 5) | 4.0%                           |
| BSCR rating 5                                                     | Schedule IIB, Column (3), Line 6, (Schedule IIC, Column (3), Line 6 – Column (4), Line 6), (Schedule IID, Column (3), Line 6 – Column (4), Line 6), (Schedule IIE, Column (3), Line 6 – Column (4), Line 6), (Schedule IIF, Column (3), Line 6 – Column (4), Line 6) | 11.0%                          |
| BSCR rating 6                                                     | Schedule IIB, Column (3), Line 7, (Schedule IIC, Column (3), Line 7 – Column (4), Line 7), (Schedule IID, Column (3), Line 7 – Column (4), Line 7), (Schedule IIE, Column (3), Line 7 – Column (4), Line 7), (Schedule IIF, Column (3), Line 7 – Column (4), Line 7) | 25.0%                          |
| BSCR rating 7                                                     | Schedule IIB, Column (3), Line 8, (Schedule IIC, Column (3), Line 8 – Column (4), Line 8), (Schedule IID, Column (3), Line 8 – Column (4), Line 8), (Schedule IIE, Column (3), Line 8 – Column (4), Line 8), (Schedule IIF, Column (3), Line 8 – Column (4), Line 8) | 35.0%                          |
| BSCR rating 8                                                     | Schedule IIB, Column (3), Line 9, (Schedule IIC, Column (3), Line 9 – Column (4), Line 9), (Schedule IID, Column (3), Line 9 – Column (4), Line 9), (Schedule IIE, Column (3), Line 9 – Column (4), Line 9), (Schedule IIF, Column (3), Line 9 – Column (4), Line 9) | 35.0%                          |



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|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
|                                                                       | (4), Line 9), (Schedule IIE, Column (3), Line 9 – Column (4), Line 9), (Schedule IIF, Column (3), Line 9 – Column (4), Line 9)                                                                                                                                                    |       |
| <i>Commercial Mortgage-Backed Securities/ Asset-Backed Securities</i> |                                                                                                                                                                                                                                                                                   |       |
| BSCR rating 1                                                         | Schedule IIB, Column (5), Line 2, (Schedule IIC, Column (5), Line 2 – Column (6), Line 2), (Schedule IID, Column (5), Line 2 – Column (6), Line 2), (Schedule IIE, Column (5), Line 2 – Column (6), Line 2), (Schedule IIF, Column (5), Line 2 – Column (6), Line 2)              | 0.5%  |
| BSCR rating 2                                                         | Schedule IIB, Column (5), Line 3, (Schedule IIC, Column (5), Line 3 – Column (6), Line 3), (Schedule IID, Column (5), Line 3 – Column (6), Line 3), (Schedule IIE, Column (5), Line 3 – Column (6), Line 3), (Schedule IIF, Column (5), Line 3 – Column (6), Line 3)              | 1.0%  |
| BSCR rating 3                                                         | Schedule IIB, Column (5), Line 4, (Schedule IIC, Column (5), Line 4 – Column (6), Line 4), (Schedule IID, Column (5), Line 4 – Column (6), Line 4), (Schedule IIE, Column (5), Line 4 – Column (6), Line 4), (Schedule IIF, Column (5), Line 4 – Column (6), Line 4)              | 1.8%  |
| BSCR rating 4                                                         | Schedule IIB, Column (5), Line 5, (Schedule IIC, Column (5), Line 5 – Column (6), Line 5), (Schedule IID, Column (5), Line 5 – Column (6), Line 5), (Schedule IIE, Column (5), Line 5 – Column (6), Line 5), (Schedule IIF, Column (5), Line 5 – Column (6), Line 5)              | 3.5%  |
| BSCR rating 5                                                         | Schedule IIB, Column (5), Line 6, (Schedule IIC, Column (5), Line 6 – Column (6), Line 6), (Schedule IID, Column (5), Line 6 – Column (6), Line 6), (Schedule IIE, Column (5), Line 6 – Column (6), Line 6), (Schedule IIF, Column (5), Line 6 – Column (6), Line 6)              | 10.0% |
| BSCR rating 6                                                         | Schedule IIB, Column (5), Line 7, (Schedule IIC, Column (5), Line 7 – Column (6), Line 7), (Schedule IID, Column (5), Line 7 – Column (6), Line 7), (Schedule IIE, Column (5), Line 7 – Column (6), Line 7), (Schedule IIF, Column (5), Line 7 – Column (6), Line 7)              | 20.0% |
| BSCR rating 7                                                         | Schedule IIB, Column (5), Line 8, (Schedule IIC, Column (5), Line 8 – Column (6), Line 8), (Schedule IID, Column (5), Line 8 – Column (6), Line 8), (Schedule IIE, Column (5), Line 8 – Column (6), Line 8), (Schedule IIF, Column (5), Line 8 – Column (6), Line 8)              | 30.0% |
| BSCR rating 8                                                         | Schedule IIB, Column (5), Line 9, (Schedule IIC, Column (5), Line 9 – Column (6), Line 9), (Schedule IID, Column (5), Line 9 – Column (6), Line 9), (Schedule IIE, Column (5), Line 9 – Column (6), Line 9), (Schedule IIF, Column (5), Line 9 – Column (6), Line 9)              | 35.0% |
| <i>Bond Mutual Funds</i>                                              |                                                                                                                                                                                                                                                                                   |       |
| BSCR rating 0                                                         | Schedule IIB, Column (7), Line 1, (Schedule IIC, Column (7), Line 1 – Column (8), Line 1), (Schedule IID, Column (7), Line 1 – Column (8), Line 1), (Schedule IIE, Column (7), Line 1 – Column (8), Line 1), (Schedule IIF, Column (7), Line 1 – Column (8), Line 1)              | 0.0%  |
| BSCR rating 1                                                         | Schedule IIB, Column (7), Line 2, (Schedule IIC, Column (7), Line 2 – Column (8), Line 2), (Schedule IID, Column (7), Line 2 – Column (8), Line 2), (Schedule IIE, Column (7), Line 2 – Column (8), Line 2), (Schedule IIF, Column (7), Line 2 – Column (8), Line 2)              | 0.4%  |
| BSCR rating 2                                                         | Schedule IIB, Column (7), Line 3, (Schedule IIC, Column (7), Line 3 – Column (8), Line 3), (Schedule IID, Column (7), Line 3 – Column (8), Line 3), (Schedule IIE, Column (7), Line 3 – Column (8), Line 3), (Schedule IIF, Column (7), Line 3 – Column (8), Line 3)              | 0.8%  |
| BSCR rating 3                                                         | Schedule IIB, Column (7), Line 4, (Schedule IIC, Column (7), Line 4 – Column (8), Line 4), (Schedule IID, Column (7), Line 4 – Column (8), Line 4), (Schedule IIE, Column (7), Line 4 – Column (8), Line 4), (Schedule IIF, Column (7), Line 4 – Column (8), Line 4)              | 1.5%  |
| BSCR rating 4                                                         | Schedule IIB, Column (7), Line 5, (Schedule IIC, Column (7), Line 5 – Column (8), Line 5), (Schedule IID, Column (7), Line 5 – Column (8), Line 5), (Schedule IIE, Column (7), Line 5 – Column (8), Line 5), (Schedule IIF, Column (7), Line 5 – Column (8), Line 5)              | 3.0%  |
| BSCR rating 5                                                         | Schedule IIB, Column (7), Line 6, (Schedule IIC, Column (7), Line 6 – Column (8), Line 6), (Schedule IID, Column (7), Line 6 – Column (8), Line 6), (Schedule IIE, Column (7), Line 6 – Column (8), Line 6), (Schedule IIF, Column (7), Line 6 – Column (8), Line 6)              | 8.0%  |
| BSCR rating 6                                                         | Schedule IIB, Column (7), Line 7, (Schedule IIC, Column (7), Line 7 – Column (8), Line 7), (Schedule IID, Column (7), Line 7 – Column (8), Line 7), (Schedule IIE, Column (7), Line 7 – Column (8), Line 7), (Schedule IIF, Column (7), Line 7 – Column (8), Line 7)              | 15.0% |
| BSCR rating 7                                                         | Schedule IIB, Column (7), Line 8, (Schedule IIC, Column (7), Line 8 – Column (8), Line 8), (Schedule IID, Column (7), Line 8 – Column (8), Line 8), (Schedule IIE, Column (7), Line 8 – Column (8), Line 8), (Schedule IIF, Column (7), Line 8 – Column (8), Line 8)              | 26.3% |
| BSCR rating 8                                                         | Schedule IIB, Column (7), Line 9, (Schedule IIC, Column (7), Line 9 – Column (8), Line 9), (Schedule IID, Column (7), Line 9 – Column (8), Line 9), (Schedule IIE, Column (7), Line 9 – Column (8), Line 9), (Schedule IIF, Column (7), Line 9 – Column (8), Line 9)              | 35.0% |
| <i>Mortgage Loans</i>                                                 |                                                                                                                                                                                                                                                                                   |       |
| Insured/guaranteed mortgages                                          | Schedule IIB, Column (9), Line 10, (Schedule IIC, Column (9), Line 10 – Column (10), Line 10), (Schedule IID, Column (9), Line 10 – Column (10), Line 10), (Schedule IIE, Column (9), Line 10 – Column (10), Line 10), (Schedule IIF, Column (9), Line 10 – Column (10), Line 10) | 0.3%  |
| Other commercial and farm mortgages                                   | Schedule IIB, Column (9), Line 11, (Schedule IIC, Column (9), Line 11 – Column (10), Line 11), (Schedule IID, Column (9), Line 11 – Column (10), Line 11), (Schedule IIE, Column (9), Line 11 – Column (10), Line 11), (Schedule IIF, Column (9), Line 11 – Column (10), Line 11) | 5.0%  |

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|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
|                                       | Line 11)                                                                                                                                                                                                                                                                          |       |
| Other residential mortgages           | Schedule IIB, Column (9), Line 12, (Schedule IIC, Column (9), Line 12 – Column (10), Line 12), (Schedule IID, Column (9), Line 12 – Column (10), Line 12), (Schedule IIE, Column (9), Line 12 – Column (10), Line 12), (Schedule IIF, Column (9), Line 12 – Column (10), Line 12) | 1.5%  |
| Mortgages not in good standing        | Schedule IIB, Column (9), Line 13, (Schedule IIC, Column (9), Line 13 – Column (10), Line 13), (Schedule IID, Column (9), Line 13 – Column (10), Line 13), (Schedule IIE, Column (9), Line 13 – Column (10), Line 13), (Schedule IIF, Column (9), Line 13 – Column (10), Line 13) | 25.0% |
| <i>Other Fixed Income Investments</i> |                                                                                                                                                                                                                                                                                   |       |
| Other loans                           | Form 4EBS, Line 8                                                                                                                                                                                                                                                                 | 5.0%  |
| <i>Cash and cash equivalents</i>      |                                                                                                                                                                                                                                                                                   |       |
| BSCR rating 0                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 0.0%  |
| BSCR rating 1                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 0.1%  |
| BSCR rating 2                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 0.2%  |
| BSCR rating 3                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 0.3%  |
| BSCR rating 4                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 0.5%  |
| BSCR rating 5                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 1.5%  |
| BSCR rating 6                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 4.0%  |
| BSCR rating 7                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 6.0%  |
| BSCR rating 8                         | Schedule XIX, Column A                                                                                                                                                                                                                                                            | 9.0%  |

**INSTRUCTIONS AFFECTING TABLE 1A: Capital charge factors for *FIastclass*,**

- (a) all assets comprising of bonds and debentures, loans, and other miscellaneous investments that are subject to capital charges within the fixed income investment risk charge shall be included;
- (b) all non-affiliated quoted and unquoted bonds and debentures shall be included in the fixed income investment charge;
- (c) all bonds and debentures, loans, and other miscellaneous investments shall include amounts reported for economic balance sheet reporting purposes and include fixed income risk exposures as determined by application of the “look-through” approach calculated in accordance with the criteria prescribed by the Authority for the following items:
  - (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
  - (ii) segregated accounts assets and liabilities;
  - (iii) deposit asset and liabilities;
  - (iv) assets and liabilities held by ceding insurers or under retrocession;
  - (v) other sundry assets and liabilities; and
  - (vi) derivatives.
- (d) The capital requirements relating to cash and cash equivalents shall be reduced by a diversification adjustment of up to a maximum of 40%;
- (e) the diversification adjustment in paragraph (d) is determined as 40% multiplied by 1 minus the ratio of the largest cash and cash equivalent balance held with a single counterparty to the total of all cash and cash equivalent balance;

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| Table 1B – Spread risk shocks for credit derivatives | SPREAD UP                                                  |                                                            |                                                            |                                                            |                    |
|------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|--------------------|
|                                                      | Long Exposures                                             |                                                            | Short Exposures                                            |                                                            | Shock basis points |
|                                                      | Before Shock                                               | After Shock                                                | Before Shock                                               | After Shock                                                |                    |
| Spread Up                                            |                                                            |                                                            |                                                            |                                                            |                    |
| BSCR rating 0                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 38 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 38 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 38 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 38 | 0                  |
| BSCR rating 1                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 39 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 39 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 39 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 39 | 130                |
| BSCR rating 2                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 40 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 40 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 40 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 40 | 150                |
| BSCR rating 3                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 41 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 41 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 41 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 41 | 260                |
| BSCR rating 4                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 42 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 42 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 42 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 42 | 450                |
| BSCR rating 5                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 43 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 43 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 43 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 43 | 840                |
| BSCR rating 6                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 44 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 44 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 44 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 44 | 1620               |
| BSCR rating 7                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 45 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 45 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 45 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 45 | 1620               |
| BSCR rating 8                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (1), Line 46 | Schedules IIB, IIC, IID, IIE, and IIF, Column (2), Line 46 | Schedules IIB, IIC, IID, IIE, and IIF, Column (3), Line 46 | Schedules IIB, IIC, IID, IIE, and IIF, Column (4), Line 46 | 1620               |
| Total Spread Up                                      |                                                            |                                                            |                                                            |                                                            |                    |
|                                                      | SPREAD DOWN                                                |                                                            |                                                            |                                                            |                    |
|                                                      | Long Exposures                                             |                                                            | Short Exposures                                            |                                                            | Shock Rate         |
|                                                      | Before Shock                                               | After Shock                                                | Before Shock                                               | After Shock                                                |                    |
| Spread Up                                            |                                                            |                                                            |                                                            |                                                            |                    |
| BSCR rating 0                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 38 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 38 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 38 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 38 | 0.0%               |
| BSCR rating 1                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 39 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 39 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 39 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 39 | -75.0%             |
| BSCR rating 2                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 40 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 40 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 40 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 40 | -75.0%             |
| BSCR rating 3                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 41 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 41 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 41 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 41 | -75.0%             |
| BSCR rating 4                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 42 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 42 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 42 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 42 | -75.0%             |
| BSCR rating 5                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 43 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 43 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 43 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 43 | -75.0%             |
| BSCR rating 6                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 44 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 44 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 44 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 44 | -75.0%             |
| BSCR rating 7                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 45 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 45 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 45 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 45 | -75.0%             |
| BSCR rating 8                                        | Schedules IIB, IIC, IID, IIE, and IIF, Column (6), Line 46 | Schedules IIB, IIC, IID, IIE, and IIF, Column (7), Line 46 | Schedules IIB, IIC, IID, IIE, and IIF, Column (8), Line 46 | Schedules IIB, IIC, IID, IIE, and IIF, Column (9), Line 46 | -75.0%             |
| Total Spread Down                                    |                                                            |                                                            |                                                            |                                                            |                    |

**INSTRUCTIONS AFFECTING TABLE 1B: Spread risk shocks for credit derivatives**

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- (a) “Qualifying assets” means assets which qualify as being held for risk mitigation in accordance with the criteria prescribed by the Authority.

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27. The equity investment risk charge calculation shall be established in accordance with the following formula—

$$C_{\text{equity}} = C_{\text{equity}}^{\text{basic}} + C_{\text{equity}}^{\text{grandfathered}}$$

Where—

$$C_{\text{equity}}^{\text{basic}} = \sqrt{\sum_{i,j} \text{CorrEq}_{i,j} \times C_i \times C_j}$$

$C_{\text{equity}}^{\text{grandfathered}}$  = the equity risk charge calculated according to paragraph 3 for equity exposures that are determined according to paragraph 28A;

$\text{CorrEq}_{i,j}$  = the correlation factors of the equity risk correlation matrix in accordance with Table 2A;

$i,j$  = the sum of the different terms should cover all possible combinations of correlation  $i$  and  $j$ ;

$C_i$  and  $C_j$  = risk charge  $i$  and risk charge  $j$  which are replaced by the following:

$C_{\text{Type1}}, C_{\text{Type2}}, C_{\text{Type3}}, C_{\text{Type4}}$ ;

$C_{\text{Type1}}$  = *Type1* equity risk charge as calculated in accordance with paragraph 28 for equity exposures not determined according to paragraph 28A;

$C_{\text{Type2}}$  = *Type2* equity risk charge as calculated in accordance with paragraph 28 for equity exposures not determined according to paragraph 28A;

$C_{\text{Type3}}$  = *Type3* equity risk charge as calculated in accordance with paragraph 28 for equity exposures not determined according to paragraph 28A;

$C_{\text{Type4}}$  = *Type4* equity risk charge as calculated in accordance with paragraph 28 for equity exposures not determined according to paragraph 28A;

**Table 2A – Equity Risk Charge Correlation Matrix**

| $\text{CorrEq}_{i,j}$ | $C_{\text{Type1}}$ | $C_{\text{Type2}}$ | $C_{\text{Type3}}$ | $C_{\text{Type4}}$ |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
| $C_{\text{Type1}}$    | 1                  |                    |                    |                    |
| $C_{\text{Type2}}$    | 0.75               | 1                  |                    |                    |
| $C_{\text{Type3}}$    | 0.75               | 0.75               | 1                  |                    |
| $C_{\text{Type4}}$    | 0.5                | 0.5                | 0.5                | 1                  |

28. Type1, Type2 Type3 and Type4 equity risk charges calculation shall be determined in accordance with the following formulas—

$$C_{\text{Type1}} = \sum_{i \in \text{Type1}} \left[ \max(L\text{Assets}_i^{\text{BShock}} - L\text{Assets}_i^{\text{AShock}}(\chi_i), 0) + (S\text{QAssets}_i^{\text{BShock}} - S\text{QAssets}_i^{\text{AShock}}(\chi_i)) + K \right. \\ \left. + \max(S\text{NQAssets}_i^{\text{BShock}} - S\text{NQAssets}_i^{\text{AShock}}(\chi_i), 0) + (L\text{iabilities}_i^{\text{BShock}} - L\text{iabilities}_i^{\text{AShock}}(\chi_i)) \right]$$

$$C_{\text{Type2}} = \sum_{i \in \text{Type2}} \left[ \max(L\text{Assets}_i^{\text{BShock}} - L\text{Assets}_i^{\text{AShock}}(\chi_i), 0) + (S\text{QAssets}_i^{\text{BShock}} - S\text{QAssets}_i^{\text{AShock}}(\chi_i)) + K \right. \\ \left. + \max(S\text{NQAssets}_i^{\text{BShock}} - S\text{NQAssets}_i^{\text{AShock}}(\chi_i), 0) + (L\text{iabilities}_i^{\text{BShock}} - L\text{iabilities}_i^{\text{AShock}}(\chi_i)) \right]$$

