22nd January 2015

NOTICE

Insurance (Prudential Standards) (Class 4 and 3B Solvency Requirement) Amendment Rules 2015 (the "Rules")

The Bermuda Monetary Authority (the "Authority") proposes to amend the Rules to reflect the changes proposed in the Consultation Paper on the "Economic Balance Sheet Framework" issued in December 2014. The key changes are the introduction of a new Schedule XIV setting out the requirements for the Economic Balance Sheet (EBS), along with consequential changes to other Schedules to ensure that the Bermuda Solvency Capital Requirement (BSCR) is calculated based on the EBS.

Since the EBS is proposed to be prepared on a consolidated basis, the Rules also make provision for some of the Schedules providing information to feed into the BSCR calculations to also be provided on an unconsolidated basis, as is currently the case. This is to enable the Authority to have a clear understanding of the specific assets, technical provisions and premiums of the company as a standalone legal entity. The proposals include a new Schedule XVI to provide information to support the calculation of the Minimum Margin of Solvency.

There is also the introduction of a new Schedule XV containing initial proposals covering the requirements for the Loss Reserve Specialist's Opinion on the EBS technical provisions. This will also require a new Guidance Note covering the Loss Reserve Specialist's Opinion – and this will also be the subject of further consultations with interested parties over the next few months.

The Authority proposes for the aforementioned amendments to become effective for submissions made following the end of the financial year starting on or after 1st January 2016.

Comments on the Rules are invited by 27th February 2015 and should be sent to email address: policy@bma.bm.

BERMUDA

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 and 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2015

BR / 2015

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, which amend the Insurance (Prudential Standards) (Class 4 and 3B Solvency Requirement) Rules 2008 (the "principal Rules"), may be cited as the Insurance (Prudential Standards) (Class 4 and 3B Solvency Requirement) Amendment Rules 2015.

Paragraph 2 amended

2 Paragraph 2 of the principal Rules is amended by –

(a) deleting the words ""available statutory capital and surplus" has the meaning given in section 1(1) of the Act";

(b) inserting in alphabetical order the words ""available statutory economic capital and surplus" is the amount shown in Line 40 of Form 1EBS as set out in these Rules";

(c) deleting the words ""Form 1A" means the Form 1A established in the Insurance Accounts Regulations 1980";

(d) inserting in alphabetical order the words ""Form 1EBS" means Schedule XIV Class 4 and Class 3B Statutory Economic Balance Sheet set out in these Rules;";

(e) deleting the words ""reserve risk" means the risk that an insurer's reserves would be insufficient to satisfy its obligations" and inserting the words ""reserve risk" means the risk that an insurer's technical provisions would be insufficient to satisfy its obligations".

Paragraph 3 amended

3 Paragraph 3(3) of the principal Rules is amended by deleting the words "available statutory capital and surplus" and inserting the words "available statutory economic capital and surplus".

Paragraph 6 amended

4 Paragraph 6 of the principal Rules is amended—

(a) in sub-paragraph (1) by deleting the words "IX, and X" and inserting the words "IX, X, XI, XII, XIV, XV and XVI";

(b) in sub-paragraph (2) by deleting the words "IX, and X" and inserting the words "IX, X, XI, XII, XIV, XV and XVI";

(c) in sub-paragraph (2A)(b) by deleting the words "IX, and X" and inserting the words "IX, X, XI, XII, XIV and XVI";

(d) by inserting after paragraph (3) a new paragraph "(3A)" as follows:

"(3A) An insurer shall, at the time of furnishing its capital and solvency return in accordance with paragraph (3), also file with the Authority an opinion of its loss reserve specialist, which takes into account its technical provisions calculated in accordance with Line 19 of Form 1EBS and Schedule XV."

Schedule I repealed and replaced

5 Schedule I of the principle Rules is repealed and replaced as follows;–

"SCHEDULE I (Paragraph 6)

BERMUDA SOLVENCY CAPITAL REQUIREMENT

1. The BSCR shall be established, on a consolidated basis in accordance with the following formula -

$$\boxed{\sqrt{C_{fi}^{2} + C_{eq}^{2} + C_{\text{int}}^{2} + C_{prem}^{2} + \left[\tfrac{1}{2} C_{cred} + C_{rsvs}\right]^{2} + \left[\tfrac{1}{2} C_{cred}\right]^{2} + C_{cat}^{2}} + C_{op}}$$

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_{prem} = premium risk charge as calculated in accordance with paragraph 5;

C_{rsvs} = reserve risk charge as calculated in accordance with paragraph 6;

C_{cred} = credit risk charge as calculated in accordance with paragraph 7;

C_{cat} = catastrophe risk charge as calculated in accordance with paragraph 8; and

C_{op} = operational risk charge as calculated in accordance with paragraph 9.

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

$$C_{fi} = \sum_{i} \chi_i \times FIastclass_i$$, where

χ_i = the capital charge factors prescribed in Table 1 for each type of $FIastclass_i$; and

$FIastclass_i$ = value of investment in corresponding asset Class *i*.