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$$C_{Type3} = \sum_{i \in Type3} \left[ \max(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i), 0) + (SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)) + K \right. \\ \left. + \max(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i), 0) + (Liabilities_i^{BShock} - Liabilities_i^{AShock}(\chi_i)) \right]$$

$$C_{Type4} = \sum_{i \in Type4} \left[ \max(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i), 0) + (SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)) + K \right. \\ \left. + \max(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i), 0) + (Liabilities_i^{BShock} - Liabilities_i^{AShock}(\chi_i)) \right]$$

Where—

|                          |                                                                                                                                                                                                               |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| $\chi_i$                 | = the instantaneous shocks prescribed in Table 2B for each type of equity class $i$ ; and                                                                                                                     |
| $LAssets^{BShock}$       | = refers to the valuation of long asset exposures before applying shock                                                                                                                                       |
| $LAssets^{AShock}$       | = refers to the valuation of long asset exposures after applying shock                                                                                                                                        |
| $SQAssets^{BShock}$      | = refers to the valuation of short exposures for qualifying assets that are held for risk mitigating purposes as determined in accordance with the criteria prescribed by the Authority before applying shock |
| $SQAssets^{AShock}$      | = refers to the valuation of short exposures for qualifying assets that are held for risk mitigating purposes as determined in accordance with the criteria prescribed by the Authority after applying shock  |
| $SNQAssets^{BShock}$     | = refers to the valuation of short exposures for assets that do not qualify for risk mitigating purposes as determined in accordance with the criteria prescribed by the Authority before applying shock      |
| $SNQAssets^{AShock}$     | = refers to the valuation of short exposures for assets that do not qualify for risk mitigating purposes as determined in accordance with the criteria prescribed by the Authority after applying shock       |
| $BELiabilities^{BShock}$ | = refers to the best estimate of insurance liabilities and other liabilities before applying shock                                                                                                            |
| $BELiabilities^{AShock}$ | = refers to the best estimate of insurance liabilities and other liabilities after applying shock                                                                                                             |

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**Table 2B – Shocks for classes of equity**

|                                               | Assets                                                                                                                  |                                                                                                                         |                                                                                                                         |                                                                                                                         | Shock Factor              |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------|
|                                               | Long Exposures                                                                                                          | Short Exposures                                                                                                         |                                                                                                                         | Liabilities                                                                                                             |                           |
| Equity investments<br>Equity class, <i>i</i>  |                                                                                                                         |                                                                                                                         | Qualifying as Assets held for risk-mitigation purposes                                                                  | Not Qualifying as Assets held for risk-mitigation purposes                                                              | Without Management Action |
| Type 1 Equity Holdings                        |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |                           |
| Strategic Holdings – Listed                   | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 15 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 15 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 15 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 15 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 15 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 15 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 15 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 15 | 20.0%                     |
| Duration Based                                | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 16 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 16 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 16 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 16 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 16 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 16 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 16 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 16 | 35.0%                     |
| Listed Equity Securities in Developed Markets | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 17 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 17 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 17 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 17 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 17 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 17 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 17 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 17 | 0.6%                      |
| Preferred Stocks, Rating 1                    | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 18 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 18 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 18 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 18 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 18 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 18 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 18 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 18 | 1.2%                      |
| Preferred Stocks, Rating 2                    | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 19 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 19 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 19 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 19 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 19 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 19 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 19 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 19 | 2.0%                      |
| Preferred Stocks, Rating 3                    | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 20 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 20 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 20 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 20 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 20 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 20 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 20 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 20 | 4.0%                      |
| Preferred Stocks, Rating 4                    | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 21 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 21 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 21 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 21 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 21 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 21 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 21 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 21 | 11.0%                     |
| Preferred Stocks, Rating 5                    | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 22 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 22 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 22 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 22 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 22 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 22 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 22 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 22 | 25.0%                     |
| Preferred Stocks, Rating 6                    | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 23 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 23 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 23 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 23 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 23 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 23 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 23 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 23 | 35.0%                     |
| Preferred Stocks, Rating 7                    | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 24 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 24 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 24 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 24 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 24 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 24 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 24 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 24 | 35.0%                     |
| Preferred Stocks, Rating 8                    | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 25 Less                                                            | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 25 Less                                                            | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 25 Less                                                            | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 25 Less                                                            | 35.0%                     |

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|                                                 |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------|
| Equity Real Estate 2                            | Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 36 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 36 | Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 36 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 36 | Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 36 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 36 | Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 36 Less<br>Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 36 | 20.0%         |
| Subtotal Type 4 Equity Holdings                 |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |
| <b>Total Equity Risk before Diversification</b> |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |
| Aggregation of Risks                            |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |
|                                                 | <u>Correlation Matrix</u>                                                                                               | <u>Type 1</u>                                                                                                           | <u>Type 2</u>                                                                                                           | <u>Type 3</u>                                                                                                           | <u>Type 4</u> |
|                                                 | Type 1                                                                                                                  | 1                                                                                                                       |                                                                                                                         |                                                                                                                         |               |
|                                                 | Type 2                                                                                                                  | 0.75                                                                                                                    | 1                                                                                                                       |                                                                                                                         |               |
|                                                 | Type 3                                                                                                                  | 0.75                                                                                                                    | 0.75                                                                                                                    | 1                                                                                                                       |               |
|                                                 | Type 4                                                                                                                  | 0.50                                                                                                                    | 0.50                                                                                                                    | 0.50                                                                                                                    | 1             |
| Total Type 1 Risk without Management Actions    |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |
| Total Type 2 Risk without Management Actions    |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |
| Total Type 3 Risk without Management Actions    |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |
| Total Type 4 Risk without Management Actions    |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |
| <b>Total Equity Risk after Diversification</b>  |                                                                                                                         |                                                                                                                         |                                                                                                                         |                                                                                                                         |               |

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**INSTRUCTIONS AFFECTING TABLE 2B: Shocks for *Eqastclass<sub>i</sub>***

- (a) all assets (except regulated non-insurance financial operating entities) and liabilities (except the risk margin) whose value is subject to equity risk shocks are to be reported on a basis consistent with that used for the purposes of economic balance sheet reporting. Such assets and liabilities shall include equity risk exposures determined by application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for the following items:
- (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
  - (ii) segregated accounts assets and liabilities;
  - (iii) deposit asset and liabilities;
  - (iv) assets and liabilities held by ceding insurers or under retrocession;
  - (v) other sundry assets and liabilities; and
  - (vi) derivatives.
- (b) for asset types referred to in paragraph (a) (i) to (vi) where the “look through” approach cannot be applied, the residual balance shall be included in “Equity Securities – Other Investments”;
- (c) short exposures qualifying as assets held for risk-mitigation purposes and short exposures not qualifying as assets held for risk-mitigation purposes, shall both be determined in accordance with criteria prescribed by the Authority.

28A. The equity investments that are eligible to be used in the calculation of  $C_{equity}^{grandfathered}$  as defined in paragraph 27 are determined as follows:

- i. The average value of equities as percentage of total assets over the prior three financial year ends before January 1<sup>st</sup> 2019 (i.e., over which the financial years ending 2016 to 2018) is calculated.
  - a. Similarly, for each class of equities in accordance with Table 2B, the average amounts as a percentage of total equities shall be determined over the same prior three years, i.e. the allocations for each equity class.
- ii. The total amount of equities eligible to be used in the calculation of  $C_{equity}^{grandfathered}$  as defined in paragraph 27 at each year end is determined by multiplying the amount of legacy reserves by the equity percentage of paragraph i., where
  - a. “Legacy reserves” are defined as the long term best estimate liabilities, at the applicable point in time (financial year-end), for insurance business carried on as at December 31<sup>st</sup> 2018.
  - b. The total amount of equities eligible to be used in the calculation of  $C_{equity}^{grandfathered}$  as defined in paragraph 27 at each year end shall not be greater than the amount of the legacy reserves.
- iii. The equity investments eligible being used in the calculation of  $C_{equity}^{grandfathered}$  as defined in paragraph 27 per equity class are calculated by multiplying the total amount in paragraph ii. by the equity class allocation in paragraph i.
- iv. Future applicable reserves shall be capped at the initial reserve. The amount of equities eligible to be used in the calculation of  $C_{equity}^{grandfathered}$  as defined in paragraph 27 can therefore never be greater than the initial amount.
- v. Equities that are eligible to be used being used in the calculation of  $C_{equity}^{grandfathered}$  as defined in paragraph 27 may be traded or replaced within a specific equity class and still receive the aforementioned treatment.

29 The interest rate and liquidity risk charge calculation may be calculated in accordance with paragraph 4 or the formula below. Where an insurance group decides to utilise the formula below, it will only be allowed to revert back and utilise the calculations prescribed in paragraph 4 where it has received the written approval of the Authority pursuant to an application made in accordance with

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section 6D of the Act.

$$C_{Interest} = \max(Shock_{IR,Down}, Shock_{IR,Up}) - Offset_{ScenarioBased};$$

Where—

$$Shock_{IR,\omega} = \sum_{CCY} Shock_{IR,\omega}^{CCY}$$

$$Shock_{IR,\omega}^{CCY} = (MVA_{Before}^{CCY,Q} - MVA_{After,\omega}^{CCY,Q}) + \max(MVA_{Before}^{CCY,NQ} - MVA_{After,\omega}^{CCY,NQ}, 0) + (MVL_{Before}^{CCY} - MVL_{After,\omega}^{CCY})$$

$\omega = \text{Down, Up}$

$$Offset_{ScenarioBased} = \min(0.5 \cdot (BELiability_{BaseScenario} - BELiability_{WorstScenario}), 0.75 \cdot C_{Interest}^{WithoutOffset})$$

$$C_{Interest}^{WithoutOffset} = \max(Shock_{IR,Down}, Shock_{IR,Up})$$

$MVA_{Before}^{CCY,Q}$  = refers to the market value of qualified assets including derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) before shock  $\omega w$  ( $\omega w = \text{Up or Down}$ ) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVA_{After}^{CCY,Q}$  = refers to the revaluation of qualified assets including derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking interest rates by  $\chi(\text{CCY}, \omega)$  where (CCY) refers to currency type,  $\omega$  refers to shock Down and Up, and  $\chi$  refers to the shock vector where the revalued amount has been converted to the functional currency as reported in Form 1EBS prescribed in Table 3B;

$MVA_{Before}^{CCY,NQ}$  = refers to the market value of non-qualified assets which are derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) before shock  $\omega w$  ( $\omega w = \text{Up or Down}$ ) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVA_{After}^{CCY,NQ}$  = refers to the revaluation of non-qualified assets which are derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking interest rates by  $\chi(\text{CCY}, \omega)$  where (CCY) refers to currency type,  $\omega$  refers to shock Down and Up, and  $\chi$  refers to the shock vector where the revalued amount has been converted to the functional currency as reported in Form 1EBS prescribed in Table 3B;

$MVL_{Before}^{CCY}$  = refers to the best estimate of insurance liabilities and other liabilities before shock  $w$  ( $w = \text{Up or Down}$ ) by currency type that has been converted to the functional currency as reported in Form 1EBS;

$MVL_{After}^{CCY}$  = refers to the revaluation of the best estimate of insurance liabilities and other liabilities after shocking interest rates by  $\chi(\text{CCY}, \omega)$  where (CCY) refers to currency type,  $\omega$  refers to shock Down and Up, and  $\chi$  refers to the shock vector where the revalued amount has been converted to the functional currency as reported in Form 1EBS prescribed in Table 3B;

$BELiability_{BaseScenario}$  = refers to best estimate of liabilities in the base case scenario when using the scenario-based approach; and

$BELiability_{WorstScenario}$  = refers to best estimate of liabilities in the worst-case scenario when using the scenario-based approach.

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**Table 3B – Shock vectors for Interest Rate – Liquidity Risk**

| Currency                                           | $MVA_{Before}^{CCY} - MVA_{After}^{CCY}$                             |                                                | $MVL_{Before}^{CCY} - MVL_{After}^{CCY}$                             | Shock vector<br>$\chi$ |
|----------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------|------------------------|
| Interest Rate Down – Exposures without Derivatives |                                                                      |                                                |                                                                      |                        |
| United States Dollars                              | Schedule XXII, Column A Line 1 Less Schedule XXII Column B, Line 1   |                                                | Schedule XXII, Column C Line 1 Less Schedule XXII Column D, Line 1   | *                      |
| Euro                                               | Schedule XXII, Column A Line 2 Less Schedule XXII Column B, Line 2   |                                                | Schedule XXII, Column C Line 2 Less Schedule XXII Column D, Line 2   | *                      |
| United Kingdom Pounds                              | Schedule XXII, Column A Line 3 Less Schedule XXII Column B, Line 3   |                                                | Schedule XXII, Column C Line 3 Less Schedule XXII Column D, Line 3   | *                      |
| Japan Yen                                          | Schedule XXII, Column A Line 4 Less Schedule XXII Column B, Line 4   |                                                | Schedule XXII, Column C Line 4 Less Schedule XXII Column D, Line 4   | *                      |
| Canada Dollars                                     | Schedule XXII, Column A Line 5 Less Schedule XXII Column B, Line 5   |                                                | Schedule XXII, Column C Line 5 Less Schedule XXII Column D, Line 5   | *                      |
| Swiss Francs                                       | Schedule XXII, Column A Line 6 Less Schedule XXII Column B, Line 6   |                                                | Schedule XXII, Column C Line 6 Less Schedule XXII Column D, Line 6   | *                      |
| Australia Dollars                                  | Schedule XXII, Column A Line 7 Less Schedule XXII Column B, Line 7   |                                                | Schedule XXII, Column C Line 7 Less Schedule XXII Column D, Line 7   | *                      |
| New Zealand Dollars                                | Schedule XXII, Column A Line 8 Less Schedule XXII Column B, Line 8   |                                                | Schedule XXII, Column C Line 8 Less Schedule XXII Column D, Line 8   | *                      |
| Other currency 1                                   | Schedule XXII, Column A Line 9 Less Schedule XXII Column B, Line 9   |                                                | Schedule XXII, Column C Line 9 Less Schedule XXII Column D, Line 9   | *                      |
| Other currency 2                                   | Schedule XXII, Column A Line 10 Less Schedule XXII Column B, Line 10 |                                                | Schedule XXII, Column C Line 10 Less Schedule XXII Column D, Line 10 | *                      |
| Other currency 3                                   | Schedule XXII, Column A Line 11 Less Schedule XXII Column B, Line 11 |                                                | Schedule XXII, Column C Line 11 Less Schedule XXII Column D, Line 11 | *                      |
| Other currency 4                                   | Schedule XXII, Column A Line 12 Less Schedule XXII Column B, Line 12 |                                                | Schedule XXII, Column C Line 12 Less Schedule XXII Column D, Line 12 | *                      |
| Other currency 5                                   | Schedule XXII, Column A Line 13 Less Schedule XXII Column B, Line 13 |                                                | Schedule XXII, Column C Line 13 Less Schedule XXII Column D, Line 13 | *                      |
| Other currency 6                                   | Schedule XXII, Column A Line 14 Less Schedule XXII Column B, Line 14 |                                                | Schedule XXII, Column C Line 14 Less Schedule XXII Column D, Line 14 | *                      |
| Other currency 7                                   | Schedule XXII, Column A Line 15 Less Schedule XXII Column B, Line 15 |                                                | Schedule XXII, Column C Line 15 Less Schedule XXII Column D, Line 15 | *                      |
| Other currency 8                                   | Schedule XXII, Column A Line 16 Less Schedule XXII Column B, Line 16 |                                                | Schedule XXII, Column C Line 16 Less Schedule XXII Column D, Line 16 | *                      |
| Other currency 9                                   | Schedule XXII, Column A Line 17 Less Schedule XXII Column B, Line 17 |                                                | Schedule XXII, Column C Line 17 Less Schedule XXII Column D, Line 17 | *                      |
| Other currency 10                                  | Schedule XXII, Column A Line 18 Less Schedule XXII Column B, Line 18 |                                                | Schedule XXII, Column C Line 18 Less Schedule XXII Column D, Line 18 | *                      |
| Currency                                           | $MVA_{Before}^{CCY,Q} - MVA_{After}^{CCY,Q}$                         | $MVA_{Before}^{CCY,NQ} - MVA_{After}^{CCY,NQ}$ | $MVL_{Before}^{CCY} - MVL_{After}^{CCY}$                             | Shock vector           |

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|                                          |                                                                         |                                                                         |                                                                         |          |
|------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|----------|
|                                          |                                                                         |                                                                         |                                                                         | <i>ℳ</i> |
| Interest Rate Down – Derivative Exposure |                                                                         |                                                                         |                                                                         |          |
| United States Dollars                    | Schedule XXII, Column G Line 1 Less<br>Schedule XXII Column H, Line 1   | Schedule XXII, Column H Line 1<br>Less Schedule XXII Column I, Line 1   | Schedule XXII, Column J Line 1 Less<br>Schedule XXII Column K, Line 1   | *        |
| Euro                                     | Schedule XXII, Column G Line 2 Less<br>Schedule XXII Column H, Line 2   | Schedule XXII, Column H Line 2<br>Less Schedule XXII Column I, Line 2   | Schedule XXII, Column J Line 2 Less<br>Schedule XXII Column K, Line 2   | *        |
| United Kingdom Pounds                    | Schedule XXII, Column G Line 3 Less<br>Schedule XXII Column H, Line 3   | Schedule XXII, Column H Line 3<br>Less Schedule XXII Column I, Line 3   | Schedule XXII, Column J Line 3 Less<br>Schedule XXII Column K, Line 3   | *        |
| Japan Yen                                | Schedule XXII, Column G Line 4 Less<br>Schedule XXII Column H, Line 4   | Schedule XXII, Column H Line 4<br>Less Schedule XXII Column I, Line 4   | Schedule XXII, Column J Line 4 Less<br>Schedule XXII Column K, Line 4   | *        |
| Canada Dollars                           | Schedule XXII, Column G Line 5 Less<br>Schedule XXII Column H, Line 5   | Schedule XXII, Column H Line 5<br>Less Schedule XXII Column I, Line 5   | Schedule XXII, Column J Line 5 Less<br>Schedule XXII Column K, Line 5   | *        |
| Swiss Francs                             | Schedule XXII, Column G Line 6 Less<br>Schedule XXII Column H, Line 6   | Schedule XXII, Column H Line 6<br>Less Schedule XXII Column I, Line 6   | Schedule XXII, Column J Line 6 Less<br>Schedule XXII Column K, Line 6   | *        |
| Australia Dollars                        | Schedule XXII, Column G Line 7 Less<br>Schedule XXII Column H, Line 7   | Schedule XXII, Column H Line 7<br>Less Schedule XXII Column I, Line 7   | Schedule XXII, Column J Line 7 Less<br>Schedule XXII Column K, Line 7   | *        |
| New Zealand Dollars                      | Schedule XXII, Column G Line 8 Less<br>Schedule XXII Column H, Line 8   | Schedule XXII, Column H Line 8<br>Less Schedule XXII Column I, Line 8   | Schedule XXII, Column J Line 8 Less<br>Schedule XXII Column K, Line 8   | *        |
| Other currency 1                         | Schedule XXII, Column G Line 9 Less<br>Schedule XXII Column H, Line 9   | Schedule XXII, Column H Line 9<br>Less Schedule XXII Column I, Line 9   | Schedule XXII, Column J Line 9 Less<br>Schedule XXII Column K, Line 9   | *        |
| Other currency 2                         | Schedule XXII, Column G Line 10 Less<br>Schedule XXII Column H, Line 10 | Schedule XXII, Column H Line 10<br>Less Schedule XXII Column I, Line 10 | Schedule XXII, Column J Line 10 Less<br>Schedule XXII Column K, Line 10 | *        |
| Other currency 3                         | Schedule XXII, Column G Line 11 Less<br>Schedule XXII Column H, Line 11 | Schedule XXII, Column H Line 11<br>Less Schedule XXII Column I, Line 11 | Schedule XXII, Column J Line 11 Less<br>Schedule XXII Column K, Line 11 | *        |
| Other currency 4                         | Schedule XXII, Column G Line 12 Less<br>Schedule XXII Column H, Line 12 | Schedule XXII, Column H Line 12<br>Less Schedule XXII Column I, Line 12 | Schedule XXII, Column J Line 12 Less<br>Schedule XXII Column K, Line 12 | *        |
| Other currency 5                         | Schedule XXII, Column G Line 13 Less<br>Schedule XXII Column H, Line 13 | Schedule XXII, Column H Line 13<br>Less Schedule XXII Column I, Line 13 | Schedule XXII, Column J Line 13 Less<br>Schedule XXII Column K, Line 13 | *        |
| Other currency 6                         | Schedule XXII, Column G Line 14 Less<br>Schedule XXII Column H, Line 14 | Schedule XXII, Column H Line 14<br>Less Schedule XXII Column I, Line 14 | Schedule XXII, Column J Line 14 Less<br>Schedule XXII Column K, Line 14 | *        |
| Other currency 7                         | Schedule XXII, Column G Line 15 Less<br>Schedule XXII Column H, Line 15 | Schedule XXII, Column H Line 15<br>Less Schedule XXII Column I, Line 15 | Schedule XXII, Column J Line 15 Less<br>Schedule XXII Column K, Line 15 | *        |

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|                                                  |                                                                         |                                                                         |                                                                         |                           |
|--------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------|
| Other currency 8                                 | Schedule XXII, Column G Line 16 Less<br>Schedule XXII Column H, Line 16 | Schedule XXII, Column H Line 16<br>Less Schedule XXII Column I, Line 16 | Schedule XXII, Column J Line 16 Less<br>Schedule XXII Column K, Line 16 | *                         |
| Other currency 9                                 | Schedule XXII, Column G Line 17 Less<br>Schedule XXII Column H, Line 17 | Schedule XXII, Column H Line 17<br>Less Schedule XXII Column I, Line 17 | Schedule XXII, Column J Line 17 Less<br>Schedule XXII Column K, Line 17 | *                         |
| Other currency 10                                | Schedule XXII, Column G Line 18 Less<br>Schedule XXII Column H, Line 18 | Schedule XXII, Column H Line 18<br>Less Schedule XXII Column I, Line 18 | Schedule XXII, Column J Line 18 Less<br>Schedule XXII Column K, Line 18 | *                         |
| <b>Currency</b>                                  | $MVA_{Before}^{CCY} - MVA_{After}^{CCY}$                                |                                                                         | $MVL_{Before}^{CCY} - MVL_{After}^{CCY}$                                | Shock<br>vector<br>$\chi$ |
| Interest Rate Up – Exposures without Derivatives |                                                                         |                                                                         |                                                                         |                           |
| United States Dollars                            | Schedule XXII, Column A Line 20 Less Schedule XXII Column B, Line 20    |                                                                         | Schedule XXII, Column C Line 20 Less<br>Schedule XXII Column D, Line 20 | *                         |
| Euro                                             | Schedule XXII, Column A Line 21 Less Schedule XXII Column B, Line 21    |                                                                         | Schedule XXII, Column C Line 21 Less<br>Schedule XXII Column D, Line 21 | *                         |
| United Kingdom Pounds                            | Schedule XXII, Column A Line 22 Less Schedule XXII Column B, Line 22    |                                                                         | Schedule XXII, Column C Line 22 Less<br>Schedule XXII Column D, Line 22 | *                         |
| Japan Yen                                        | Schedule XXII, Column A Line 23 Less Schedule XXII Column B, Line 23    |                                                                         | Schedule XXII, Column C Line 23 Less<br>Schedule XXII Column D, Line 23 | *                         |
| Canada Dollars                                   | Schedule XXII, Column A Line 24 Less Schedule XXII Column B, Line 24    |                                                                         | Schedule XXII, Column C Line 24 Less<br>Schedule XXII Column D, Line 24 | *                         |
| Swiss Francs                                     | Schedule XXII, Column A Line 25 Less Schedule XXII Column B, Line 25    |                                                                         | Schedule XXII, Column C Line 25 Less<br>Schedule XXII Column D, Line 25 | *                         |
| Australia Dollars                                | Schedule XXII, Column A Line 26 Less Schedule XXII Column B, Line 26    |                                                                         | Schedule XXII, Column C Line 26 Less<br>Schedule XXII Column D, Line 26 | *                         |
| New Zealand Dollars                              | Schedule XXII, Column A Line 27 Less Schedule XXII Column B, Line 27    |                                                                         | Schedule XXII, Column C Line 27 Less<br>Schedule XXII Column D, Line 27 | *                         |
| Other currency 1                                 | Schedule XXII, Column A Line 28 Less Schedule XXII Column B, Line 28    |                                                                         | Schedule XXII, Column C Line 28 Less<br>Schedule XXII Column D, Line 28 | *                         |
| Other currency 2                                 | Schedule XXII, Column A Line 29 Less Schedule XXII Column B, Line 29    |                                                                         | Schedule XXII, Column C Line 29 Less<br>Schedule XXII Column D, Line 29 | *                         |
| Other currency 3                                 | Schedule XXII, Column A Line 30 Less Schedule XXII Column B, Line 30    |                                                                         | Schedule XXII, Column C Line 30 Less<br>Schedule XXII Column D, Line 30 | *                         |
| Other currency 4                                 | Schedule XXII, Column A Line 31 Less Schedule XXII Column B, Line 31    |                                                                         | Schedule XXII, Column C Line 31 Less<br>Schedule XXII Column D, Line 31 | *                         |
| Other currency 5                                 | Schedule XXII, Column A Line 32 Less Schedule XXII Column B, Line 32    |                                                                         | Schedule XXII, Column C Line 32 Less<br>Schedule XXII Column D, Line 32 | *                         |
| Other currency 6                                 | Schedule XXII, Column A Line 33 Less Schedule XXII Column B, Line 33    |                                                                         | Schedule XXII, Column C Line 33 Less<br>Schedule XXII Column D, Line 33 | *                         |
| Other currency 7                                 | Schedule XXII, Column A Line 34 Less Schedule XXII Column B, Line 34    |                                                                         | Schedule XXII, Column C Line 34 Less<br>Schedule XXII Column D, Line 34 | *                         |
| Other currency 8                                 | Schedule XXII, Column A Line 35 Less Schedule XXII Column B, Line 35    |                                                                         | Schedule XXII, Column C Line 35 Less<br>Schedule XXII Column D, Line 35 | *                         |
| Other currency 9                                 | Schedule XXII, Column A Line 36 Less Schedule XXII Column B, Line 36    |                                                                         | Schedule XXII, Column C Line 36 Less<br>Schedule XXII Column D, Line 36 | *                         |

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|                                        |                                                                         |                                                                            |                                                                         |                        |
|----------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------|
| Other currency 10                      | Schedule XXII, Column A Line 37 Less Schedule XXII Column B, Line 37    |                                                                            | Schedule XXII, Column C Line 37 Less<br>Schedule XXII Column D, Line 37 | *                      |
| <b>Currency</b>                        | $MVA_{Before}^{CCY,Q} - MVA_{After}^{CCY,Q}$                            | $MVA_{Before}^{CCY,NQ} - MVA_{After}^{CCY,NQ}$                             | $MVL_{Before}^{CCY} - MVL_{After}^{CCY}$                                | Shock<br>vector $\chi$ |
| Interest Rate Up – Derivative Exposure |                                                                         |                                                                            |                                                                         |                        |
| United States Dollars                  | Schedule XXII, Column F Line 20 Less<br>Schedule XXII Column G, Line 20 | Schedule XXII, Column I Line 20<br>Less Schedule XXII Column I, Line<br>20 | Schedule XXII, Column K Line 20 Less<br>Schedule XXII Column L, Line 20 | *                      |
| Euro                                   | Schedule XXII, Column F Line 21 Less<br>Schedule XXII Column G, Line 21 | Schedule XXII, Column I Line 21<br>Less Schedule XXII Column I, Line<br>21 | Schedule XXII, Column K Line 21 Less<br>Schedule XXII Column L, Line 21 | *                      |
| United Kingdom<br>Pounds               | Schedule XXII, Column F Line 22 Less<br>Schedule XXII Column G, Line 22 | Schedule XXII, Column I Line 22<br>Less Schedule XXII Column I, Line<br>22 | Schedule XXII, Column K Line 22 Less<br>Schedule XXII Column L, Line 22 | *                      |
| Japan Yen                              | Schedule XXII, Column F Line 23 Less<br>Schedule XXII Column G, Line 23 | Schedule XXII, Column I Line 23<br>Less Schedule XXII Column I, Line<br>23 | Schedule XXII, Column K Line 23 Less<br>Schedule XXII Column L, Line 23 | *                      |
| Canada Dollars                         | Schedule XXII, Column F Line 24 Less<br>Schedule XXII Column G, Line 24 | Schedule XXII, Column I Line 24<br>Less Schedule XXII Column I, Line<br>24 | Schedule XXII, Column K Line 24 Less<br>Schedule XXII Column L, Line 24 | *                      |
| Swiss Francs                           | Schedule XXII, Column F Line 25 Less<br>Schedule XXII Column G, Line 25 | Schedule XXII, Column I Line 25<br>Less Schedule XXII Column I, Line<br>25 | Schedule XXII, Column K Line 25 Less<br>Schedule XXII Column L, Line 25 | *                      |
| Australia Dollars                      | Schedule XXII, Column F Line 26 Less<br>Schedule XXII Column G, Line 26 | Schedule XXII, Column I Line 26<br>Less Schedule XXII Column I, Line<br>26 | Schedule XXII, Column K Line 26 Less<br>Schedule XXII Column L, Line 26 | *                      |
| New Zealand Dollars                    | Schedule XXII, Column F Line 27 Less<br>Schedule XXII Column G, Line 27 | Schedule XXII, Column I Line 27<br>Less Schedule XXII Column I, Line<br>27 | Schedule XXII, Column K Line 27 Less<br>Schedule XXII Column L, Line 27 | *                      |
| Other currency 1                       | Schedule XXII, Column F Line 28 Less<br>Schedule XXII Column G, Line 28 | Schedule XXII, Column I Line 28<br>Less Schedule XXII Column I, Line<br>28 | Schedule XXII, Column K Line 28 Less<br>Schedule XXII Column L, Line 28 | *                      |
| Other currency 2                       | Schedule XXII, Column F Line 29 Less<br>Schedule XXII Column G, Line 29 | Schedule XXII, Column I Line 29<br>Less Schedule XXII Column I, Line<br>29 | Schedule XXII, Column K Line 29 Less<br>Schedule XXII Column L, Line 29 | *                      |
| Other currency 3                       | Schedule XXII, Column F Line 30 Less<br>Schedule XXII Column G, Line 30 | Schedule XXII, Column I Line 30<br>Less Schedule XXII Column I, Line<br>30 | Schedule XXII, Column K Line 30 Less<br>Schedule XXII Column L, Line 30 | *                      |
| Other currency 4                       | Schedule XXII, Column F Line 31 Less<br>Schedule XXII Column G, Line 31 | Schedule XXII, Column I Line 31<br>Less Schedule XXII Column I, Line<br>31 | Schedule XXII, Column K Line 31 Less<br>Schedule XXII Column L, Line 31 | *                      |
| Other currency 5                       | Schedule XXII, Column F Line 32 Less<br>Schedule XXII Column G, Line 32 | Schedule XXII, Column I Line 32<br>Less Schedule XXII Column I, Line<br>32 | Schedule XXII, Column K Line 32 Less<br>Schedule XXII Column L, Line 32 | *                      |
| Other currency 6                       | Schedule XXII, Column F Line 33 Less<br>Schedule XXII Column G, Line 33 | Schedule XXII, Column I Line 33<br>Less Schedule XXII Column I, Line<br>33 | Schedule XXII, Column K Line 33 Less<br>Schedule XXII Column L, Line 33 | *                      |

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|                   |                                                                         |                                                                            |                                                                         |   |
|-------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------|---|
| Other currency 7  | Schedule XXII, Column F Line 34 Less<br>Schedule XXII Column G, Line 34 | Schedule XXII, Column I Line 34<br>Less Schedule XXII Column I, Line<br>34 | Schedule XXII, Column K Line 34 Less<br>Schedule XXII Column L, Line 34 | * |
| Other currency 8  | Schedule XXII, Column F Line 35 Less<br>Schedule XXII Column G, Line 35 | Schedule XXII, Column I Line 35<br>Less Schedule XXII Column I, Line<br>35 | Schedule XXII, Column K Line 35 Less<br>Schedule XXII Column L, Line 35 | * |
| Other currency 9  | Schedule XXII, Column F Line 36 Less<br>Schedule XXII Column G, Line 36 | Schedule XXII, Column I Line 36<br>Less Schedule XXII Column I, Line<br>36 | Schedule XXII, Column K Line 36 Less<br>Schedule XXII Column L, Line 36 | * |
| Other currency 10 | Schedule XXII, Column F Line 37 Less<br>Schedule XXII Column G, Line 37 | Schedule XXII, Column I Line 37<br>Less Schedule XXII Column I, Line<br>37 | Schedule XXII, Column K Line 37 Less<br>Schedule XXII Column L, Line 37 | * |

\* Shall be prescribed by the Authority.



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**INSTRUCTIONS AFFECTING TABLE 3B: Shock Vectors for Interest rate – Liquidity**

- (a) all assets sensitive to interest rates shall be included in the table, including but not limited to fixed income assets, hybrid instruments, deposits, loans (including mortgage and policyholder loans), reinsurance balance receivables and exposures as determined by application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for the following items:
- (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
  - (ii) segregated accounts assets;
  - (iii) deposit asset;
  - (iv) other sundry;
  - (v) derivatives;
  - (vi) funds held by ceding insurers.
- (b) all liabilities sensitive to interest rates shall be included in the table, including but not limited to best estimate of insurance liabilities, other liabilities (except risk margin) and liability exposures determined by application of the “look-through” approach calculated in accordance with the criteria prescribed by the Authority for the following items:
- (i) segregated accounts liabilities;
  - (ii) deposit liabilities;
  - (iii) other sundry liabilities;
  - (iv) derivatives;
  - (v) funds held under retrocession.
- (c) amounts are to be reported on an EBS Valuation basis.

30. The currency risk charge calculation shall be established in accordance with the following formula-

$$C_{Currency} = \sum_i [(MVA_{i,Before} - MVA_{i,After}(\chi_i)) + (MVDL_{i,Before}^Q - MVDL_{i,After}^Q(\chi_i)) + (MVDS_{i,Before}^Q - MVDS_{i,After}^Q(\chi_i))] + \max(MVLS_{i,Before}^{NQ} - MVLS_{i,After}^{NQ}(\chi_i), 0) + \max(MVDS_{i,Before}^{NQ} - MVDS_{i,After}^{NQ}(\chi_i), 0) + (MVL_{i,Before}^Q - MVL_{i,After}^Q(\chi_i))]$$

Where—

- $\chi_i$  = the instantaneous shocks prescribed in Table 4A for each type of currency where  $(MVA_{i,Before} + MVDL_{i,Before}^{NQ} + MVDS_{i,Before}^{NQ} + MVDL_{i,Before}^Q + MVDS_{i,Before}^Q - MVL_{i,Before}^Q - Currproxyscrclass_i) < 0$  and 0 otherwise;
- $Currency_i$  = refers to currency type that has been converted to the functional currency as reported in Form 1EBS
- $MVA_{i,Before}$  = refers to the market value of assets excluding currency-sensitive derivatives by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;
- $MVA_{i,After}$  = refers to the revaluation of assets excluding currency-sensitive derivatives after shocking by  $\chi(CCY)$  where (CCY) refers to currency type, and  $\chi$  refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;
- $MVDL_{i,Before}^Q$  = refers to the market value of long positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;
- $MVDL_{i,After}^Q$  = refers to the revaluation of long positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the

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|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                | criteria prescribed by the Authority)prescribed by the Authority after shocking by $\chi(\text{CCY})$ where (CCY) refers to currency type, and $\chi$ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;                                                                                                                                                      |
| $MVDS_{i, \text{Before}}^Q$    | = refers to the market value of short positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;                                                                                                                                      |
| $MVDS_{i, \text{After}}^Q$     | = refers to the revaluation of short positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(\text{CCY})$ where (CCY) refers to currency type, and $\chi$ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;                                |
| $MVDL_{i, \text{Before}}^{NQ}$ | = refers to the market value of long positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;prescribed by the Authority                                                                                                        |
| $MVDL_{i, \text{After}}^{NQ}$  | = refers to the revaluation of long positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(\text{CCY})$ where (CCY) refers to currency type, and $\chi$ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;                             |
| $MVDS_{i, \text{Before}}^{NQ}$ | = refers to the market value of short positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;                                                                                                                                  |
| $MVDS_{i, \text{After}}^{NQ}$  | = refers to the revaluation of short positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(\text{CCY})$ where (CCY) refers to currency type, and $\chi$ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;prescribed by the Authority |
| $MVL_{i, \text{Before}}^Q$     | = refers to the market value of the best estimate of insurance liabilities and other liabilities by currency type that has been converted to the functional currency as reported in Form 1EBS;                                                                                                                                                                                                                                    |
| $MVL_{i, \text{After}}^Q$      | = refers to the revaluation of the best estimate of insurance liabilities and other liabilities after shocking by $\chi(\text{CCY})$ where (CCY) refers to currency type and $\chi$ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;                                                                                                                        |
| $\text{Currproxybscr}_i$       | = greater of paragraphs (a) and (b) below:<br>(a) the ECR divided by Form 1EBS Line 39 Total Liabilities for the preceding year and<br>(b) the average of the above ratio for the preceding three years.                                                                                                                                                                                                                          |

where there are no prior submissions available, the BSCR proxy factor is the above ratio that would be obtained from the current submission without taking into account the currency risk charge.