Table 1 – Capital charge factors for $FIastclass_i$

Type of fixed income investments $FIastclass_i$	**Statement Source** or These Rules	**Capital Factor** χ_i
Corporate and Sovereign Bonds		
BSCR rating 0	Schedule II & IIA, Line 1, Column (1)	0.0%
BSCR rating 1	Schedule II & IIA, Line 2, Column (1)	0.4%
BSCR rating 2	Schedule II & IIA, Line 3, Column (1)	0.8%
BSCR rating 3	Schedule II & IIA, Line 4, Column (1)	1.5%
BSCR rating 4	Schedule II & IIA, Line 5, Column (1)	3.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (1)	8.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (1)	15.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (1)	26.3%
BSCR rating 8	Schedule II & IIA, Line 9, Column (1)	35.0%
Residential Mortgage-Backed Securities		
BSCR rating 1	Schedule II & IIA, Line 2, Column (3)	0.6%
BSCR rating 2	Schedule II & IIA, Line 3, Column (3)	1.2%
BSCR rating 3	Schedule II & IIA, Line 4, Column (3)	2.0%
BSCR rating 4	Schedule II & IIA, Line 5, Column (3)	4.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (3)	11.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (3)	25.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (3)	35.0%
BSCR rating 8	Schedule II & IIA, Line 9, Column (3)	35.0%
Commercial Mortgage-Backed Securities/Asset-Backed Securities		
BSCR rating 1	Schedule II & IIA, Line 2, Column (5)	0.5%
BSCR rating 2	Schedule II & IIA, Line 3, Column (5)	1.0%
BSCR rating 3	Schedule II & IIA, Line 4, Column (5)	1.8%

BSCR rating 4	Schedule II & IIA, Line 5, Column (5)	3.5%
BSCR rating 5	Schedule II & IIA, Line 6, Column (5)	10.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (5)	20.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (5)	30.0%
BSCR rating 8	Schedule II & IIA, Line 9, Column (5)	35.0%
Bond Mutual Funds		
BSCR rating 0	Schedule II & IIA, Line 1, Column (7)	0.0%
BSCR rating 1	Schedule II & IIA, Line 2, Column (7)	0.4%
BSCR rating 2	Schedule II & IIA, Line 3, Column (7)	0.8%
BSCR rating 3	Schedule II & IIA, Line 4, Column (7)	1.5%
BSCR rating 4	Schedule II & IIA, Line 5, Column (7)	3.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (7)	8.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (7)	15.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (7)	26.3%
BSCR rating 8	Schedule II & IIA, Line 9, Column (7)	35.0%
Mortgage Loans		
Insured/guaranteed mortgages	Schedule II & IIA, Line 22, Column (1)	0.3%
Other commercial and farm mortgages	Schedule II & IIA, Line 23, Column (1)	5.0%
Other residential mortgages	Schedule II & IIA, Line 24, Column (1)	1.5%
Mortgages not in good standing	Schedule II & IIA, Line 25, Column (1)	25.0%
Other Fixed Income Investments		
Other loans	Form 1EBS, Line 8	5.0%
Cash and cash equivalents	Form 1EBS, Line 1& Schedule IIA, Line 27, Column (1)	0.3%

INSTRUCTIONS AFFECTING TABLE 1: Capital charge factors for $FIastclass_i$

(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; and

(c) all bonds and debentures, loans, and other miscellaneous investments shall be reported on a basis consistent with that used for purposes of statutory financial reporting.

(d) amounts are to be reported on a consolidated basis.

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

$$C_{eq} = \sum_i \chi_i \times Eqastclass_i$$, where -

i

χ_i = the capital charge factors prescribed in Table 2 for each type $Eqastclass_i$; of and

$Eqastclass_i$ = value of investment in corresponding asset Class *i*.

Table 2 – Capital charge factors for $Eqastclass_i$

Type of equity investments $Eqastclass_i$	**Statement Source** these Rules	**Capital Factor** χ_i
Common stocks		
Non-affiliated (quoted) common stock	Schedule II & IIA, Line 19, Column (1)	14.4%
Non-affiliated (unquoted) common stock	Schedule II & IIA, Line 20, Column (1)	14.4%
Equity mutual funds	Schedule II & IIA, Line 21, Column (5)	14.4%
Preferred stocks		
BSCR rating 1	Schedule II & IIA, Line 11, Column (3)	0.6%

BSCR rating 2	Schedule II & IIA, Line 12, Column (3)	1.2%
BSCR rating 3	Schedule II & IIA, Line 13, Column (3)	2.0%
BSCR rating 4	Schedule II & IIA, Line 14, Column (3)	4.0%
BSCR rating 5	Schedule II & IIA, Line 15, Column (3)	11.0%
BSCR rating 6	Schedule II & IIA, Line 16, Column (3)	25.0%
BSCR rating 7	Schedule II & IIA, Line 17, Column (3)	35.0%
BSCR rating 8	Schedule II & IIA, Line 18, Column (3)	35.0%
Other equity investments		
Company-occupied real estate less: encumbrances	Form 1EBS, Line 7(a)	10.0%
Real estate investments less: encumbrances	Form 1EBS, Line 7(b)	20.0%
Other equity investments	Form 1EBS, Lines 2(e) & 3(e)	20.0%
Other tangible assets – net of segregated accounts companies	Form 1EBS, Lines 13(l) & 14(d) Less Line 13(b)	20.0%
Investments in affiliates		
Unregulated entities that conduct ancillary services	Form 1EBS, Line 4(a)	5.0%
Unregulated non-financial operating entities	Form 1EBS, Line 4(b)	5.0%
Unregulated financial operating entities	Form 1EBS, Line 4(c)	5.0%

Regulated non-insurance financial operating entities	Form 1EBS, Line 4(d)	5.0%
Regulated insurance financial operating entities	Form 1EBS, Line 4(e)	5.0%

INSTRUCTIONS AFFECTING TABLE 2: Capital charge factors for $Eqastclass_i$

(a) all assets comprising of common stock, preferred stock, real estate, and other miscellaneous investments that are subject to capital charges within the equity investment risk charge shall be included;

(b) all non-affiliated quoted and unquoted common and preferred stock shall be included in the equity investment risk charge; and

(c) all common and preferred stock, real estate, and other miscellaneous investments shall be reported on a basis consistent with that used for purposes of statutory financial reporting.

(d) amounts are to be reported on a consolidated basis.

4. The interest rate / liquidity risk charge calculation shall be established in accordance with the following formula-

$$C_{\text{int}} = bonds \times duration \times marketdecline$$ where

$bonds$ = quoted and unquoted value of other bonds and debentures, preferred stock, or mortgage loans;

$duration$ = the higher of

(a) 1; or

(b) the insurer's effective asset duration less the insurer's effective liability duration; or

(c) the insurer's effective liability duration less the insurer's effective asset duration;

(d) the statement source for effective asset duration and effective liability duration is Schedule V paragraphs (d) and (e), respectively, of these Rules; and

$marketdecline$ = assumed interest rate adjustment prescribed in Table 3.

Table 3 – Interest rate adjustment for $bonds$

Type of investments $bonds$	**Statement Source** these Rules	**Estimated duration**	**200 basis point interest rate increase** $marketdecline$
Other bonds and debentures	Form 1EBS, Lines 2(a)(ii) and 3(a)(ii)	$duration$	2.0%
Preferred stock	Form 1EBS, Lines 2(c)(ii) and 3(c)(ii)	$duration$	2.0%
Mortgage loans	Form 1EBS, Line 5(c)	$duration$	2.0%

INSTRUCTIONS AFFECTING TABLE 3: Interest rate adjustment for $bonds$

(a) all assets comprising of other bonds and debentures, preferred stock, and mortgage loans investments that are subject to capital charges within the interest rate / liquidity risk charge shall be included;

(b) all quoted and unquoted non-affiliated other bonds and debentures and preferred stock shall be included in the interest rate/liquidity risk charge; and

(c) all other bonds and debentures, preferred stock, and mortgage loans investments shall be reported on a basis consistent with that used for purposes of statutory financial reporting.

(d) amounts are to be reported on a consolidated basis.

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

$$C_{prem} = \left[\sum_{i>1} \alpha_i \times lineprem_i\right] \times \left[\max_{i>1} \left\{\frac{lineprem_i}{totalprem}\right\} \times \mu + \vartheta\right] - \left[avgpremcap \times \frac{avgannloss}{catlossratio}\right]$$

Where -

α_i = individual general business $lineprem_i$ risk capital charge factor as prescribed in Table 4;

$totalprem$ = total premium measure over all lines of general business (except Property Catastrophe)'

i.e. $\sum_{i>1} lineprem_i$;

$lineprem_i$ = premium measure for line of general business i prescribed in Table 4

$avgpremcap$ = weighted average general business premium risk capital charge factor (after concentration adjustment)

$avgannloss$ = average annual loss estimated with catastrophe models for general business;

$catlossratio$ = expected industry average catastrophe loss ratio for general business prescribed by the Authority;

μ = additional concentration adjustment factor taking into consideration an insurance group's diversified lines of general business equal to 40%; and

ϑ = minimum concentration adjustment factor is equal to 60%

Table 4 – Capital charge factors for $lineprem_i$

Line of business $lineprem_i$	**Statement Source** These Rules	**Capital Factor** χ_i
Property catastrophe	Schedule IV, Line 1	0.0%
Property	Schedule IV, Line 2	49.7%
Property non-proportional	Schedule IV, Line 3	51.6%
Personal accident	Schedule IV, Line 4	34.1%
Personal accident non-proportional	Schedule IV, Line 5	41.2%
Aviation	Schedule IV, Line 6	48.2%
Aviation non-proportional	Schedule IV, Line 7	48.2%
Credit / surety	Schedule IV, Line 8	39.8%
Credit / surety non-proportional	Schedule IV, Line 9	45.4%
Energy offshore / marine	Schedule IV, Line 10	42.1%

Energy offshore / marine non-proportional	Schedule IV, Line 11	47.0%
US casualty	Schedule IV, Line 12	50.3%
US casualty non-proportional	Schedule IV, Line 13	55.6%
US professional	Schedule IV, Line 14	51.2%
US professional non-proportional	Schedule IV, Line 15	53.8%
US specialty	Schedule IV, Line 16	51.4%
US specialty non-proportional	Schedule IV, Line 17	52.7%
International motor	Schedule IV, Line 18	42.2%
International motor non-proportional	Schedule IV, Line 19	48.2%
International casualty non-motor	Schedule IV, Line 20	50.0%
International casualty non-motor non-proportional	Schedule IV, Line 21	53.6%
Retro property	Schedule IV, Line 22	50.8%
Structured / finite reinsurance	Schedule IV, Line 23	27.2%
Health	Schedule IV, Line 24	15.0%

INSTRUCTIONS AFFECTING TABLE 4: Capital charge factors for $lineprem_i$

(a) All reported net premiums written for the relevant year by statutory line of business as prescribed in this Schedule that are subject to capital charges within the premium risk charge shall be included.

(b) All net premiums written by statutory line of business shall be reported on a basis consistent with that used for purposes of statutory financial reporting.

(c) Amounts are to be reported on a consolidated basis.