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**Table 4A – Shocks for Currency Risk**

| Currency               | $MVA_{i,Before} -$<br>$MVA_{i,After}$                                | Long Exposure                                                        |                                                                      | Short Exposure                                                       |                                                                      | $MVL_{i,Before}^{NQ} -$<br>$MVL_{i,After}^{NQ}$                      | Shock                             |                        |
|------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|------------------------|
|                        |                                                                      | $MVDL_{i,Before}^Q -$<br>$MVDL_{i,After}^Q$                          | $MVDL_{i,Before}^{NQ} -$<br>$MVDL_{i,After}^{NQ}$                    | $MVDS_{i,Before}^Q -$<br>$MVDS_{i,After}^Q$                          | $MVDS_{i,Before}^{NQ} -$<br>$MVDS_{i,After}^{NQ}$                    |                                                                      | If reporting currency<br>$\chi_i$ | Other wise<br>$\chi_i$ |
| United States Dollar   | Schedule XXA, Column A, Line 1 Less Schedule XXA, Column G, Line 1   | Schedule XXA, Column B, Line 1 Less Schedule XXA, Column H, Line 1   | Schedule XXA, Column C, Line 1 Less Schedule XXA, Column I, Line 1   | Schedule XXA, Column D, Line 1 Less Schedule XXA, Column J, Line 1   | Schedule XXA, Column E, Line 1 Less Schedule XXA, Column K, Line 1   | Schedule XXA, Column F, Line 1 Less Schedule XXA, Column L, Line 1   | 0%                                | A                      |
| Bermuda Dollar         | Schedule XXA, Column A, Line 2 Less Schedule XXA, Column G, Line 2   | Schedule XXA, Column B, Line 2 Less Schedule XXA, Column H, Line 2   | Schedule XXA, Column C, Line 2 Less Schedule XXA, Column I, Line 2   | Schedule XXA, Column D, Line 2 Less Schedule XXA, Column J, Line 2   | Schedule XXA, Column E, Line 2 Less Schedule XXA, Column K, Line 2   | Schedule XXA, Column F, Line 2 Less Schedule XXA, Column L, Line 2   | 0%                                | B                      |
| Qatari Riyal           | Schedule XXA, Column A, Line 3 Less Schedule XXA, Column G, Line 3   | Schedule XXA, Column B, Line 3 Less Schedule XXA, Column H, Line 3   | Schedule XXA, Column C, Line 3 Less Schedule XXA, Column I, Line 3   | Schedule XXA, Column D, Line 3 Less Schedule XXA, Column J, Line 3   | Schedule XXA, Column E, Line 3 Less Schedule XXA, Column K, Line 3   | Schedule XXA, Column F, Line 3 Less Schedule XXA, Column L, Line 3   | 0%                                | C                      |
| Hong Kong Dollar       | Schedule XXA, Column A, Line 4 Less Schedule XXA, Column G, Line 4   | Schedule XXA, Column B, Line 4 Less Schedule XXA, Column H, Line 4   | Schedule XXA, Column C, Line 4 Less Schedule XXA, Column I, Line 4   | Schedule XXA, Column D, Line 4 Less Schedule XXA, Column J, Line 4   | Schedule XXA, Column E, Line 4 Less Schedule XXA, Column K, Line 4   | Schedule XXA, Column F, Line 4 Less Schedule XXA, Column L, Line 4   | 0%                                | D                      |
| Euro                   | Schedule XXA, Column A, Line 5 Less Schedule XXA, Column G, Line 5   | Schedule XXA, Column B, Line 5 Less Schedule XXA, Column H, Line 5   | Schedule XXA, Column C, Line 5 Less Schedule XXA, Column I, Line 5   | Schedule XXA, Column D, Line 5 Less Schedule XXA, Column J, Line 5   | Schedule XXA, Column E, Line 5 Less Schedule XXA, Column K, Line 5   | Schedule XXA, Column F, Line 5 Less Schedule XXA, Column L, Line 5   | 0%                                | E                      |
| Danish Krone           | Schedule XXA, Column A, Line 6 Less Schedule XXA, Column G, Line 6   | Schedule XXA, Column B, Line 6 Less Schedule XXA, Column H, Line 6   | Schedule XXA, Column C, Line 6 Less Schedule XXA, Column I, Line 6   | Schedule XXA, Column D, Line 6 Less Schedule XXA, Column J, Line 6   | Schedule XXA, Column E, Line 6 Less Schedule XXA, Column K, Line 6   | Schedule XXA, Column F, Line 6 Less Schedule XXA, Column L, Line 6   | 0%                                | F                      |
| Bulgarian Lev          | Schedule XXA, Column A, Line 7 Less Schedule XXA, Column G, Line 7   | Schedule XXA, Column B, Line 7 Less Schedule XXA, Column H, Line 7   | Schedule XXA, Column C, Line 7 Less Schedule XXA, Column I, Line 7   | Schedule XXA, Column D, Line 7 Less Schedule XXA, Column J, Line 7   | Schedule XXA, Column E, Line 7 Less Schedule XXA, Column K, Line 7   | Schedule XXA, Column F, Line 7 Less Schedule XXA, Column L, Line 7   | 0%                                | G                      |
| West African CFA Franc | Schedule XXA, Column A, Line 8 Less Schedule XXA, Column G, Line 8   | Schedule XXA, Column B, Line 8 Less Schedule XXA, Column H, Line 8   | Schedule XXA, Column C, Line 8 Less Schedule XXA, Column I, Line 8   | Schedule XXA, Column D, Line 8 Less Schedule XXA, Column J, Line 8   | Schedule XXA, Column E, Line 8 Less Schedule XXA, Column K, Line 8   | Schedule XXA, Column F, Line 8 Less Schedule XXA, Column L, Line 8   | 0%                                | H                      |
| Central African Franc  | Schedule XXA, Column A, Line 9 Less Schedule XXA, Column G, Line 9   | Schedule XXA, Column B, Line 9 Less Schedule XXA, Column H, Line 9   | Schedule XXA, Column C, Line 9 Less Schedule XXA, Column I, Line 9   | Schedule XXA, Column D, Line 9 Less Schedule XXA, Column J, Line 9   | Schedule XXA, Column E, Line 9 Less Schedule XXA, Column K, Line 9   | Schedule XXA, Column F, Line 9 Less Schedule XXA, Column L, Line 9   | 0%                                | I                      |
| Comorian Franc         | Schedule XXA, Column A, Line 10 Less Schedule XXA, Column G, Line 10 | Schedule XXA, Column B, Line 10 Less Schedule XXA, Column H, Line 10 | Schedule XXA, Column C, Line 10 Less Schedule XXA, Column I, Line 10 | Schedule XXA, Column D, Line 10 Less Schedule XXA, Column J, Line 10 | Schedule XXA, Column E, Line 10 Less Schedule XXA, Column K, Line 10 | Schedule XXA, Column F, Line 10 Less Schedule XXA, Column L, Line 10 | 0%                                | J                      |
| United                 | Schedule XXA, Column                                                 | Schedule XXA, Column                                                 | Schedule XXA, Column C,                                              | Schedule XXA, Column                                                 | Schedule XXA, Column E,                                              | Schedule XXA, Column F,                                              | 0%                                | 25.00%                 |

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**INSTRUCTIONS AFFECTING TABLE 4A: Shock factors for Currency Risk**

(a) The initials “A” to “J” on the column labeled “Shock Otherwise  $\chi_i$ ” shall be replaced by the following shock values:

- “A” by:
  - o “0%” if the reporting currency is the Bermuda Dollar or,
  - o “0.75%” if the reporting currency is the Qatari Riyal or,
  - o “1.00%” if the reporting currency is the Hong Kong Dollar or,
  - o “25%” otherwise.
- “B” by:
  - o “0%” if the reporting currency is the United States Dollar or,
  - o “25%” otherwise.
- “C” by:
  - o “0.75%” if the reporting currency is the United States Dollar or,
  - o “25%” otherwise.
- “D” by:
  - o “1.00%” if reporting currency is the United States Dollar or,
  - o “25%” otherwise.
- “E” by:
  - o “0.39%” if the reporting currency is the Danish Krone or,
  - o “1.81%” if the reporting currency is the Bulgarian Lev or,
  - o “2.18%” if the reporting currency is the West African CFA Franc or,
  - o “1.96%” if the reporting currency is the Central African CFA Franc or,
  - o “2.00%” if the reporting currency is the Comorian Franc or,
  - o “25%” otherwise.
- “F” by:
  - o “0.39%” if reporting currency is the Euro or,
  - o “25%” otherwise.
- “G” by:
  - o “1.81%” if reporting currency is the Euro or,
  - o “25%” otherwise.
- “H” by:
  - o “2.18%” if reporting currency is the Euro or,
  - o “25%” otherwise.
- “I” by:
  - o “1.96%” if reporting currency is the Euro or,
  - o “25%” otherwise.
- “J” by:
  - o “2.00%” if reporting currency is the Euro or,
  - o “25%” otherwise.

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- (b) all assets and liabilities (except the risk margin) whose value is subject to currency risk shocks shall be reported on a basis consistent with that used for purposes of economic balance sheet reporting. These assets and liabilities shall include currency risk exposures determined by application of the “look-through approach” calculated in accordance with criteria prescribed by the Authority for the following items:
- i. collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
  - ii. segregated accounts assets and liabilities;
  - iii. deposit asset and liabilities;
  - iv. assets and liabilities held by ceding insurers or under retrocession;
  - v. other sundry assets and liabilities; and
  - vi. derivatives.
- (c) where the reporting currency is the United States Dollar, the capital factor  $\chi_i$  charge shall be reduced to:
- i. 0.00% for the Bermuda Dollar;
  - ii. 0.75% for the Qatari Riyal;
  - iii. 1.00% for the Hong Kong Dollar.
- (d) where the reporting currency is the Bermuda Dollar the capital factor  $\chi_i$  charge shall be reduced to 0.00% for the United States Dollar.
- (e) where the reporting currency is the Qatari Riyal the capital factor  $\chi_i$  charge shall be reduced to 0.75% for the United States Dollar.
- (f) where the reporting currency is the Hong Kong Dollar the capital factor  $\chi_i$  charge shall be reduced to 1.00% for the United States Dollar.
- (g) where the reporting currency is Euros, the capital factor  $\chi_i$  shall be reduced to:
- i. 0.39% for the Danish Krone;
  - ii. 1.81% for the Bulgarian Lev;
  - iii. 2.18% for the West African CFA Franc;
  - iv. 1.96% for the Central African CFA Franc;
  - v. 2.00% for the Comorian Franc.
- (h) where the reporting currency is the Danish Krone the capital factor  $\chi_i$  charge shall be reduced to 0.39% for the Euro.
- (i) where the reporting currency is the Bulgarian Lev the capital factor  $\chi_i$  charge shall be reduced to 1.81% for the Euro.
- (j) where the reporting currency is the West African CFA Franc the capital factor  $\chi_i$  charge shall be reduced to 2.18% for the Euro.
- (k) where the reporting currency is the Central African CFA Franc the capital factor  $\chi_i$  charge shall be reduced to 1.96% for the Euro.
- (l) where the reporting currency is the Comorian Franc the capital factor  $\chi_i$  charge shall be reduced to 2.00% for the Euro.

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(m) any adjustment to reflect currency hedging arrangements shall not apply to the calculation of  $Currproxybscr_i$ ;

(n) insurance groups are to report currencies representing at least 95% of their economic balance sheet liabilities.

31. The concentration risk charge calculation shall be determined in accordance with the following formula-

$$C_{Concentration} = \sum_i \chi_i \times Concastclass_i;$$

Where—

$\chi_i$  = the capital charge factors prescribed in Table 5A for each type of  $Concastclass_i$  and

$Concastclass_i$  = the value of the corresponding asset prescribed in Table 5A, for each type of Asset Class.

**Table 5A – Capital charge factors for  $Concastclass_i$**

| <b>Asset Class</b>                                                   | <b>Statement Source</b> | <b>Capital Factor</b> |
|----------------------------------------------------------------------|-------------------------|-----------------------|
|                                                                      | These Rules             | $\chi_i$              |
| <i>Cash and Cash Equivalents</i>                                     |                         |                       |
| BSCR rating 0                                                        | Schedule XXIA, Column D | 0.0%                  |
| BSCR rating 1                                                        | Schedule XXIA, Column D | 0.1%                  |
| BSCR rating 2                                                        | Schedule XXIA, Column D | 0.2%                  |
| BSCR rating 3                                                        | Schedule XXIA, Column D | 0.3%                  |
| BSCR rating 4                                                        | Schedule XXIA, Column D | 0.5%                  |
| BSCR rating 5                                                        | Schedule XXIA, Column D | 1.5%                  |
| BSCR rating 6                                                        | Schedule XXIA, Column D | 4.0%                  |
| BSCR rating 7                                                        | Schedule XXIA, Column D | 6.0%                  |
| BSCR rating 8                                                        | Schedule XXIA, Column D | 9.0%                  |
| <i>Corporate &amp; Sovereign Bonds</i>                               |                         |                       |
| BSCR rating 0                                                        | Schedule XXIA, Column D | 0.0%                  |
| BSCR rating 1                                                        | Schedule XXIA, Column D | 0.4%                  |
| BSCR rating 2                                                        | Schedule XXIA, Column D | 0.8%                  |
| BSCR rating 3                                                        | Schedule XXIA, Column D | 1.5%                  |
| BSCR rating 4                                                        | Schedule XXIA, Column D | 3.0%                  |
| BSCR rating 5                                                        | Schedule XXIA, Column D | 8.0%                  |
| BSCR rating 6                                                        | Schedule XXIA, Column D | 15.0%                 |
| BSCR rating 7                                                        | Schedule XXIA, Column D | 26.3%                 |
| BSCR rating 8                                                        | Schedule XXIA, Column D | 35.0%                 |
| <i>Residential Mortgage-Backed Securities</i>                        |                         |                       |
| BSCR rating 0                                                        | Schedule XXIA, Column D | 0.0%                  |
| BSCR rating 1                                                        | Schedule XXIA, Column D | 0.6%                  |
| BSCR rating 2                                                        | Schedule XXIA, Column D | 1.2%                  |
| BSCR rating 3                                                        | Schedule XXIA, Column D | 2.0%                  |
| BSCR rating 4                                                        | Schedule XXIA, Column D | 4.0%                  |
| BSCR rating 5                                                        | Schedule XXIA, Column D | 11.0%                 |
| BSCR rating 6                                                        | Schedule XXIA, Column D | 25.0%                 |
| BSCR rating 7                                                        | Schedule XXIA, Column D | 35.0%                 |
| BSCR rating 8                                                        | Schedule XXIA, Column D | 35.0%                 |
| <i>Commercial Mortgage-Backed Securities/Asset Backed Securities</i> |                         |                       |
| BSCR rating 0                                                        | Schedule XXIA, Column D | 0.0%                  |
| BSCR rating 1                                                        | Schedule XXIA, Column D | 0.5%                  |

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|                                               |                         |       |
|-----------------------------------------------|-------------------------|-------|
| BSCR rating 2                                 | Schedule XXIA, Column D | 1.0%  |
| BSCR rating 3                                 | Schedule XXIA, Column D | 1.8%  |
| BSCR rating 4                                 | Schedule XXIA, Column D | 3.5%  |
| BSCR rating 5                                 | Schedule XXIA, Column D | 10.0% |
| BSCR rating 6                                 | Schedule XXIA, Column D | 20.0% |
| BSCR rating 7                                 | Schedule XXIA, Column D | 30.0% |
| BSCR rating 8                                 | Schedule XXIA, Column D | 35.0% |
| <i>Bond Mutual Funds</i>                      |                         |       |
| BSCR rating 0                                 | Schedule XXIA, Column D | 0.0%  |
| BSCR rating 1                                 | Schedule XXIA, Column D | 0.4%  |
| BSCR rating 2                                 | Schedule XXIA, Column D | 0.8%  |
| BSCR rating 3                                 | Schedule XXIA, Column D | 1.5%  |
| BSCR rating 4                                 | Schedule XXIA, Column D | 3.0%  |
| BSCR rating 5                                 | Schedule XXIA, Column D | 8.0%  |
| BSCR rating 6                                 | Schedule XXIA, Column D | 15.0% |
| BSCR rating 7                                 | Schedule XXIA, Column D | 26.3% |
| BSCR rating 8                                 | Schedule XXIA, Column D | 35.0% |
| <i>Preferred Shares</i>                       |                         |       |
| BSCR rating 1                                 | Schedule XXIA, Column D | 0.6%  |
| BSCR rating 2                                 | Schedule XXIA, Column D | 1.2%  |
| BSCR rating 3                                 | Schedule XXIA, Column D | 2.0%  |
| BSCR rating 4                                 | Schedule XXIA, Column D | 4.0%  |
| BSCR rating 5                                 | Schedule XXIA, Column D | 11.0% |
| BSCR rating 6                                 | Schedule XXIA, Column D | 25.0% |
| BSCR rating 7                                 | Schedule XXIA, Column D | 35.0% |
| BSCR rating 8                                 | Schedule XXIA, Column D | 35.0% |
| <i>Mortgage Loans</i>                         |                         |       |
| Insured/Guaranteed Mortgages                  | Schedule XXIA, Column D | 0.3%  |
| Other Commercial and Farm Mortgages           | Schedule XXIA, Column D | 5.0%  |
| Other Residential Mortgages                   | Schedule XXIA, Column D | 1.5%  |
| Mortgages Not In Good Standing                | Schedule XXIA, Column D | 25%   |
| <i>Other Asset Classes</i>                    |                         |       |
|                                               |                         |       |
| Infrastructure                                | Schedule XXIA, Column D | 25.0% |
| Listed Equity Securities in Developed Markets | Schedule XXIA, Column D | 35.0% |
| Other Equities                                | Schedule XXIA, Column D | 45.0% |
| Strategic Holdings                            | Schedule XXIA, Column D | 20.0% |
| Duration Based                                | Schedule XXIA, Column D | 20.0% |
| Letters of Credit                             | Schedule XXIA, Column H | 20.0% |
| Advances to Affiliates                        | Schedule XXIA, Column D | 5.0%  |
| Policy Loans                                  | Schedule XXIA, Column D | 0.0%  |
| Equity Real Estate 1                          | Schedule XXIA, Column D | 10.0% |
| Equity Real Estate 2                          | Schedule XXIA, Column D | 20.0% |
| Collateral Loans                              | Schedule XXIA, Column D | 5.0%  |

**INSTRUCTIONS AFFECTING TABLE 5A: Capital factor charge for *Concastclass<sub>i</sub>***

- Concastclass<sub>i</sub>* shall only apply to an insurance groups' ten largest counterparty exposures based on the aggregate of all assets set out in the in Table 5A relating to that counterparty;
- for the purposes of Table 5A, a counterparty exposure shall be reported on the valuation of individually underlying assets i.e. determined by application of the "look through" approach in accordance with criteria prescribed by the Authority for all amounts reported on the balance sheet;



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(c) for the purposes of Table 5A, a counterparty shall include all related or connected counterparties captured by either of the following criteria:

- (i) controller relationship: if a counterparty, directly or indirectly, has control of (as a result of its majority shareholding in or effective management) which it is a subsidiary company; or
- (ii) economic interdependence: if one of the counterparties were to experience financial difficulties which directly or indirectly affect the ability of any or all of the remaining counterparties to perform their financial obligations (for example where a counterparty becomes unable to fund or repay certain financial contractual obligations, and as a result, other counterparties, are likely to be unable to fund or repay certain obligations imposed on them);

32. The premium risk charge calculation shall be established in accordance with the following formula-

$$C_{Premium} = \sqrt{\sum_{i,j} Corr Premium_{i,j} \times C_i \times C_j} ;$$

Where—

- $Corr Premium_{i,j}$  = the correlation factors of the premium risk module correlation matrix in accordance with Table 6B;
- $i,j$  = the sum of the different terms should cover all possible combinations of  $i$  and  $j$ ; and
- $C_i$  and  $C_j$  = risk charge  $i$  and risk charge  $j$  which are replaced by the following:  
 $C_{premium_i}$ ,  $C_{premium_j}$  as calculated in accordance with paragraph 33.