6. The reserve risk charge calculation shall be established in accordance with the following formula-

$$C_{rsvs} = \left[\sum_i \beta_i \times linersvs_i \right] \times \left[\max_i \left\{ \frac{linersvs_i}{totalrsvs} \right\} \times \mu + \vartheta \right]$$ Where -

β_i = individual $linersvs_i$ risk capital charge factor as prescribed in Table 5;

$totalrsvs$ = total reserves over all lines of general business, i.e. $\sum_i linersvs_i$;

$linersvs_i$ = reserves for individual line of general business i prescribed in Table 5

μ = additional concentration adjustment factor taking into consideration an insurance group's diversified lines of general business equal to 40%; and

ϑ = minimum concentration adjustment factor is equal to 60%

Table 5 – Capital charge factors for $lineRSVS_i$

Line of business $lineRSVS_i$	**Statement Source** These Rules	**Capital Factor** β_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 5: Capital charge factors for $lineRSVS_i$

(a) A ll 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 shall be included.

(b) 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.

(c) Amounts are to be reported on a consolidated basis.

7. The credit risk charge calculation shall be established in accordance with the following formula-

$$C_{cred} = \sum_i \delta_i \times debtor_i \times \mu_r$$, Where -

δ_i = the credit risk capital charge factor for type of $debtor_i$ as prescribed in Table 6; and

$debtor_i$ = receivable amount from debtor i net of any collateral placed in favour of the insurer; and

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

Table 6 – Capital charge factors for $debtor_i$

Type of debtor $debtor_i$	Statement Source These Rules	Capital Factor $\delta_{i\ i}$
Accounts and Premiums Receivable		
In course of collection	Form 1EBS, Line 10 (a)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 1EBS, Line 10 (c) and instruction (c) below	10.0%
Particulars of reinsurance balances		
BSCR rating 0	Schedule V paragraph (c)	0.0%
BSCR rating 1	Schedule V paragraph (c)	0.7%
BSCR rating 2	Schedule V paragraph (c)	1.5%
BSCR rating 3	Schedule V paragraph (c)	3.5%

BSCR rating 4	Schedule V paragraph (c)	7.0%
BSCR rating 5	Schedule V paragraph (c)	12.0%
BSCR rating 6	Schedule V paragraph (c)	20.0%
BSCR rating 7	Schedule V paragraph (c)	27.0%
BSCR rating 8	Schedule V paragraph (c)	35.0%
Less: Diversification adjustment	Schedule V paragraph (c)	40.0%
All Other Receivables		
Accrued investment income	Form 1EBS, Line 9	2.5%
Advances to affiliates	Form 1EBS, Line 4(g)	5.0%

INSTRUCTIONS AFFECTING TABLE 6: Capital charge factors for $debtor_i$

(a) all accounts and premiums receivable and all other receivables that are subject to capital charges within the credit risk charge shall be included;

(b) 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;

(c) collateralized balances are assets pledged in favour of the insurer relating to accounts and premiums receivable;

(d) the net qualifying exposure comprises of reinsurance balances receivable and reinsurance recoverable balances less the corresponding reinsurance balances payable and other payables less the qualifying collateral issued in favour of the insurer in relation to the reinsurance balances;

(e) the net qualifying exposure in instruction (d) shall be subject to the prescribed credit risk capital factor;

(f) the total capital requirement relating to the reinsurance balances shall be reduced by a diversification adjustment of up to a maximum of 40%; and

(g) the diversification adjustment in instruction (f) is determined as 40% multiplied by 1 minus the ratio of the largest net reinsurance exposure, on an individual reinsurer basis, to total net reinsurance exposure.

(h) amounts are to be reported on a consolidated basis.

8. The catastrophe risk charge calculation shall be established in accordance with the following formula-

$$C_{cat} = NetPML - Netcatprem + CR_{PML}$$, 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) / {(estimated industry catastrophe loss ratio of 40% as prescribed in this Schedule) + property catastrophe premium as included in Schedule IV, Line 1}; and

CR_{PML} = {(gross probable maximum loss as prescribed in Schedule V paragraph (g) – net probable maximum loss as prescribed in Schedule V paragraph (h) – arrangements with respect to property catastrophe recoverables as prescribed in Schedule V paragraph (k)(v) of these Rules) x (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 within the catastrophe risk charge 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.

9. The operational risk charge calculation shall be established in accordance with the following formula:

$$C_{op} = \rho \times ACov$$, where

ρ = an amount between 1% and 10% as determined by the Authority in accordance with Table 13; and

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

Table 7
Operational Risk Charge for ρ

Overall Score	Applicable Operational Risk Charge ρ
<=5200	10.0%
>5200 <=6000	9.0%
>6000 <=6650	8.0%
>6650 <=7250	7.0%
>7250 <=7650	6.0%
>7650 <=7850	5.0%
>7850 <=8050	4.0%
>8050 <=8250	3.0%
>8250 <=8450	2.0%
>8450	1.0%

INSTRUCTIONS AFFECTING TABLE 7:

In this table, "overall score" means an amount equal to the sum of the aggregate score derived from each of tables 7A, 7B, 7C, 7D, 7E, and 7F.