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**Table 6B – Premium Risk Module Correlation Matrix**

| <i>Corr Prem<sub>i,j</sub></i> | Prop Cat | Prop | Prop NP | PA   | PA NP | Aviat n | Aviatn NP | C/S  | C/S NP | Ergy O/M | Ergy O/M NP | US Cas | US Cas NP | US Prof | US Prof NP | US Spec | US Spec NP | Int Motor | Int Motor NP | Int Cas | Int Cas NP | Retro Prop | Str/Fin Re | Health |
|--------------------------------|----------|------|---------|------|-------|---------|-----------|------|--------|----------|-------------|--------|-----------|---------|------------|---------|------------|-----------|--------------|---------|------------|------------|------------|--------|
| Prop Cat                       | 1        |      |         |      |       |         |           |      |        |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| Prop                           | 0.25     | 1    |         |      |       |         |           |      |        |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| Prop NP                        | 0.25     | 0.5  | 1       |      |       |         |           |      |        |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| PA                             | 0.25     | 0.25 | 0.25    | 1    |       |         |           |      |        |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| PA NP                          | 0.25     | 0.25 | 0.25    | 0.5  | 1     |         |           |      |        |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| Aviat n                        | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 1       |           |      |        |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| Aviatn NP                      | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.5     | 1         |      |        |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| C/S                            | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 1    |        |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| C/S NP                         | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.5  | 1      |          |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| Ergy O/M                       | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 1        |             |        |           |         |            |         |            |           |              |         |            |            |            |        |
| Ergy O/MN P                    | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.5      | 1           |        |           |         |            |         |            |           |              |         |            |            |            |        |
| US Cas                         | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 1      |           |         |            |         |            |           |              |         |            |            |            |        |
| US CasNP                       | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.5    | 1         |         |            |         |            |           |              |         |            |            |            |        |
| US Prof                        | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.5    | 0.5       | 1       |            |         |            |           |              |         |            |            |            |        |
| US Prof NP                     | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.5    | 0.5       | 0.5     | 1          |         |            |           |              |         |            |            |            |        |
| US Spec                        | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.25   | 0.25      | 0.25    | 0.25       | 1       |            |           |              |         |            |            |            |        |
| US Spec NP                     | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.25   | 0.25      | 0.25    | 0.25       | 0.5     | 1          |           |              |         |            |            |            |        |
| Int Motor                      | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.25   | 0.25      | 0.25    | 0.25       | 0.25    | 0.25       | 1         |              |         |            |            |            |        |
| Int Motor NP                   | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.25   | 0.25      | 0.25    | 0.25       | 0.25    | 0.25       | 0.5       | 1            |         |            |            |            |        |
| Int Cas                        | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.5    | 0.5       | 0.5     | 0.5        | 0.25    | 0.25       | 0.25      | 0.25         | 1       |            |            |            |        |
| Int Cas NP                     | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.5    | 0.5       | 0.5     | 0.5        | 0.25    | 0.25       | 0.25      | 0.25         | 0.5     | 1          |            |            |        |
| Retro Prop                     | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.25   | 0.25      | 0.25    | 0.25       | 0.25    | 0.25       | 0.25      | 0.25         | 0.25    | 0.25       | 1          |            |        |
| Str / Fin Re                   | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.25   | 0.25      | 0.25    | 0.25       | 0.25    | 0.25       | 0.25      | 0.25         | 0.25    | 0.25       | 0.25       | 1          |        |
| Health                         | 0.25     | 0.25 | 0.25    | 0.25 | 0.25  | 0.25    | 0.25      | 0.25 | 0.25   | 0.25     | 0.25        | 0.25   | 0.25      | 0.25    | 0.25       | 0.25    | 0.25       | 0.25      | 0.25         | 0.25    | 0.25       | 0.25       | 0.25       | 1      |

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33. The Line of Business premium risk charge  $C_{premium_i}$  calculation shall be determined in accordance with the following formula:

$$C_{premium_i} = \left[ (\chi_i^1 \times BaseExp_i) + (\chi_i^2 \times FPExisting_i) + (\chi_i^3 \times FPFuture_i) \right] \frac{ExposureMeasure_i}{geolineprem_i} - avgpremcap \times \frac{avgannloss}{catlossratio}$$

Where—

|                     |   |                                                                                                                                                                                                                                                                                                  |
|---------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| $\chi_i^1$          | = | individual $BaseExp_i$ risk capital charge factor as prescribed in Table 6C;                                                                                                                                                                                                                     |
| $BaseExp_i$         | = | the greater of premium written in reporting period and the estimate of the net premiums to be earned by the insurance group during the next twelve month accounting period;                                                                                                                      |
| $geolineprem_i$     | = | geographic diversification of premium exposure measure for line of business $i$ as prescribed in Table 6D;                                                                                                                                                                                       |
| $\chi_i^2$          | = | individual $FPExisting_i$ risk capital charge factor as prescribed in Table 6C;                                                                                                                                                                                                                  |
| $FPExisting_i$      | = | expected present value of premiums to be earned by the insurance group after the next twelve month reporting period for existing qualifying multi-year insurance policies for line of business $i$ as prescribed in Table 6C;                                                                    |
| $\chi_i^3$          | = | individual $FPFuture_i$ risk capital charge factor as prescribed in Table 6C;                                                                                                                                                                                                                    |
| $FPFuture_i$        | = | expected present value of net premiums to be earned by the insurance group after the next twelve month reporting period for qualifying multi-year insurance policies where the initial recognition date falls in the following twelve months for line of business $i$ as prescribed in Table 6C; |
| $avgpremcap$        | = | weighted average premium risk capital charge factor for $BaseExp_i$ (after correlation adjustment and allowing for geographic diversification);                                                                                                                                                  |
| $avgannloss$        | = | average annual loss estimated with catastrophe models;                                                                                                                                                                                                                                           |
| $catlossratio$      | = | expected industry average catastrophe loss ratio prescribed by the Authority;                                                                                                                                                                                                                    |
| $ExposureMeasure_i$ | = | the sum of $BaseExp_i$ , $FPExisting_i$ and $FPFuture_i$                                                                                                                                                                                                                                         |

**Table 6C – Capital charge factors for Premium Risk**

|                                    | (1)                                            | (2)                             | (3)                                               | (4)                             | (5)                                             | (6)                             |
|------------------------------------|------------------------------------------------|---------------------------------|---------------------------------------------------|---------------------------------|-------------------------------------------------|---------------------------------|
| Line of business                   | Statement Source<br>These Rules<br>$BaseExp_i$ | Capital<br>Factor<br>$\chi_i^1$ | Statement Source<br>These Rules<br>$FPExisting_i$ | Capital<br>Factor<br>$\chi_i^2$ | Statement Source<br>These Rules<br>$FPFuture_i$ | Capital<br>Factor<br>$\chi_i^3$ |
| Property catastrophe               | Schedule IVD, Line 1, Column (C)               | 0.0%                            | Schedule IVD, Line 1, Column (D)                  | 11.5%                           | Schedule IVD, Line 1, Column (E)                | 5.8%                            |
| Property                           | Schedule IVD, Line 2, Column (C)               | 49.7%                           | Schedule IVD, Line 2, Column (D)                  | 12.4%                           | Schedule IVD, Line 2, Column (E)                | 6.2%                            |
| Property non-proportional          | Schedule IVD, Line 3, Column (C)               | 51.6%                           | Schedule IVD, Line 3, Column (D)                  | 12.9%                           | Schedule IVD, Line 3, Column (E)                | 6.5%                            |
| Personal accident                  | Schedule IVD, Line 4, Column (C)               | 34.1%                           | Schedule IVD, Line 4, Column (D)                  | 8.5%                            | Schedule IVD, Line 4, Column (E)                | 4.3%                            |
| Personal accident non-proportional | Schedule IVD, Line 5, Column (C)               | 41.2%                           | Schedule IVD, Line 5, Column (D)                  | 12.4%                           | Schedule IVD, Line 5, Column (E)                | 6.2%                            |
| Aviation                           | Schedule IVD, Line                             | 48.2%                           | Schedule IVD, Line                                | 14.5%                           | Schedule IVD, Line                              | 7.2%                            |

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|                                                   | 6, Column (C)                     |       | 6, Column (D)                     |       | 6, Column (E)                     |       |
|---------------------------------------------------|-----------------------------------|-------|-----------------------------------|-------|-----------------------------------|-------|
| Aviation non-proportional                         | Schedule IVD, Line 7, Column (C)  | 48.2% | Schedule IVD, Line 7, Column (D)  | 14.5% | Schedule IVD, Line 7, Column (E)  | 7.2%  |
| Credit / surety                                   | Schedule IVD, Line 8, Column (C)  | 39.8% | Schedule IVD, Line 8, Column (D)  | 11.9% | Schedule IVD, Line 8, Column (E)  | 6.0%  |
| Credit / surety non-proportional                  | Schedule IVD, Line 9, Column (C)  | 45.4% | Schedule IVD, Line 9, Column (D)  | 13.6% | Schedule IVD, Line 9, Column (E)  | 6.8%  |
| Energy offshore /marine                           | Schedule IVD, Line 10, Column (C) | 42.1% | Schedule IVD, Line 10, Column (D) | 12.6% | Schedule IVD, Line 10, Column (E) | 6.3%  |
| Energy offshore / marine non-proportional         | Schedule IVD, Line 11, Column (C) | 47.0% | Schedule IVD, Line 11, Column (D) | 14.1% | Schedule IVD, Line 11, Column (E) | 7.1%  |
| US casualty                                       | Schedule IVD, Line 12, Column (C) | 50.3% | Schedule IVD, Line 12, Column (D) | 25.1% | Schedule IVD, Line 12, Column (E) | 12.6% |
| US casualty non-proportional                      | Schedule IVD, Line 13, Column (C) | 55.6% | Schedule IVD, Line 13, Column (D) | 27.8% | Schedule IVD, Line 13, Column (E) | 13.9% |
| US professional                                   | Schedule IVD, Line 14, Column (C) | 51.2% | Schedule IVD, Line 14, Column (D) | 25.6% | Schedule IVD, Line 14, Column (E) | 12.8% |
| US professional non-proportional                  | Schedule IVD, Line 15, Column (C) | 53.8% | Schedule IVD, Line 15, Column (D) | 26.9% | Schedule IVD, Line 15, Column (E) | 13.5% |
| US specialty                                      | Schedule IVD, Line 16, Column (C) | 51.4% | Schedule IVD, Line 16, Column (D) | 25.7% | Schedule IVD, Line 16, Column (E) | 12.9% |
| US specialty non-proportional                     | Schedule IVD, Line 17, Column (C) | 52.7% | Schedule IVD, Line 17, Column (D) | 26.3% | Schedule IVD, Line 17, Column (E) | 13.2% |
| International motor                               | Schedule IVD, Line 18, Column (C) | 42.2% | Schedule IVD, Line 18, Column (D) | 12.7% | Schedule IVD, Line 18, Column (E) | 6.3%  |
| International motor non-proportional              | Schedule IVD, Line 19, Column (C) | 48.2% | Schedule IVD, Line 19, Column (D) | 24.1% | Schedule IVD, Line 19, Column (E) | 12.1% |
| International casualty non-motor                  | Schedule IVD, Line 20, Column (C) | 50.0% | Schedule IVD, Line 20, Column (D) | 25.0% | Schedule IVD, Line 20, Column (E) | 12.5% |
| International casualty non-motor non-proportional | Schedule IVD, Line 21, Column (C) | 53.6% | Schedule IVD, Line 21, Column (D) | 26.8% | Schedule IVD, Line 21, Column (E) | 13.4% |
| Retro property                                    | Schedule IVD, Line 22, Column (C) | 50.8% | Schedule IVD, Line 22, Column (D) | 12.7% | Schedule IVD, Line 22, Column (E) | 6.4%  |
| Structured / finite reinsurance                   | Schedule IVD, Line 23, Column (C) | 27.2% | Schedule IVD, Line 23, Column (D) | 6.8%  | Schedule IVD, Line 23, Column (E) | 3.4%  |
| Health                                            | Schedule IVD, Line 24, Column (C) | 15.0% | Schedule IVD, Line 24, Column (D) | 3.8%  | Schedule IVD, Line 24, Column (E) | 1.9%  |

**INSTRUCTIONS AFFECTING TABLE 6C: Capital charge factors for Premium Risk**

- (a) all reported net premium exposure measures as prescribed in Schedule IVD that are subject to capital charges within the premium risk charge shall be included;
- (b) “qualifying multi-year insurance policies” means those insurance policies with a term longer than twelve months after allowing for the criteria prescribed by the Authority;
- (c) all net premium exposure measures by statutory Line of Business shall be reported on a basis consistent with that prescribed in Schedule IVD; and
- (d) an insurance group may provide net premium exposure measures for all statutory Lines of General Business, or for particular statutory Lines of General Business, split by geographic zone as set out in Table 6D.  $geolineprem_i$  is then derived from the total premium for that

Line of Business by reducing the total by 25% times  $\frac{\sum x_i^2}{(\sum x_i)^2}$  where  $x_i$  = the net premium exposure measure in the Line of Business for  $Zone_i$ ; and where the summation covers all zones; and

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**Table 6D – Underwriting Geographical Zones**

| <b>Underwriting Zone</b>                               | <b>Location</b>                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Zone 1 - Central & Western Asia                        | Armenia, Azerbaijan, Bahrain, Georgia, Iraq, Israel, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Oman, Palestinian, Qatar, Saudi Arabia, Saudi Arab Republic, Tajikistan, Turkey, Turkmenistan, United Arab Emirates and Uzbekistan                                                                                                                                                                                                      |
| Zone 2 - Eastern Asia                                  | China, Hong Kong, Japan, Macao, Mongolia, North Korea, South Korea, and Taiwan                                                                                                                                                                                                                                                                                                                                                                |
| Zone 3 - South and South-Eastern Asia                  | Afghanistan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, India, Indonesia, Iran, Lao PDR, Malaysia, Maldives, Myanmar, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Timor-Leste, and Vietnam                                                                                                                                                                                                                            |
| Zone 4 - Oceania                                       | American Samoa, Australia, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, New Zealand, Niue, Norfolk Island, N. Mariana Islands, Palau, Papua New Guinea, Pitcairn, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis & Futuna Island                                                                                                                                |
| Zone 5 - Northern Africa                               | Algeria, Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Cote d' Ivoire, Egypt, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Libya, Mali, Mauritania, Morocco, Niger, Nigeria, Saint Helena, Senegal, Sierra Leone, Sudan, Togo, Tunisia, and Western Sahara                                                                                                                                                     |
| Zone 6 - Southern Africa                               | Angola, Botswana, Burundi, Democratic Republic of Congo, Comoros, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mayotte, Mozambique, Namibia, Republic of Congo, Reunion, Rwanda, Sao Tome & Principe, Seychelles, Somalia, South Africa, Swaziland, Uganda, United Republic of Tanzania, Zambia, and Zimbabwe                                                                        |
| Zone 7 - Eastern Europe                                | Belarus, Bulgaria, Czech Republic, Hungary, Moldova, Poland, Romania, Russian Federation, Slovakia, and Ukraine                                                                                                                                                                                                                                                                                                                               |
| Zone 8 - Northern Europe                               | Aland Islands, Channel Islands, Denmark, Estonia, Faeroe Islands, Finland, Guernsey, Iceland, Republic of Ireland, Isle of Man, Jersey, Latvia, Lithuania, Norway, Svalbard, Jan Mayen, Sweden, United Kingdom                                                                                                                                                                                                                                |
| Zone 9 - Southern Europe                               | Albania, Andorra, Bosnia, Croatia, Cyprus, Gibraltar, Greece, Italy, fYR of Macedonia, Malta, Montenegro, Portugal, San Marino, Serbia, Slovenia, Spain, and Vatican City                                                                                                                                                                                                                                                                     |
| Zone 10 - Western Europe                               | Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Monaco, Netherlands, and Switzerland                                                                                                                                                                                                                                                                                                                                            |
| Zone 11 - Northern America (Excluding USA)             | Bermuda, Canada, Greenland, and St Pierre & Miquelon                                                                                                                                                                                                                                                                                                                                                                                          |
| Zone 12 - Caribbean & Central America                  | Anguilla, Antigua & Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Costa Rica, Cuba, Dominica, Dominican, El Salvador, Grenada, Guadeloupe, Guatemala, Haiti, Honduras, Jamaica, Martinique, Mexico, Montserrat, Netherlands Antilles, Nicaragua, Panama, Puerto Rico, St-Barthelemy, St Kitts & Nevis, St Lucia, St Martin, St Vincent, Trinidad & Tobago, Turks & Caicos Islands, and US Virgin Islands |
| Zone 13 - Eastern South America                        | Brazil, Falkland Islands, French Guiana, Guyana, Paraguay, Suriname, and Uruguay                                                                                                                                                                                                                                                                                                                                                              |
| Zone 14 - Northern, Southern and Western South America | Argentina, Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela                                                                                                                                                                                                                                                                                                                                                                             |
| Zone 15 - North-                                       | Connecticut, Delaware, District of Columbia, Maine, Maryland,                                                                                                                                                                                                                                                                                                                                                                                 |

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|                                    |                                                                                                                                                            |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| East United States                 | Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont                                                                |
| Zone 16 - South-East United States | Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, Virginia, and West Virginia |
| Zone 17 - Mid-West United States   | Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, and Wisconsin                        |
| Zone 18 - Western United States    | Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming                            |

34. The reserve risk charge calculation shall be established in accordance with the following formula—

$$C_{reserve} = \sqrt{\sum_{i,j} Corr\ Re\ serve_{i,j} \times C_i \times C_j};$$

Where—

$Corr\ Re\ serve_{i,j}$  = the correlation factors of the reserve risk module correlation matrix in accordance with table 7A;

$i,j$  = the sum of the different terms should cover all possible combinations of i and j;

$C_i$  and  $C_j$  = risk charge  $i$  and risk charge  $j$  which are replaced by the following:  
 $C_{reserve_i}$ ,  $C_{reserve_j}$  as calculated in accordance with paragraph 35.