Table 7A

Corporate Governance Score Table

Criterion	**Implemented**	**Score**
Board sets risk policies, practices and tolerance limits for all material foreseeable operational risks at least annually and ensures they are communicated to relevant business units		200
Board monitors adherence to operational risk tolerance limits more regularly than annually		200
Board receives, at least annually, reports on the effectiveness of material operational risk internal controls as well as management's plans to address related weaknesses		200
Board ensures that systems or procedures, or both, are in place to identify, report and promptly address internal control deficiencies related to operational risks		200
Board promotes full, open and timely disclosure from senior management on all significant issues related to operational risk		200
Board ensures that periodic independent reviews of the risk management function are performed and receives the findings of the review		200
Total		**XX**

COMMENTS

INSTRUCTIONS AFFECTING TABLE 7A:

The total score is derived by adding the score for each criterion of an insurer's corporate structure that the insurer has implemented.

Table 7B

Risk Management Function ('RMF') Score Table

Criterion	**Implemented**	**Score**
RMF is independent of other operational units and has direct access to the 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 Board of Directors		150
RMF ensures that the risk management policies and procedures are communicated throughout the organization		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 Board of Directors at least annually		150
Total		**XX**

COMMENTS

INSTRUCTIONS AFFECTING TABLE 7B:

The total score is derived by adding the score for each criterion of an insurer's risk management function that the insurer has implemented.

Table 7C

Risk Identification Processes ('RIP') 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 organization								
3	150	RIP have been implemented, well documented and understood by relevant staff, and standardized across the entire organization								
4	200	In addition to Stage 3, RIP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
		Total	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**

COMMENTS

INSTRUCTIONS AFFECTING TABLE 7C:

(a) the total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurer's implementation in respect of its RIP;

(b) where the insurer'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 insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer 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.

Table 7D

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	RMP are ad hoc								
2	100	RMP have been implemented but not standardized across the organization								
3	150	RMP have been implemented, well documented and understood by relevant staff, and standardized across the entire organization								
4	200	In addition to Stage 3, RMP are reviewed at least annually with a view to assessing effectiveness and introducing improvement								
		Total	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**

COMMENTS

INSTRUCTIONS AFFECTING TABLE 7D:

(a) the total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurer's implementation in respect of its RMP;

(b) where the insurer's assessment of the operational risk area is between stages (i.e. exceeds the criterion for given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer 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.

Table 7E

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	RRP are ad hoc								
2	100	RRP have been implemented but not standardized across the organization								
3	150	RRP have been implemented, well documented and understood by								

		relevant staff, and standardized across the entire organization								
4	200	In addition to Stage 3, RRP are reviewed at least annually with a view to assessing effectiveness and introducing improvements.								
		Total	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**

COMMENTS

INSTRUCTIONS AFFECTING TABLE 7E:

(a) the total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurer's implementation in respect of its RRP;

(b) where the insurer's assessment of the operational risk area is in between stages (i.e. exceeds the criterion for given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer 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.

Table 7F

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	RMRP are ad hoc								
2	100	RMRP have been implemented but not standardized across the organization								
3	150	RMRP have been implemented, well documented and understood by relevant staff, and standardized across the entire organization								
4	200	In addition to Stage 3, RMRP are reviewed at least annually with a view to assessing effectiveness and introducing improvements								
		Total	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**

COMMENTS

INSTRUCTIONS AFFECTING TABLE 7F:

(a) the total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurer's implementation in respect of its RMRP;

(b) where the insurer's assessment of the operational risk area is in between stages (i.e. exceeds the criterion for given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer 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.

(a)

Schedule II amended

6 Schedule II of the principal Rules is amended –

(a) by deleting the words "Form 1A" and inserting the words "Form 1EBS" where they occur;

(b) under the heading "**INSTRUCTIONS AFFECTING SCHEDULE II**:", by inserting a new paragraph "(j)" after paragraph "(i)" as follows:

"(j) amounts are to be reported on both a consolidated and unconsolidated basis.".

Schedule IIA amended

7 Schedule IIA of the principal Rules is amended in the "**INSTRUCTIONS AFFECTING SCHEDULE IIA:"** by—

(a) in sub-paragraph (a)by:

(i) deleting the words "Form 1A" and replacing them with the words "Form 1EBS";

(ii) deleting the words "Cash and time deposits" and inserting the words "Cash and cash equivalents;

(b) by inserting the following new paragraph "(k)" after paragraph "(j)" as follows:

"(k) amounts are to be reported both on a consolidated and unconsolidated basis.".

Schedule III amended

8 Schedule III of the principal Rules is amended—

(a) in Line 25 by deleting the words "Form 1A" and inserting the words "Form

1EBS";

(b) inserting the following new paragraph "(i)" after paragraph "(h)" as follows:

"(i) amounts are to be reported on both a consolidated and unconsolidated basis.".

Schedule IV amended

9 Schedule IV of the principal Rules is amended in the "**INSTRUCTIONS AFFECTING SCHEDULE IV:**" by inserting a new paragraph "(e)" after paragraph "(d)" as follows:

"(e) amounts are to be reported on both a consolidated and unconsolidated basis.".

Schedule V amended

10 Schedule V of the principal Rules is amended—

(a) by inserting a new paragraph "(s)" after paragraph "(r)" as follows:

"(s) reconciliation from GAAP financial statements to Form 1EBS;".

(b) under the heading "**INSTRUCTIONS AFFECTING SCHEDULE V**" by—

(i) inserting a new subheading as follows:

"Paragraphs (a), (b), (g) and (h) are to be reported on both a consolidated and unconsolidated basis. All other requirements are to be reported on a consolidated basis only.";

(ii) deleting the words "Form 1A" where they occur, and inserting the words "Form 1EBS";

(iii) inserting a new sub-paragraph ("t") after paragraph "(s)" as follows:

"(t) a reconciliation of amounts reported in total assets, total liabilities and total statutory economic capital and surplus comprising of any adjustments applied to the GAAP financial statements to arrive at the amounts disclosed in Form 1EBS.".