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**Table 7A – Reserve Risk Module Correlation Matrix**

| <i>Corr<br/>Re serve<sub>i,j</sub></i> | Prop<br>Cat | Prop | Prop<br>NP | PA   | PA<br>NP | Aviat<br>n | Aviatn<br>NP | C/S  | C/S<br>NP | Ergy<br>O/<br>M | Ergy<br>O/M<br>NP | US<br>Cas | US<br>Cas<br>NP | US<br>Prof | US<br>Prof<br>NP | US<br>Spec | US<br>Spec<br>NP | Int<br>Mot<br>or | Int<br>Motor<br>NP | Int<br>Cas | Int<br>Cas<br>NP | Retro<br>Prop | Str/<br>Fin<br>Re | Health |
|----------------------------------------|-------------|------|------------|------|----------|------------|--------------|------|-----------|-----------------|-------------------|-----------|-----------------|------------|------------------|------------|------------------|------------------|--------------------|------------|------------------|---------------|-------------------|--------|
| Prop<br>Cat                            | 1           |      |            |      |          |            |              |      |           |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| Prop                                   | 0.25        | 1    |            |      |          |            |              |      |           |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| Prop NP                                | 0.25        | 0.5  | 1          |      |          |            |              |      |           |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| PA                                     | 0.25        | 0.25 | 0.25       | 1    |          |            |              |      |           |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| PA NP                                  | 0.25        | 0.25 | 0.25       | 0.5  | 1        |            |              |      |           |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| Aviat n                                | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 1          |              |      |           |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| Aviatn<br>NP                           | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.5        | 1            |      |           |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| C/S                                    | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 1    |           |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| C/S<br>NP                              | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.5  | 1         |                 |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| Ergy<br>O/M                            | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 1               |                   |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| Ergy<br>O/MNP                          | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.5             | 1                 |           |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| US Cas                                 | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 1         |                 |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| US<br>CasNP                            | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.5       | 1               |            |                  |            |                  |                  |                    |            |                  |               |                   |        |
| US Prof                                | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.5       | 0.5             | 1          |                  |            |                  |                  |                    |            |                  |               |                   |        |
| US Prof<br>NP                          | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.5       | 0.5             | 0.5        | 1                |            |                  |                  |                    |            |                  |               |                   |        |
| US Spec                                | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.25      | 0.25            | 0.25       | 0.25             | 1          |                  |                  |                    |            |                  |               |                   |        |
| US Spec<br>NP                          | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.25      | 0.25            | 0.25       | 0.25             | 0.5        | 1                |                  |                    |            |                  |               |                   |        |
| Int<br>Motor                           | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.25      | 0.25            | 0.25       | 0.25             | 0.25       | 0.25             | 1                |                    |            |                  |               |                   |        |
| Int<br>Motor<br>NP                     | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.25      | 0.25            | 0.25       | 0.25             | 0.25       | 0.25             | 0.5              | 1                  |            |                  |               |                   |        |
| Int Cas                                | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.5       | 0.5             | 0.5        | 0.5              | 0.25       | 0.25             | 0.25             | 0.25               | 1          |                  |               |                   |        |
| Int Cas<br>NP                          | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.5       | 0.5             | 0.5        | 0.5              | 0.25       | 0.25             | 0.25             | 0.25               | 0.5        | 1                |               |                   |        |
| Retro<br>Prop                          | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.25      | 0.25            | 0.25       | 0.25             | 0.25       | 0.25             | 0.25             | 0.25               | 0.25       | 0.25             | 1             |                   |        |
| Str /<br>Fin Re                        | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.25      | 0.25            | 0.25       | 0.25             | 0.25       | 0.25             | 0.25             | 0.25               | 0.25       | 0.25             | 0.25          | 1                 |        |
| Health                                 | 0.25        | 0.25 | 0.25       | 0.25 | 0.25     | 0.25       | 0.25         | 0.25 | 0.25      | 0.25            | 0.25              | 0.25      | 0.25            | 0.25       | 0.25             | 0.25       | 0.25             | 0.25             | 0.25               | 0.25       | 0.25             | 0.25          | 0.25              | 1      |

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35. The Line of Business reserve risk charge  $C_{reserve_i}$  calculation shall be determined in accordance with the following formula—

$$C_{reserve_i} = \beta_i \times geolinersvs_i;$$

Where—

- $\beta_i$  = individual  $geolinersvs_i$  risk capital charge factor as prescribed in Table 7B;
- $geolinersvs_i$  = geographic diversification of reserves for individual Lines of Business  $i$  as prescribed in Table 6D;

**Table 7B – Capital charge factors for  $geolinersvs_i$**

| Line of business<br>$geolinersvs_i$               | Statement Source<br>These Rules | Capital Factor<br>$\beta_i$ |
|---------------------------------------------------|---------------------------------|-----------------------------|
| Property catastrophe                              | Schedule III, Line 1            | 46.2%                       |
| Property                                          | Schedule III, Line 2            | 43.8%                       |
| Property non- proportional                        | Schedule III, Line 3            | 49.7%                       |
| Personal accident                                 | Schedule III, Line 4            | 29.7%                       |
| Personal accident non-proportional                | Schedule III, Line 5            | 34.9%                       |
| Aviation                                          | Schedule III, Line 6            | 46.0%                       |
| Aviation non- proportional                        | Schedule III, Line 7            | 48.3%                       |
| Credit / surety                                   | Schedule III, Line 8            | 38.4%                       |
| Credit / surety non- proportional                 | Schedule III, Line 9            | 43.5%                       |
| Energy offshore /marine                           | Schedule III, Line 10           | 39.5%                       |
| Energy offshore / marine non- proportional        | Schedule III, Line 11           | 43.9%                       |
| US casualty                                       | Schedule III, Line 12           | 43.0%                       |
| US casualty non- proportional                     | Schedule III, Line 13           | 48.8%                       |
| US professional                                   | Schedule III, Line 14           | 46.3%                       |
| US professional non- proportional                 | Schedule III, Line 15           | 51.5%                       |
| US specialty                                      | Schedule III, Line 16           | 46.5%                       |
| US specialty non- proportional                    | Schedule III, Line 17           | 48.3%                       |
| International motor                               | Schedule III, Line 18           | 37.1%                       |
| International motor non-proportional              | Schedule III, Line 19           | 43.5%                       |
| International casualty non-motor                  | Schedule III, Line 20           | 43.7%                       |
| International casualty non-motor non-proportional | Schedule III, Line 21           | 49.4%                       |
| Retro property                                    | Schedule III, Line 22           | 47.8%                       |
| Structured / finite reinsurance                   | Schedule III, Line 23           | 24.1%                       |
| Health                                            | Schedule III, Line 24           | 12.5%                       |

**INSTRUCTIONS AFFECTING TABLE 7B: Capital charge factors for  $geolinersvs_i$**

- all reported net loss and loss expense provisions for the relevant year by statutory Line of Business as prescribed in this Schedule are subject to capital charges within the reserve risk charge and shall be included;
- all reported net loss and loss expense provisions by statutory Line of Business shall be reported on a basis consistent with that used for purposes of statutory financial reporting;
- an insurance group may provide loss and loss expense provisions exposure for all statutory Lines of General Business, or for particular statutory Lines of General Business, split by geographic zone as set out in Table 6D.  $geolinersvs_i$  is then derived from the total loss and loss expense provisions for that Line of Business by reducing the total by 25% times



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$\frac{\sum x_i^2}{(\sum x_i)^2}$  where  $x_i$  = best estimate net loss and loss expense provisions in that line of business for  $Zone_i$ ; and where the summation covers all zones; and

(d) amounts are to be reported on an EBS Valuation basis.

36. The credit risk charge calculation shall be established in accordance with the following formula—

$$C_{credit} = \sum_i \delta_i \times debtor_i \times \mu_r + CCROTC;$$

Where—

$\delta_i$  = the credit risk capital charge factor for type of  $debtor_i$  as prescribed in Table 8A;

$debtor_i$  = receivable amount from  $debtor_i$  net of any collateral in favour of the insurance group;

$\mu_r$  = additional diversification adjustment factor applied to reinsurance balances only taking into consideration diversification by number of reinsurers, equal to 40%.

CCROTC = counterparty default risk for over-the-counter derivatives calculated as per the following formula:

$$CCROTC = \sum_i \text{Max}(0, MVDerivativeP_i - (1 - \beta_i) \text{Min}(MVderivativeP_i, MVCollateral_i)) \times \alpha_i$$

$MVDerivativeP_i$  = Market value of over-the-counter derivatives with positive market values and BSCR rating<sub>i</sub>,

$\beta$  = collateral factor as prescribed in Table 8B;

$\alpha_i$  = capital factor for the BSCR rating<sub>i</sub> as prescribed in Table 8B;

$MVCollateral$  = market value of collateral of over-the-counter derivatives with positive market values and BSCR rating<sub>i</sub>.

**Table 8A – Capital charge factors for  $debtor_i$**

| Type of debtor<br>$debtor_i$                                                                                                  | Statement Source<br>These Rules                 | Capital Factor<br>$\delta_i$ |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------|
| <i>Accounts and Premiums Receivable</i>                                                                                       |                                                 |                              |
| In course of collection                                                                                                       | Form 1EBS, Line 10(a)                           | 5.0%                         |
| Deferred - Not Yet Due                                                                                                        | Form 1SFS, Line 10 (b)                          | 5.0%                         |
| Receivables from retrocessional contracts less collateralized balances                                                        | Form 1EBS, Line 10(c) and instruction (c) below | 10.0%                        |
| <i>All Other Receivables</i>                                                                                                  |                                                 |                              |
| Accrued investment income                                                                                                     | Form 1EBS, Line 9                               | 2.5%                         |
| Advances to affiliates                                                                                                        | Form 1EBS, Line 4(g)                            | 5.0%                         |
| Balances receivable on sale of investments                                                                                    | Form 1EBS, Line 13(f)                           | 2.5%                         |
| <i>Particulars of reinsurance balances shall be the maximum of the amounts calculated from paragraphs (i) and (ii) below:</i> |                                                 |                              |
| <i>(i) Particulars of reinsurance balances for current year by BSCR Rating</i>                                                |                                                 |                              |
| BSCR rating 0                                                                                                                 | Schedule XVIII paragraph (d)                    | 0.0%                         |
| BSCR rating 1                                                                                                                 | Schedule XVIII paragraph (d)                    | 0.7%                         |
| BSCR rating 2                                                                                                                 | Schedule XVIII paragraph (d)                    | 1.5%                         |

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|                                                                                   |                                                                            |                                     |                                               |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------|
| BSCR rating 3                                                                     | Schedule XVIII paragraph (d)                                               | 3.5%                                |                                               |
| BSCR rating 4                                                                     | Schedule XVIII paragraph (d)                                               | 7.0%                                |                                               |
| BSCR rating 5                                                                     | Schedule XVIII paragraph (d)                                               | 12.0%                               |                                               |
| BSCR rating 6                                                                     | Schedule XVIII paragraph (d)                                               | 20.0%                               |                                               |
| BSCR rating 7                                                                     | Schedule XVIII paragraph (d)                                               | 17.0%                               |                                               |
| BSCR rating 8                                                                     | Schedule XVIII paragraph (d)                                               | 35.0%                               |                                               |
| Less: Diversification adjustment                                                  | Schedule XVIII paragraph (d)                                               | 40.0%                               |                                               |
| <i>(ii) Particulars of reinsurance balances for future premium by BSCR Rating</i> |                                                                            |                                     |                                               |
| Premium Risk Capital Charge (Gross)                                               | As prescribed in paragraph (d)(ii)(B)                                      |                                     |                                               |
| Premium Risk Capital Charge (Net)                                                 | Premium Risk Charge as prescribed in paragraph 32                          |                                     |                                               |
| Premium Risk Capital Charge (Ceded)                                               | Premium Risk Capital Charge (Gross) less Premium Risk Capital Charge (Net) |                                     |                                               |
| <b>Type of debtor</b><br><i>debtor<sub>i</sub></i>                                | <b>Statement Source</b><br>These Rules                                     | <b>Debtor Allocation</b>            | <b>Capital Factor</b><br><i>δ<sub>i</sub></i> |
| BSCR rating 0                                                                     | paragraph (i) BSCR Rating 0 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 0.0%                                          |
| BSCR rating 1                                                                     | paragraph (i) BSCR Rating 1 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 0.7%                                          |
| BSCR rating 2                                                                     | paragraph (i) BSCR Rating 2 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 1.5%                                          |
| BSCR rating 3                                                                     | paragraph (i) BSCR Rating 3 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 3.5%                                          |
| BSCR rating 4                                                                     | paragraph (i) BSCR Rating 4 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 7.0%                                          |
| BSCR rating 5                                                                     | paragraph (i) BSCR Rating 5 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 12.0%                                         |
| BSCR rating 6                                                                     | paragraph (i) BSCR Rating 6 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 20.0%                                         |
| BSCR rating 7                                                                     | paragraph (i) BSCR Rating 7 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 17.0%                                         |
| BSCR rating 8                                                                     | paragraph (i) BSCR Rating 8 / paragraph (i) Sum(BSCR Ratings 0 – 8)        | Premium Risk Capital Charge (Ceded) | 35.0%                                         |
| Less: Diversification adjustment                                                  |                                                                            | Schedule XVIII paragraph (d)        | 40.0%                                         |

**INSTRUCTIONS AFFECTING TABLE 8A: Capital charge factors for *debtor<sub>i</sub>***

- all accounts and premiums receivable and all other receivables that are subject to capital charges within the credit risk charge shall be included;
- all accounts and premiums receivable, reinsurance balances receivables, all other receivables, and reinsurance recoverable balances shall be reported on a basis consistent with that used for purposes of statutory financial reporting;
- “collateralized balances” for the purposes of this paragraph shall mean assets pledged in favor of the insurance group relating to accounts and premiums receivable under Table 8A – Capital charge factors for *debtor<sub>i</sub>* ;
- Particulars of reinsurance balances shall be the greater of paragraphs (i) and (ii) below

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- (i) Particulars of reinsurance balances for current year by BSCR rating are as follows:
- (A) the net qualifying exposure which is comprised of reinsurance balances receivable and reinsurance balances recoverable, less the corresponding reinsurance balances payable and other payables less the qualifying collateral issued in favor of the insurance group in relation to the reinsurance balances;
  - (B) the “net qualifying exposure” referenced in paragraph (d)(i)(A) above shall be subject to the prescribed credit risk capital factor under Table 8A;
  - (C) the total capital requirement relating to the reinsurance balances shall be reduced by a diversification adjustment of up to a maximum of 40%;
  - (D) the “diversification” adjustment” referenced in paragraph (d)(i)(C) above shall be determined by calculating 40% multiplied by 1 minus the ratio of the largest net reinsurance exposure, on an individual reinsurer basis, to total net reinsurance exposure;
- (ii) Particulars of reinsurance balances for future premium by BSCR rating are as follows:
- (A) the Premium Risk Capital Charge (Gross), as prescribed in paragraph (d)(ii)(B) below, less the Premium Risk Capital Charge (Net), as prescribed in paragraph 32, shall be referred to as the “Premium Risk Capital Charge (Ceded)”. Such amount shall be allocated to type of debtor ( $debtor_i$ ) by BSCR rating Net Qualifying Exposure Measure as reported on Schedule XVIII;
  - (B) the Premium Risk Capital Charge (Gross) is calculated in the same manner as Premium Risk Capital Charge (Net) using the Gross Premium Exposure Measure (Schedule IVD, Column G) rather than the Net Premium Exposure Measure (Schedule IVD, Column F) as the input  $ExposureMeasure_i$  parameter in paragraph 33.  $ExposureMeasure_i$  is allocated to  $BaseExp_i$ ,  $FPExisting_i$  and  $FPFuture_i$  for the Premium Risk Capital Charge (Gross) calculation in the same proportions as in the Premium Risk Capital Charge (Net) calculation.
  - (C) the Premium Risk Capital Charge (Ceded) shall be subject to the prescribed credit risk capital charge factor under Table 8A.
  - (D) the total capital requirement relating to the reinsurance balances shall be reduced by a diversification adjustment of up to a maximum of 40%;
  - (E) the “diversification” adjustment” referenced in paragraph (d)(i)(C) above shall be determined by calculating 40% multiplied by 1 minus the ratio of the largest net reinsurance exposure, on an individual reinsurer basis, to total net reinsurance exposure;

**Table 8B – Capital charge factors for Default Risk for over-the-counter Derivatives**

| Rating of over-the-counter Derivatives Counterparty | Capital Factor $\alpha_i$ | Capital charge factors on Collateral $\beta_i$ |
|-----------------------------------------------------|---------------------------|------------------------------------------------|
| BSCR Rating 0                                       | 0.0%                      | 3.0%                                           |
| BSCR Rating 1                                       | 0.4%                      | 3.0%                                           |
| BSCR Rating 2                                       | 0.8%                      | 3.0%                                           |
| BSCR Rating 3                                       | 1.5%                      | 3.0%                                           |
| BSCR Rating 4                                       | 3.0%                      | 3.0%                                           |
| BSCR Rating 5                                       | 8.0%                      | 3.0%                                           |
| BSCR Rating 6                                       | 15.0%                     | 3.0%                                           |
| BSCR Rating 7                                       | 26.3%                     | 3.0%                                           |
| BSCR Rating 8                                       | 35.0%                     | 3.0%                                           |

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37. The catastrophe risk charge calculation shall be established in accordance with the following formula—

$$C_{catastrophe} = NetPML - Netcatprem + CR_{PML};$$

Where—

- NetPML* = net probable maximum loss as prescribed in Schedule V paragraph (h);
- Netcatprem* = average annual loss excluding property catastrophe as prescribed in Schedule V paragraph (i) divided by {(estimated industry catastrophe loss ratio of 40% as prescribed in this Schedule) plus property catastrophe premium as included in Schedule IVD, Line 1, Column B}; and
- CR<sub>PML</sub>* = {(gross probable maximum loss as prescribed in Schedule V paragraph (g); minus net probable maximum loss as prescribed in Schedule V paragraph (h); minus arrangements with respect to property catastrophe recoverables as prescribed in Schedule V paragraph (k)(v) of these Rules; times (Credit risk charge, equal to 10%, associated with reinsurance recoveries of ceded catastrophe losses)}:
- (a) all reported net probable maximum loss, gross probable maximum loss, average annual loss excluding property catastrophe, property catastrophe premium and arrangements with respect to property catastrophe recoverables as prescribed in Schedule V that are subject to capital charges herein shall be included; and
- (b) the amount of collateral and other funded arrangements with respect to property catastrophe recoverables shall be reported and reduced by 2% to account for the market risk associated with the underlying collateral assets.