Schedule VI amended

11 Schedule VI of the principal Rules is amended by —

(a) deleting the words "Form 1A" where they occur and inserting the words "Form 1EBS";

(b) inserting a new paragraph "(d)" after paragraph "(c)" as follows:

"(d) amounts are to be reported on both a consolidated and unconsolidated basis.".

Schedule IX amended

12 Schedule IX of the principal Rules is amended by deleting the introductory paragraph and inserting the following:

"The Schedule of CISSA shall provide particulars of the following matters on a consolidated basis—".

Schedule X amended

13 Schedule X of the principal Rules is amended by deleting the introductory paragraph

and inserting the following:

"The schedule of catastrophe risk return shall provide particulars of the following matters on a consolidated basis:".

Schedule XI amended

14 Schedule XI of the principal Rules is amended by –

(a) deleting the introductory paragraph and inserting the following:

(b) (a) The insurer shall provide either loss triangles in accordance with Table 10 of these Rules or a reconciliation of its beginning and ending net loss provision balances calculated in accordance with Form 1EBS Line 17(d) Table 11 for the following 8 statutory lines of business on a consolidated basis:";

(c) deleting Table 11 and replacing it as follows:

"Table 11: Net Loss Provisions Reconciliation by Lines of Business

The insurer may provide a reconciliation of its beginning and ending net loss provision balances for the 8 statutory lines of business, as an alternative to providing loss triangles required in accordance with Table 10.".

	20XX	20XX
Net best estimate loss and loss expense provisions at start of year	XXX	XXX
Net losses and loss expenses paid or payable related to prior years	XXX	XXX
Foreign exchange and other adjustments	XXX	XXX
Unwind [?] of discount (start year discount curve)	XXX	XXX
Impact of change in discount curve	XXX	XXX
Net losses incurred and net loss expenses incurred related to prior years	XXX	XXX
Net best estimate loss and loss expense provisions at end of year related to prior years	XXX	XXX
Net losses incurred and net loss expenses incurred related to current	XXX	XXX
Net losses and loss expenses paid or payable related to current year	XXX	XXX
Net best estimate loss and loss expense provisions at end of year related to current year	XXX	XXX
Net best estimate loss and loss expense provisions at end of year	XXX	XXX

INSTRUCTIONS AFFECTING TABLE 11

The total of "Net Best estimate loss and loss expense provisions at end of year" when totaled over all 8 statutory lines of business shall equal Line 17(d) of Form 1EBS."

Schedule XII amended

15 Schedule XII of the principal Rules is repealed and replaced as follows:-

“Schedule XII (paragraph 6)

Schedule of Eligible Capital

The schedule of eligible capital shall provide particulars of the following matters on a consolidated basis:

a) Tier 1, Tier 2 and Tier 3 eligible capital (Table 12); and

b) Particulars of each capital instrument approved by the Authority as “Any other fixed capital” (in accordance with Form 8, STMT LINE 1(c) under the Insurance Accounts Regulations 1980).

Table 12

Total statutory economic capital and surplus (Form 1EBS, Line 40 plus applicable adjustments)	XXX
Less: Encumbered assets not securing policyholder obligations (Notes to Form 1EBS, STMT LINE 15)	XXX
Less: relative liability or contingent liability (Form 1EBS) for which the encumbered assets are held	XXX
Subtotal:	XXX

Tier 1 – basic capital

(a) Fully paid common shares (Form 8, STMT LINE 1(a)(i))	XXX
(b) Contributed surplus or share premium (Form 8, STMT LINE 1(b))	XXX
(c) Statutory economic surplus- End of Year (Form 1EBS, line 40 less Form 8, STMT LINE 1(d)]	XXX (d)
Capital adjustments	XXX (e)
Hybrid capital instruments: Perpetual or fixed term preference shares (Form 8, STMT LINE 1(a)(ii))	XXX
(f) Other:	XXX
(g) Less: Treasury shares (Form 8, STMT LINE 1(a)(iii))	XXX
(h) Less: Difference between encumbered assets for policyholder obligations and policyholder obligations, calculated as follows:	

		Policy holder obliga-tions (Column (A))	Encum-bered (pledged) assets (Column (B))
(i)	Contracts where pledged assets exceed the policyholder obligations	XXX	XXX
(ii)	Contracts where pledged assets are	XXX	XXX

equal to the policyholder obligations			
(iii) Contracts where pledged assets are less than the policyholder obligations	XXX	XXX	
(iv) Contracts where policyholder obligations are not collateralized	XXX		
(v) Total	XXX	XXX	
(vi) Excess encumbered assets i.e. contracts where pledged assets exceed the policyholder obligations (Column (B)(i) - Column (A)(i))			XXX
(vii) Capital requirement applicable to the encumbered assets under (i) above (equal to the contribution of the pledged assets to the ECR)			XXX
(viii) Capital requirement applicable to the policyholder obligations under (i) above (equal to the contribution of the policyholder obligations to the ECR)			XXX
(ix) Excess encumbered assets transferable to Tier 2 ((vi)-(vii)-(viii))			XXX
(x) Policyholder obligations that are fully collateralized (Column (A)(i)+ Column (A)(ii) + Column (B)(iii))			XXX
(xi) Total policyholder obligations (Column (A)(v))			XXX
(xii) Proportion of policyholder obligations that are not collateralized (1 – (x)/(xi))			xx%
(xiii) Excess encumbered assets transferred to Tier 2 ((ix) x (xii))			XXX