38. The insurance risk - mortality charge calculation for long-term business shall be established in accordance with the following formula –

$$C_{LTmort} = \left[ \sum_{i>1} \alpha 1_i \times NAAR1_i \right] + \left[ \sum_{i>1} \alpha 2_i \times NAAR2_i \right];$$

Where —

- $\alpha 1_i$  = capital charge factor for adjustable mortality long-term business as prescribed in Table 9A;
- NAAR1<sub>i</sub>* = the Net Amount at Risk of all adjustable mortality long-term business prescribed in Schedule VII, Column (9), Line 1 of these Rules;
- $\alpha 2_i$  = capital charge factor for non-adjustable mortality long-term business prescribed in Table 9A;
- NAAR2<sub>i</sub>* = the Net Amount at Risk of all non-adjustable mortality long-term business prescribed in Schedule VII, Column (10), Line 1 of these Rules;

**Table 9A – Capital charge factors for *NAAR1<sub>i</sub>* or *NAAR2<sub>i</sub>***

| <b>Net Amount at Risk<br/><i>NAAR1<sub>i</sub></i> or <i>NAAR2<sub>i</sub></i></b> | <b>Capital Factor<br/><math>\alpha 1_i</math></b> | <b>Capital Factor<br/><math>\alpha 2_i</math></b> |
|------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| First \$1 billion                                                                  | 0.00199                                           | 0.00397                                           |
| Next \$4 billion                                                                   | 0.00090                                           | 0.00180                                           |
| Next \$5 billion                                                                   | 0.00072                                           | 0.00144                                           |
| Next \$40 billion                                                                  | 0.00065                                           | 0.00129                                           |
| Excess over \$50 billion                                                           | 0.00057                                           | 0.00113                                           |

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39. The insurance risk – stop loss charge calculation for long-term business shall be established in accordance with the following formula –

$$C_{LTsl} = 50\% \times \text{net annual premium for stop loss covers as prescribed in Schedule VII, Column (11), Line 14 of these Rules.}$$

40. The insurance risk – rider charge calculation for long-term business shall be established in accordance with the following formula –

$$C_{LTTr} = 25\% \times \text{net annual premium for insurance product riders not included elsewhere as prescribed in Schedule VII, Column (11), Line 15 of these Rules.}$$

41. The insurance risk – morbidity and disability charge calculation for long-term business shall be established in accordance with the following formula –

$$C_{LTmorb} = (a) + (b) + (c) + (d) + (e)$$

Where—

- (a) = 7.00% x BSCR adjusted reserves for disability income claims in payment on waiver of premium and long-term care as prescribed in Schedule VII, Column (7), Line 9 of these Rules;
- (b) = 10% x BSCR adjusted reserves for disability income claims in payment on other accident and sickness products as prescribed in Schedule VII, Column (7), Line 10 of these Rules;
- (c)  $\left[ \sum_{i>1} \alpha_i \times NAP_i \right]$

Where –

$\alpha_i$  = individual  $NAP_i$  capital charge factor as prescribed in Table 10A;

$NAP_i$  = the Net Annual Premium for disability income business – active lives as described in Table 11A;

**Table 10A – Capital charge factors for  $NAP_i$**

| Net Annual Premium<br>$NAP_i$                                                                                           | Statement Source<br>These Rules      | Capital Factor<br>$\alpha_i$ |
|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------------------------|
| Benefit period less than or equal to two years, premium guarantee less than or equal to 1 year                          | Schedule VII, Column (9), Line 7(a)  | 9.0%                         |
| Benefit period less than or equal to two years, premium guarantee of more than 1 year but less than or equal to 5 years | Schedule VII, Column (9), Line 7(b)  | 15.0%                        |
| Benefit period less than or equal to two years, premium guarantee of more than 5 years                                  | Schedule VII, Column (9), Line 7(c)  | 22.5%                        |
| Benefit period less than or equal to two years, premium guarantee less than or equal to 1 year                          | Schedule VII, Column (10), Line 7(a) | 12.0%                        |
| Benefit period less than or equal to two years, premium guarantee of more than 1 year but less than or equal to 5 years | Schedule VII, Column (10), Line 7(b) | 20.0%                        |
| Benefit period less than or equal to two years, premium guarantee of more than 5 years                                  | Schedule VII, Column (10), Line 7(c) | 30.0%                        |

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- (d) 12% x net annual premiums for disability income - active lives for other accident and sickness products as prescribed in Schedule VII, Column (11), Line 8; and

$$= \left[ \sum_{i>1} \alpha 1_i \times NAAR1_i \right] + \left[ \sum_{i>1} \alpha 2_i \times NAAR2_i \right]$$

Where –

- (e)  $\alpha 1_i$  = capital charge factor for adjustable critical illness insurance business as prescribed in Table 11A;  
 $NAAR1_i$  = the Net Amount at Risk of all adjustable critical illness insurance business in force as in Schedule VII, Column (9), Line 2;  
 $\alpha 2_i$  = capital charge factor for non-adjustable critical illness insurance business as prescribed in Table 11A;  
 $NAAR2_i$  = the Net Amount at Risk of all non-adjustable critical illness insurance business in force as in Schedule VII, Column (10), Line 2.

**Table 11A – Capital charge factors for  $NAAR1_i$  or  $NAAR2_i$**

| Net Amount at Risk<br>$NAAR1_i$ or $NAAR2_i$ | Capital Factor<br>$\alpha 1_i$ | Capital Factor<br>$\alpha 2_i$ |
|----------------------------------------------|--------------------------------|--------------------------------|
| First \$1 billion                            | 0.00596                        | 0.01191                        |
| Next \$4 billion                             | 0.00270                        | 0.00540                        |
| Next \$5 billion                             | 0.00216                        | 0.00432                        |
| Next \$40 billion                            | 0.00194                        | 0.00387                        |
| Excess over \$50 billion                     | 0.00170                        | 0.00339                        |

42. The insurance risk – longevity charge calculation for long-term business shall be established in accordance with the following formula –

$$C_{LTlong} = \sum_{i>1} \alpha_i \times BAR_i;$$

Where—

- $\alpha_i$  = capital charge factor as prescribed in Table 12A; and  
 $BAR_i$  = the BSCR adjusted reserves for longevity risk as described in Table 12A.

**Table 12A – Capital charge factors for  $BAR_i$**

| BSCR adjusted reserves<br>$BAR_i$                                                                                                               | Statement Source<br>These Rules     | Capital Factor<br>$\alpha_i$ |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------|
| Longevity ( <i>immediate pay-out annuities, contingent annuities, pension blocks</i> ) – Attained age of annuitant:                             |                                     |                              |
| 0-55 years                                                                                                                                      | Schedule VII, Column (7), Line 3(a) | 2.0%                         |
| 56-65 years                                                                                                                                     | Schedule VII, Column (7), Line 3(b) | 3.0%                         |
| 66-70 years                                                                                                                                     | Schedule VII, Column (7), Line 3(c) | 4.0%                         |
| 71-80 years                                                                                                                                     | Schedule VII, Column (7), Line 3(d) | 5.0%                         |
| 81+ years                                                                                                                                       | Schedule VII, Column (7), Line 3(e) | 6.0%                         |
| Longevity ( <i>deferred pay-out annuities, future contingent annuities, future pension pay-outs</i> ) – Age at which annuity benefits commence: |                                     |                              |
| 0-55 years                                                                                                                                      | Schedule VII, Column (7), Line 4(a) | 2.0%                         |
| 56-60 years                                                                                                                                     | Schedule VII, Column (7), Line 4(b) | 3.0%                         |
| 61-65 years                                                                                                                                     | Schedule VII, Column (7), Line 4(c) | 4.0%                         |
| 66-70 years                                                                                                                                     | Schedule VII, Column (7), Line 4(d) | 5.0%                         |
| 71-75 years                                                                                                                                     | Schedule VII, Column (7), Line 4(e) | 6.0%                         |
| 76+ years                                                                                                                                       | Schedule VII, Column (7), Line 4(e) | 7.0%                         |

**INSTRUCTIONS AFFECTING TABLE 12A: Capital charge factors for  $BAR_i$**

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(a) For joint and survivor annuities, the youngest age should be used.

43. The variable annuity guarantee risk charge calculation for long-term business shall be established in accordance with the following formula –

$$C_{LTV A} = \text{either } \sum_{i>1} (TotalBS Re q_i - TotalBAR - TotalGMB_{adj}) \text{ or } (IMC Re q_{LTV A})$$

Where—

- (i)  $TotalBS Re q_i$  = higher of (a)  $(\alpha 1_i \times GV1_i + \alpha 2_i \times GV2_i + \alpha 3_i \times GV3_i)$  and  
(b)  $(\alpha 4_i \times NAR1_i + \alpha 5_i \times NAR2_i + \alpha 6_i \times NAR3_i)$ ;
- (ii)  $TotalBAR$  = the total BSCR adjusted reserves for variable annuity guarantee risk. The statement source for  $TotalBAR$  is Schedule VII, line 17, column (7) of these Rules;
- (iii)  $TotalGMB_{adj}$  = the capital requirement charged on guaranteed minimum death benefit (GMDB) policies multiplied by the percentage of GMDB with multiple guarantees. The statement source for the percentage of GMDB with multiple guarantees is Schedule VIII, line 32, column (4) of these Rules;
- (iv)  $IMC Re q_{LTV A}$  = the capital requirement for variable annuity guarantee risk determined in accordance with an insurance group's internal capital model, if applicable. The statement source for  $IMC Re q_{LTV A}$  is Schedule VIIIA, line 1, column (7) of these Rules;
- (v)  $(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i)$  have the statement source identified in Table 13A; and
- (vi)  $(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i)$  are the capital factors as prescribed in Table 14A.

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**Table 13A – Capital charge factors for  $(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i)$**

| <b>Variable Annuity Benefit Type</b>                                                                         | <b>Statement Source<br/>These Rules<br/><math>GV1_i</math></b> | <b>Statement Source<br/>These Rules<br/><math>GV2_i</math></b> | <b>Statement Source<br/>These Rules<br/><math>GV3_i</math></b> | <b>Statement Source<br/>These Rules<br/><math>Nar1_i</math></b> | <b>Statement Source<br/>These Rules<br/><math>Nar2_i</math></b> | <b>Statement Source<br/>These Rules<br/><math>Nar3_i</math></b> |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| Guaranteed minimum death benefit: Return of premium, ratchet and reset                                       | Schedule VIII, lines 1 and 16, column (2)                      | Schedule VIII, lines 1 and 16, column (3)                      | Schedule VIII, lines 1 and 16, column (4)                      | Schedule VIII, lines 1, column (5)                              | Schedule VIII, lines 1, column (6)                              | Schedule VIII, lines 1, column (7)                              |
| Guaranteed minimum death benefit: Enhanced benefits (roll up)                                                | Schedule VIII, Lines 2 and 17, column (2)                      | Schedule VIII, Lines 2 and 17, column (3)                      | Schedule VIII, Lines 2 and 17, column (4)                      | Schedule VIII, Lines 2, column (5)                              | Schedule VIII, Lines 2, column (6)                              | Schedule VIII, Lines 2, column (7)                              |
| Guaranteed minimum income benefit                                                                            | Schedule VIII, Lines 3 and 18, column (2)                      | Schedule VIII, Lines 3 and 18, column (3)                      | Schedule VIII, Lines 3 and 18, column (4)                      | Schedule VIII, Lines 3, column (5)                              | Schedule VIII, Lines 3, column (6)                              | Schedule VIII, Lines 3, column (7)                              |
| Guaranteed minimum withdrawal benefit                                                                        | Schedule VIII, Lines 4 and 19, column (2)                      | Schedule VIII, Lines 4 and 19, column (3)                      | Schedule VIII, Lines 4 and 19, column (4)                      | Schedule VIII, Lines 4, column (5)                              | Schedule VIII, Lines 4, column (6)                              | Schedule VIII, Lines 4, column (7)                              |
| Guaranteed enhanced earnings benefit                                                                         | Schedule VIII, Lines 5 and 20, column (2)                      | Schedule VIII, Lines 5 and 20, column (3)                      | Schedule VIII, Lines 5 and 20, column (4)                      | Schedule VIII, Lines 5, column (5)                              | Schedule VIII, Lines 5, column (6)                              | Schedule VIII, Lines 5, column (7)                              |
| Guaranteed minimum accumulation benefit with 1 year or less to maturity                                      | Schedule VIII, Lines 6 and 21, column (2)                      | Schedule VIII, Lines 6 and 21, column (3)                      | Schedule VIII, Lines 6 and 21, column (4)                      | Schedule VIII, Lines 6, column (5)                              | Schedule VIII, Lines 6, column (6)                              | Schedule VIII, Lines 6, column (7)                              |
| Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity  | Schedule VIII, Lines 7 and 22, column (2)                      | Schedule VIII, Lines 7 and 22, column (3)                      | Schedule VIII, Lines 7 and 22, column (4)                      | Schedule VIII, Lines 7, column (5)                              | Schedule VIII, Lines 7, column (6)                              | Schedule VIII, Lines 7, column (7)                              |
| Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity | Schedule VIII, Lines 8 and 23, column (2)                      | Schedule VIII, Lines 8 and 23, column (3)                      | Schedule VIII, Lines 8 and 23, column (4)                      | Schedule VIII, Lines 8, column (5)                              | Schedule VIII, Lines 8, column (6)                              | Schedule VIII, Lines 8, column (7)                              |
| Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity | Schedule VIII, Lines 9 and 24, column (2)                      | Schedule VIII, Lines 9 and 24, column (3)                      | Schedule VIII, Lines 9 and 24, column (4)                      | Schedule VIII, Lines 9, column (5)                              | Schedule VIII, Lines 9, column (6)                              | Schedule VIII, Lines 9, column (7)                              |
| Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity | Schedule VIII, Lines 10 and 25, column (2)                     | Schedule VIII, Lines 10 and 25, column (3)                     | Schedule VIII, Lines 10 and 25, column (4)                     | Schedule VIII, Lines 10, column (5)                             | Schedule VIII, Lines 10, column (6)                             | Schedule VIII, Lines 10, column (7)                             |
| Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity | Schedule VIII, Lines 11 and 26, column (2)                     | Schedule VIII, Lines 11 and 26, column (3)                     | Schedule VIII, Lines 11 and 26, column (4)                     | Schedule VIII, Lines 11, column (5)                             | Schedule VIII, Lines 11, column (6)                             | Schedule VIII, Lines 11, column (7)                             |
| Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity | Schedule VIII, Lines 12 and 27, column (2)                     | Schedule VIII, Lines 12 and 27, column (3)                     | Schedule VIII, Lines 12 and 27, column (4)                     | Schedule VIII, Lines 12, column (5)                             | Schedule VIII, Lines 12, column (6)                             | Schedule VIII, Lines 12, column (7)                             |



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|                                                                                                              |                                            |                                            |                                            |                                     |                                     |                                     |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Guaranteed minimum accumulation benefit with more than 7 years but less than or equal to 8 years to maturity | Schedule VIII, Lines 13 and 28, column (2) | Schedule VIII, Lines 13 and 28, column (3) | Schedule VIII, Lines 13 and 28, column (4) | Schedule VIII, Lines 13, column (5) | Schedule VIII, Lines 13, column (6) | Schedule VIII, Lines 13, column (7) |
| Guaranteed minimum accumulation benefit with more than 8 years but less than or equal to 9 years to maturity | Schedule VIII, Lines 14 and 29, column (2) | Schedule VIII, Lines 14 and 29, column (3) | Schedule VIII, Lines 14 and 29, column (4) | Schedule VIII, Lines 14, column (5) | Schedule VIII, Lines 14, column (6) | Schedule VIII, Lines 14, column (7) |
| Guaranteed minimum accumulation benefit with more than 9 years to maturity                                   | Schedule VIII, Lines 15 and 30, column (2) | Schedule VIII, Lines 15 and 30, column (3) | Schedule VIII, Lines 15 and 30, column (4) | Schedule VIII, Lines 15, column (5) | Schedule VIII, Lines 15, column (6) | Schedule VIII, Lines 15, column (7) |

**Table 14A – Capital charge factors for  $(\alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5, \alpha_6)$**

| <b>Variable Annuity Benefit Type</b>                                                                         | <b>Capital Charge<br/><math>\alpha_1</math></b> | <b>Capital Charge<br/><math>\alpha_2</math></b> | <b>Capital Charge<br/><math>\alpha_3</math></b> | <b>Capital Charge<br/><math>\alpha_4</math></b> | <b>Capital Charge<br/><math>\alpha_5</math></b> | <b>Capital Charge<br/><math>\alpha_6</math></b> |
|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Guaranteed minimum death benefit: Return of premium, ratchet and reset                                       | 0.25%                                           | 0.50%                                           | 0.75%                                           | 4.00%                                           | 8.50%                                           | 13.00%                                          |
| Guaranteed minimum death benefit: Enhanced benefits (roll up)                                                | 0.75%                                           | 1.00%                                           | 1.25%                                           | 12.00%                                          | 16.50%                                          | 21.00%                                          |
| Guaranteed minimum income benefit                                                                            | 5.00%                                           | 6.50%                                           | 8.00%                                           | 100.00%                                         | 130.00%                                         | 160.00%                                         |
| Guaranteed minimum withdrawal benefit                                                                        | 3.25%                                           | 4.25%                                           | 5.00%                                           | 60.00%                                          | 75.00%                                          | 90.00%                                          |
| Guaranteed enhanced earnings benefit                                                                         | 0.00%                                           | 0.50%                                           | 1.00%                                           | 1.00%                                           | 9.00%                                           | 17.00%                                          |
| Guaranteed minimum accumulation benefit with 1 year or less to maturity                                      | 3.20%                                           | 5.00%                                           | 9.00%                                           | 90.00%                                          | 130.00%                                         | 250.00%                                         |
| Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity  | 3.00%                                           | 5.00%                                           | 8.90%                                           | 80.00%                                          | 115.00%                                         | 200.00%                                         |
| Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity | 3.00%                                           | 5.00%                                           | 8.90%                                           | 70.00%                                          | 105.00%                                         | 160.00%                                         |
| Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity | 2.80%                                           | 5.00%                                           | 8.80%                                           | 60.00%                                          | 95.00%                                          | 135.00%                                         |
| Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity | 2.40%                                           | 4.30%                                           | 8.00%                                           | 55.00%                                          | 85.00%                                          | 115.00%                                         |
| Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity | 2.00%                                           | 3.50%                                           | 6.80%                                           | 50.00%                                          | 75.00%                                          | 100.00%                                         |
| Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity | 1.70%                                           | 2.80%                                           | 5.90%                                           | 45.00%                                          | 65.00%                                          | 90.00%                                          |
| Guaranteed minimum accumulation benefit with more than 7 years but less than or equal to 8 years to maturity | 1.40%                                           | 2.10%                                           | 4.90%                                           | 40.00%                                          | 55.00%                                          | 80.00%                                          |
| Guaranteed minimum accumulation benefit with more than 8 years but less than or equal to 9 years to maturity | 1.10%                                           | 1.70%                                           | 4.30%                                           | 35.00%                                          | 50.00%                                          | 70.00%                                          |
| Guaranteed minimum accumulation benefit with more than 9 years to maturity                                   | 1.00%                                           | 1.40%                                           | 3.90%                                           | 30.00%                                          | 45.00%                                          | 60.00%                                          |

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44. The other insurance risk charge for long-term business calculation shall be established in accordance with the following formula –

$$C_{LToth} = \sum_{i>1} \alpha_i \times NetBAR_i;$$

Where—

$\alpha_i$  = individual  $BAR_i$  capital charge factor as prescribed in Table 15A;  
and  
 $BAR_i$  = the BSCR adjusted reserves for other insurance risk for long-term business as described in Table 15A.

**Table 15A – Capital charge factors for  $BAR_i$**

| <b>BSCR adjusted reserves<br/><math>BAR_i</math></b>                                         | <b>Statement Source<br/>These Rules</b> | <b>Capital Factor<br/><math>\alpha_i</math></b> |
|----------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------|
| Mortality (term insurance, whole life, universal life)                                       | Schedule VII, Column (7), Line 1        | 2.0%                                            |
| Critical illness (including accelerated critical illness products)                           | Schedule VII, Column (7), Line 2        | 2.0%                                            |
| Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs)              | Schedule VII, Column (7), Line 3(f)     | 0.5%                                            |
| Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs) | Schedule VII, Column (7), Line 4(g)     | 0.5%                                            |
| Annuities certain only                                                                       | Schedule VII, Column (7), Line 5        | 0.5%                                            |
| Deferred accumulation annuities                                                              | Schedule VII, Column (7), Line 6        | 0.5%                                            |
| Disability income: active lives – including waiver of premium and long-term care             | Schedule VII, Column (7), Line 7(d)     | 2.0%                                            |
| Disability income: active lives – other accident and sickness                                | Schedule VII, Column (7), Line 8        | 2.0%                                            |
| Disability income: claims in payment – including waiver of premium and long-term care        | Schedule VII, Column (7), Line 9        | 0.5%                                            |
| Disability income: claims in payment – other accident and sickness                           | Schedule VII, Column (7), Line 10       | 0.5%                                            |
| Group life                                                                                   | Schedule VII, Column (7), Line 11       | 0.5%                                            |
| Group disability                                                                             | Schedule VII, Column (7), Line 12       | 0.5%                                            |
| Group health                                                                                 | Schedule VII, Column (7), Line 13       | 0.5%                                            |
| Stop loss                                                                                    | Schedule VII, Column (7), Line 14       | 2.0%                                            |
| Rider (other product riders not included above)                                              | Schedule VII, Column (7), Line 15       | 2.0%                                            |

45. The operational risk charge calculation shall be established in accordance with the following formula—

$$C_{operational} = \rho \times ACov;$$

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Where —

$\rho$  = an amount between 1% and 20% as determined by the Authority in accordance with Table 16G;

$ACov$  = BSCR after covariance amount or an amount prescribed by the Authority.

**Table 16G – Operational Risk Charge for  $\rho$**

| Overall Score     | Applicable Operational Risk Charge $\rho$ |
|-------------------|-------------------------------------------|
| $\leq 4000$       | 20.0%                                     |
| $>4000 \leq 5200$ | 18.0%                                     |
| $>5200 \leq 6000$ | 15.0%                                     |
| $>6000 \leq 6650$ | 12.0%                                     |
| $>6650 \leq 7250$ | 9.0%                                      |
| $>7250 \leq 7650$ | 7.0%                                      |
| $>7650 \leq 7850$ | 5.0%                                      |
| $>7850 \leq 8050$ | 3.0%                                      |
| $>8050 \leq 8250$ | 2.0%                                      |
| $>8250$           | 1.0%                                      |

**INSTRUCTIONS AFFECTING TABLE 16G**

In this table, “overall score” means an amount equal to the sum of the aggregate score derived from each of tables 16H, 16I, 16J, 16K, 16L, and 16M.

**TABLE 16H  
Corporate Governance Score Table**

| Criterion                                                                                                                                                                                                | Implemented | Score     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------|
| Parent company’s board sets risk policies, practices and tolerance limits for all material foreseeable operational risks at least annually and ensures they are communicated to insurance group entities |             | 200       |
| Parent company’s board monitors adherence to operational risk tolerance limits more regularly than annually                                                                                              |             | 200       |
| Parent company’s board receives, at least annually, reports on the effectiveness of material operational risk internal controls as well as senior manager’s plans to address related weaknesses          |             | 200       |
| Parent company’s board ensures that systems and/or procedures are in place to identify, report and promptly address internal control deficiencies related to operational risks                           |             | 200       |
| Parent company’s board promotes full, open and timely disclosure from senior management on all significant issues related to operational risk                                                            |             | 200       |
| Parent company’s board ensures that periodic independent reviews of the risk management function are performed and receives the findings of the review                                                   |             | 200       |
| <b>Total</b>                                                                                                                                                                                             |             | <b>XX</b> |
| <b>Comments</b>                                                                                                                                                                                          |             |           |
|                                                                                                                                                                                                          |             |           |

**INSTRUCTIONS AFFECTING TABLE 16H**

The total score is derived by adding the score for each criterion of corporate governance that the parent company’s board has implemented.

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**TABLE 16I**  
**Risk Management Function ('RMF') Score Table**

| <b>Criterion</b>                                                                                                                                                                                                                                                | <b>Implemented</b> | <b>Score</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------|
| RMF is independent of other operational units and has direct access to the parent company's Board of Directors                                                                                                                                                  |                    | 150          |
| RMF is entrenched in strategic planning, decision making and the budgeting process                                                                                                                                                                              |                    | 150          |
| RMF ensures that the risk management procedures and policies are well documented and approved by the parent company's Board of Directors                                                                                                                        |                    | 150          |
| RMF ensures that the risk management policies and procedures are communicated throughout the insurance group                                                                                                                                                    |                    | 150          |
| RMF ensures that operational risk management processes and procedures are reviewed at least annually                                                                                                                                                            |                    | 150          |
| RMF ensures that loss events arising from operational risks are documented and loss event data is integrated into the risk management strategy                                                                                                                  |                    | 150          |
| RMF ensures that risk management recommendations are documented for operational units, ensures that deficiencies have remedial plans and that progress on the execution of such plans are reported to the parent company's Board of Directors at least annually |                    | 150          |
| <b>Total</b>                                                                                                                                                                                                                                                    |                    | <b>XX</b>    |
| <b>Comments</b>                                                                                                                                                                                                                                                 |                    |              |
|                                                                                                                                                                                                                                                                 |                    |              |

**INSTRUCTIONS AFFECTING TABLE 16I**

The total score is derived by adding the score for each criterion of an insurance group's risk management function that the parent company's board has implemented.

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**TABLE 16J**  
**Risk Identification Processes ('RIP') Score Table**

| <b>Progression</b> |         | <b>Criterion</b>                                                                                                                 | <b>Operational Risk Areas</b> |    |             |                       |                    |                     |    |            |
|--------------------|---------|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----|-------------|-----------------------|--------------------|---------------------|----|------------|
| Stage              | Scoring |                                                                                                                                  | Fraud                         | HR | Outsourcing | Distribution Channels | Business Processes | Business Continuity | IT | Compliance |
| 1                  | 50      | RIP are ad hoc                                                                                                                   |                               |    |             |                       |                    |                     |    |            |
| 2                  | 100     | RIP have been implemented but not standardized across the insurance group                                                        |                               |    |             |                       |                    |                     |    |            |
| 3                  | 150     | RIP have been implemented, well documented and understood by relevant staff, and standardized across the entire insurance group  |                               |    |             |                       |                    |                     |    |            |
| 4                  | 200     | In addition to Stage 3, RIP are reviewed at least annually with the view to assessing effectiveness and introducing improvements |                               |    |             |                       |                    |                     |    |            |
|                    |         | <b>Total</b>                                                                                                                     | XX                            | XX | XX          | XX                    | XX                 | XX                  | XX | <b>XX</b>  |

| <b>Comments</b> |
|-----------------|
|                 |

**INSTRUCTIONS AFFECTING TABLE 16J**

- (a) the total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurance group's implementation in respect of its RIP;
- (b) where the insurance group's assessment of the operational risk area is between stages (i.e. exceeds the criterion for each given stage, while only partially meeting the criterion of the next stage), the insurance group shall be deemed to have met the criterion of the lower stage; and
- (c) where an operational risk area is not applicable to the insurance group's operations, the insurance group shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

**INSURANCE (PRUDENTIAL STANDARDS) (INSURANCE GROUP SOLVENCY REQUIREMENT) AMENDMENT RULES 2018**

**TABLE 16K**  
**Risk Measurement Processes ('RMP') Score Table**

| Progression |         | Criterion                                                                                                                        | Operational Risk Areas |    |             |                       |                    |                     |    |            |
|-------------|---------|----------------------------------------------------------------------------------------------------------------------------------|------------------------|----|-------------|-----------------------|--------------------|---------------------|----|------------|
| Stage       | Scoring |                                                                                                                                  | Fraud                  | HR | Outsourcing | Distribution Channels | Business Processes | Business Continuity | IT | Compliance |
| 1           | 50      | RIP are ad hoc                                                                                                                   |                        |    |             |                       |                    |                     |    |            |
| 2           | 100     | RIP have been implemented but not standardized across the insurance group                                                        |                        |    |             |                       |                    |                     |    |            |
| 3           | 150     | RIP have been implemented, well documented and understood by relevant staff, and standardized across the entire insurance group  |                        |    |             |                       |                    |                     |    |            |
| 4           | 200     | In addition to Stage 3, RIP are reviewed at least annually with the view to assessing effectiveness and introducing improvements |                        |    |             |                       |                    |                     |    |            |
|             |         | <b>Total</b>                                                                                                                     | XX                     | XX | XX          | XX                    | XX                 | XX                  | XX | <b>XX</b>  |

| Comments |
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|          |

**INSTRUCTIONS AFFECTING TABLE 16K**

- (a) the total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurance group's implementation in respect of its RIP;
- (b) where the insurance group's assessment of the operational risk area is between stages (i.e. exceeds the criterion for each given stage, while only partially meeting the criterion of the next stage), the insurance group shall be deemed to have met the criterion of the lower stage; and
- (c) where an operational risk area is not applicable to the insurance group's operations, the insurance group shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

**INSURANCE (PRUDENTIAL STANDARDS) (INSURANCE GROUP SOLVENCY REQUIREMENT) AMENDMENT RULES 2018**

**TABLE 16L**  
**Risk Response Processes ('RRP') Score Table**

| Progression |         | Criterion                                                                                                                        | Operational Risk Areas |    |             |                       |                    |                     |    |            |
|-------------|---------|----------------------------------------------------------------------------------------------------------------------------------|------------------------|----|-------------|-----------------------|--------------------|---------------------|----|------------|
| Stage       | Scoring |                                                                                                                                  | Fraud                  | HR | Outsourcing | Distribution Channels | Business Processes | Business Continuity | IT | Compliance |
| 1           | 50      | RIP are ad hoc                                                                                                                   |                        |    |             |                       |                    |                     |    |            |
| 2           | 100     | RIP have been implemented but not standardized across the insurance group                                                        |                        |    |             |                       |                    |                     |    |            |
| 3           | 150     | RIP have been implemented, well documented and understood by relevant staff, and standardized across the entire insurance group  |                        |    |             |                       |                    |                     |    |            |
| 4           | 200     | In addition to Stage 3, RIP are reviewed at least annually with the view to assessing effectiveness and introducing improvements |                        |    |             |                       |                    |                     |    |            |
|             |         | <b>Total</b>                                                                                                                     | XX                     | XX | XX          | XX                    | XX                 | XX                  | XX | <b>XX</b>  |

| Comments |
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|          |

**INSTRUCTIONS AFFECTING TABLE 16L**

- (a) the total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurance group's implementation in respect of its RIP;
- (b) where the insurance group's assessment of the operational risk area is between stages (i.e. exceeds the criterion for each given stage, while only partially meeting the criterion of the next stage), the insurance group shall be deemed to have met the criterion of the lower stage; and
- (c) where an operational risk area is not applicable to the insurance group's operations, the insurance group shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

**INSURANCE (PRUDENTIAL STANDARDS) (INSURANCE GROUP SOLVENCY REQUIREMENT) AMENDMENT RULES 2018**

**TABLE 16M**  
**Risk Monitoring and Reporting Processes ('RMRP') Score Table**

| Progression |         | Criterion                                                                                                                        | Operational Risk Areas |    |             |                       |                    |                     |    |            |
|-------------|---------|----------------------------------------------------------------------------------------------------------------------------------|------------------------|----|-------------|-----------------------|--------------------|---------------------|----|------------|
| Stage       | Scoring |                                                                                                                                  | Fraud                  | HR | Outsourcing | Distribution Channels | Business Processes | Business Continuity | IT | Compliance |
| 1           | 50      | RIP are ad hoc                                                                                                                   |                        |    |             |                       |                    |                     |    |            |
| 2           | 100     | RIP have been implemented but not standardized across the insurance group                                                        |                        |    |             |                       |                    |                     |    |            |
| 3           | 150     | RIP have been implemented, well documented and understood by relevant staff, and standardized across the entire insurance group  |                        |    |             |                       |                    |                     |    |            |
| 4           | 200     | In addition to Stage 3, RIP are reviewed at least annually with the view to assessing effectiveness and introducing improvements |                        |    |             |                       |                    |                     |    |            |
|             |         | <b>Total</b>                                                                                                                     | XX                     | XX | XX          | XX                    | XX                 | XX                  | XX | <b>XX</b>  |

| Comments |
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|          |

**INSTRUCTIONS AFFECTING TABLE 16M**

- (a) the total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurance group's implementation in respect of its RIP;
- (b) where the insurance group's assessment of the operational risk area is between stages (i.e. exceeds the criterion for each given stage, while only partially meeting the criterion of the next stage), the insurance group shall be deemed to have met the criterion of the lower stage; and
- (c) where an operational risk area is not applicable to the insurance group's operations, the insurance group shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.



**INSURANCE (PRUDENTIAL STANDARDS) (INSURANCE GROUP SOLVENCY REQUIREMENT) AMENDMENT RULES 2018**

46. The regulatory capital requirement for regulated non-insurance financial operating entities shall be determined in accordance with Schedule XIA – “Schedule of regulated non-insurance financial operating entities”. This amount shall be equal to the sum of the insurance group’s proportionate share of each registered entity’s regulatory capital requirement in accordance with the applicable solvency laws of the jurisdiction where the entity was licensed or registered.

47. (1) The capital requirement for unregulated entities, where the parent company exercises control as defined in subparagraph 19(4) of the Group Rules, shall be determined in accordance with Schedule XIB – “Schedule of unregulated entities where the group exercises control”

(2) This amount shall be equal to the sum of the capital requirement based on the capital charges applied to each unregulated entity’s net assets as follows-

- (a) 0% to unregulated entities that conduct ancillary services to members of the insurance group;
- (b) 15% to unregulated non-financial operating entities; and
- (c) 50% to unregulated financial operating entities.

48. The capital charge adjustment for the loss-absorbing capacity of technical provisions due to management actions shall be established in accordance with the following formula—

$$Adj_{TP} = -Max(Min(Basic BSCR - Basic nBSCR, FBD), 0),$$

Where—

$$Basic BSCR = \sqrt{\sum_{i,j} CorrBBSCR_{i,j} \times C_i \times C_j}$$

$$Basic nBSCR = \sqrt{\sum_{i,j} CorrBBSCR_{i,j} \times nC_i \times nC_j}$$

$CorrBBSCR_{i,j}$  = the correlation factors of the Basic BSCR correlation matrix in accordance with Table A of Paragraph 22;

$C_i$  = risk module charge  $i$  which are replaced by the following:  
 $C_{Market}$ ,  $C_{P\&C}$ ,  $C_{LT}$ ,  $C_{Credit}$ ;

$C_{Market}$  = market risk module charge as calculated in accordance with paragraph 23;

$C_{P\&C}$  = P&C risk module charge as calculated in accordance with paragraph 24; and

$C_{LT}$  = Long-Term risk module charge as calculated in accordance with paragraph 25;

$C_{Credit}$  = credit risk module charge as calculated in accordance with paragraph 36.

$nC_i$  = net risk module charge  $i$  which are calculated the same way as  $C_i$  but by allowing the future discretionary benefits to change and by allowing managements actions to be performed in accordance to with the criteria prescribed by the Authority and which are replaced by the following:

$nC_{Market}$ ,  $nC_{P\&C}$ ,  $nC_{LT Insurance}$ ,  $nC_{Credit}$ ;

$FBD$  = net present value of future bonuses and other discretionary benefits.

**INSURANCE (PRUDENTIAL STANDARDS) (INSURANCE GROUP SOLVENCY REQUIREMENT) AMENDMENT RULES 2018**

49. The adjustment for the loss-absorbing capacity of deferred taxes shall be established in accordance with the following formula—

$$C_{otheradj} = \text{Min} \left( (Basic\ BSCR + C_{operational} + C_{regulatoryadj} + Adj_{TP}) \times t, \text{Limit}, (Basic\ BSCR + C_{operational} + C_{regulatoryadj} + Adj_{TP}) \times 20\% \right)$$

Where —

|                                  |   |                                                                                                                                                |
|----------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Basic BSCR</i>                | = | Basic BSCR risk module charge as calculated in accordance with paragraph 22;                                                                   |
| <i>C<sub>operational</sub></i>   | = | operational risk charge as calculated in accordance with paragraph 45;                                                                         |
| <i>C<sub>regulatoryadj</sub></i> | = | regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraphs 46 and 47; |
| <i>Adj<sub>TP</sub></i>          | = | = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 48                             |
| <i>t</i>                         | = | insurance group's standard federal tax rate                                                                                                    |
| <i>Limit</i>                     | = | <i>PastLAC</i> + <i>CurrentLAC</i> + <i>FutureLAC</i>                                                                                          |
| <i>PastLAC</i>                   | = | Loss Carryback Provision multiplied by <i>t</i> ;                                                                                              |
| <i>CurrentLAC</i>                | = | Current Deferred Tax Liabilities minus Current Deferred Tax Assets and                                                                         |
| <i>FutureLAC</i>                 | = | Risk Margin as reported on Form 1EBS Line 18 multiplied by <i>t</i> .                                                                          |

**Inserts Schedules IIB, IIC, IID, IIE, IIF, IVD, IVE, XXA, XXIA, XXIII**

4 (1) The principal Rules are amended by inserting after —

- (a) Schedule IIA, new schedules entitled, “Schedule IIB Schedule of Fixed income and equity investments by BSCR Rating”, “Schedule IIC Schedule of funds held by ceding insurers and funds held under retrocession by BSCR rating”, “Schedule IID Schedule of segregated account companies assets and liabilities by BSCR rating”, “Schedule of deposit assets and liabilities by BSCR rating”, and “Schedule IIF Schedule of other sundry assets and liabilities by BSCR rating”;
- (b) Schedule IVC, new schedules entitled, “Schedule IVD Schedule of Consolidated Premium Exposure Measure by Line of Business of General Business” and “Schedule IVE Schedule of Geographic Diversification of Net Premium Exposure Measure on a Consolidated Basis”;
- (c) Schedule XX a new schedule entitled, “Schedule XXA “Schedule of Currency Risk”;
- (d) Schedule XXI a new schedule entitled, “Schedule XXIA Schedule of Concentration Risk”; and
- (e) Schedule XXIII a new schedule entitled, “Schedule XXIII Schedule of Interest Rate Sensitive Assets and Liabilities.

(2) The Schedules inserted by this paragraph shall be published separately on the website of the Authority: [www.bma.bm](http://www.bma.bm).

**Commencement**

5 These Rules come into operation on 1<sup>st</sup> January 2019.

**INSURANCE (PRUDENTIAL STANDARDS) (INSURANCE GROUP SOLVENCY  
REQUIREMENT) AMENDMENT RULES 2018**

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Made this                      day of                      2018

Chairman  
The Bermuda Monetary Authority