(i) Less: Encumbered assets not securing policyholder obligations (Notes to Form 1EBS, STMT LINE 15)

Less: relative liability or contingent liability (Form 1EBS) for which the encumbered assets are held — XXX

(j) Less: Restricted assets in excess of capital requirements, reported in CISSA, to the extent that these amounts are not included in the encumbered assets both for policyholder obligations and not for securing policyholder obligations — XXX

Tier 1 – ancillary capital

(a) Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1(c)(i)) — <u>XXX</u>

Total Tier 1 available capital — **<u>XXX</u>**

Tier 2 -basic capital

(a) Hybrid capital instruments: Perpetual or fixed term preference shares (Form 8, STMT LINE 1(a)(ii)) — XXX

(b) Other: Briefly describe	XXX
(c) Add: Difference between encumbered assets for policyholder obligations and policyholder obligations deducted from Tier 1	XXX
Tier 2 -ancillary capital	
(a) Unpaid and callable common shares (Form 8, STMT LINE 1(c)(i))	XXX
(b) Qualifying unpaid and callable hybrid capital (Form 8, STMT LINE 1(c)(i))	XXX
(c) Qualifying unpaid and callable perpetual or fixed term preference shares (Form 8, STMT LINE 1(c)(i))	XXX
(d) Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1(c)(i))	XXX
(e) Approved letters of credit (Form 8, STMT LINE 1(c)(ii))	XXX
(f) Approved guarantees (Form 8, STMT LINE 1(c)(ii))	XXX
Total Tier 2 available capital	**XXX**
Tier 3 -basic capital	
(a) Short-term hybrid capital instruments: Perpetual or fixed term preference shares (Form 8, STMT LINE 1(a)(ii))	XXX
Tier 3- ancillary capital	
(a) Short-term subordinated debt (Form 8, STMT LINE 1(c)(i))	XXX
(b) Approved letters of credit (Form 8, STMT LINE 1(c)(ii))	XXX
(c) Approved guarantees (Form 8, STMT LINE 1(c)(ii))	XXX
Total Tier 3 available capital	**XXX**

INSTRUCTIONS AFFECTING TABLE 12:

(a) Table 12 inputs are subject to Insurance (Eligible Capital) Rules 2012 made under Section 6A of the Act.

(b) The insurer shall include all components of total statutory capital and surplus (as reflected in Form 8, Line 3 of the Insurance Accounts Regulations 1980) subject to adjustments made under Section 6D of the Act in Table 12 in accordance with the provisions of Eligible Capital Rules.

(c) Amounts shall be reported on a consolidated basis.

Table 12A

Description of capital instrument	Date of issue	Maturity date (as applicable)	Date approved by the Authority	Value of the capital instrument	Eligible capital Tier

INSTRUCTIONS AFFECTING TABLE 12A:

XXX

XXX

The insurer to include every capital instrument contributing to the amount reported in

Form 8, STMT LINE 1(c) of the Insurance Accounts Regulations 1980 in Table 12A in accordance with the provisions of Eligible Capital Rules."

Schedules XIV, XV, XVI inserted

16 The principal Rules are amended by inserting Schedule XIV "Class 4 and Class 3B Statutory Economic Balance Sheet", Schedule XV "Loss Reserve Specialist Opinion" and Schedule XVI "Schedule of Minimum Margin of Solvency" after Schedule XII.

Commencement

17 These Rules come into operation on 31 December 2016.

Made this day of 2015

Chairman
The Bermuda Monetary Authority

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2015

SCHEDULE XIV (Paragraph 6)

CLASS 4 AND CLASS 3B STATUTORY ECONOMIC BALANCE SHEET

Schedule XIV Class 4 and Class 3B Statutory Economic Balance Sheet (EBS), shall provide particulars of the following matters—

Form 1EBS

CLASS 4 AND CLASS 3B STATUTORY ECONOMIC BALANCE SHEET

[*blank*] name of insurer

as at [*blank*] (day/month/year)

expressed in [*blank*] (currency used)

Line No		20XX	20XX-1
1.	**CASH AND CASH EQUIVALENTS**	**XXX**	**XXX**
2.	**QUOTED INVESTMENTS:**		
(a)	Bonds and Debentures		
	(i) Held to maturity	XXX	XXX
	(ii) Other	XXX	XXX
(b)	Total Bonds and Debentures	XXX	XXX
(c)	Equities		
	(i) Common stocks	XXX	XXX
	(ii) Preferred stocks	XXX	XXX
	(iii) Mutual funds	XXX	XXX
(d)	Total equities	XXX	XXX
(e)	Other quoted investments	XXX	XXX
(f)	Total quoted investments	XXX	XXX
3.	**UNQUOTED INVESTMENTS:**		
(a)	Bonds and Debentures		

	(i) Held to maturity	XXX	XXX
	(ii) Other	XXX	XXX
(b)	Total Bonds and Debentures	XXX	XXX
(c)	Equities		
	(i) Common stocks	XXX	XXX
	(ii) Preferred stocks	XXX	XXX
	(iii) Mutual Funds	XXX	XXX
(d)	Total equities	XXX	XXX
(e)	Other unquoted investments	XXX	XXX
(f)	Total unquoted investments	XXX	XXX
4.	**INVESTMENTS IN AND ADVANCES TO AFFILIATES**		
(a)	Unregulated entities that conduct ancillary services	XXX	XXX
(b)	Unregulated non-financial operating entities	XXX	XXX
(c)	Unregulated financial operating entities	XXX	XXX
(d)	Regulated non-insurance financial operating entities	XXX	XXX
(e)	Regulated insurance financial operating entities	XXX	XXX
(f)	Total investments in affiliates	XXX	XXX
(g)	Advances to affiliates	XXX	XXX
(h)	Total investments in and advances to affiliates	XXX	XXX
5.	**INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:**		
(a)	First liens	XXX	XXX
(b)	Other than first liens	XXX	XXX
(c)	Total investment in mortgage loans on real estate	XXX	XXX
7.	**REAL ESTATE:**		
(a)	Occupied by the insurer (less encumbrances)	XXX	XXX
(b)	Other properties (less encumbrances)	XXX	XXX
(c)	Total real estate	XXX	XXX
8.	**COLLATERAL LOANS**	**XXX**	**XXX**
9.	**INVESTMENT INCOME DUE**	**XXX**	**XXX**
10.	**ACCOUNTS AND PREMIUMS RECEIVABLE**		
(a)	In course of collection	XXX	XXX
(c)	Receivables from retrocessional contracts	XXX	XXX
(d)	Total accounts and premiums receivable	XXX	XXX
11.	**REINSURANCE BALANCES RECEIVABLE**		
(a)	Foreign affiliates	XXX	XXX
(b)	Domestic affiliates	XXX	XXX

(c)	Pools & associations	XXX	XXX
(d)	All other insurers	XXX	XXX
(e)	Total reinsurance balance receivable	XXX	XXX
12.	**FUNDS HELD BY CEDING REINSURERS**		
(a)	Affiliated	XXX	XXX
(b)	Non-affiliated	XXX	XXX
(c)	Total funds held by ceding reinsurers	XXX	XXX
13.	**SUNDRY ASSETS:**		
(a)	Derivative instruments	XXX	XXX
(d)	Segregated accounts - General business	XXX	XXX
(e)	Deposit assets	XXX	XXX
(f)	Balances receivable on sale of investments	XXX	XXX
(g)	Intangible assets	XXX	XXX
(h)	Deferred tax assets	XXX	XXX
(i)	Prepayments	XXX	XXX
(j)	Pension Benefit Surplus	XXX	XXX
(k)	Other (please specify)	XXX	XXX
(l)	Total other assets	XXX	XXX
14.	**LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS**		
(a)	Letters of credit	XXX	XXX
(b)	Guarantees	XXX	XXX
(c)	Other instruments	XXX	XXX
(d)	Total letters of credit, guarantees and other instruments	XXX	XXX
15.	**TOTAL ASSETS**	**XXX**	**XXX**
	GENERAL BUSINESS INSURANCE TECHNICAL PROVISIONS		
16.	**BEST ESTIMATE PREMIUM PROVISIONS**		
(a)	Gross premium provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other reinsurers	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX

(d)	Net premium provisions	XXX	XXX
17.	**BEST ESTIMATE LOSS AND LOSS EXPENSE PROVISIONS**		
(a)	Gross loss and loss expense provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other reinsurers	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Net loss and loss expenses provisions	XXX	XXX
18.	**RISK MARGIN – GENERAL INSURANCE BUSINESS**	**XXX**	**XXX**
19.	**TOTAL GENERAL BUSINESS INSURANCE TECHNICAL PROVISIONS**	**XXX**	**XXX**
	OTHER LIABILITIES		
28.	**INSURANCE AND REINSURANCE BALANCES PAYABLE**	**XXX**	**XXX**
29.	**COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE**	**XXX**	**XXX**
30.	**LOANS AND NOTES PAYABLE**	**XXX**	**XXX**
31.	**TAX LIABILITIES**		
	(a) Income taxes payable	XXX	XXX
	(b) Deferred income taxes	XXX	XXX
32.	**AMOUNTS DUE TO AFFILIATES**	**XXX**	**XXX**
33.	**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**	**XXX**	**XXX**
34.	**FUNDS HELD UNDER REINSURANCE CONTRACTS**		
(a)	Affiliated	XXX	XXX
(b)	Non-affiliated	XXX	XXX
(c)	Total funds held under reinsurance contracts	XXX	XXX
35.	**DIVIDENDS PAYABLE**	**XXX**	**XXX**
36.	**SUNDRY LIABILITIES:**		
(a)	Derivative instruments – held for hedging purposes	XXX	XXX
(b)	Derivative instruments – not held for hedging purposes	XXX	XXX
(e)	Segregated accounts - General business	XXX	XXX
(f)	Deposit liabilities	XXX	XXX
(g)	Pension benefit obligations	XXX	XXX
(h)	Balances payable for purchase of investments	XXX	XXX
(i)	Other (please specify)	XXX	XXX

(j)	Total sundry liabilities	XXX	XXX
37.	**LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS**		
(a)	Letters of credit	XXX	XXX
(b)	Guarantees	XXX	XXX
(c)	Other instruments	XXX	XXX
(d)	Total letters of credit, guarantees and other instruments	XXX	XXX
38.	**TOTAL OTHER LIABILITIES**	**XXX**	**XXX**
39.	**TOTAL INSURANCE TECHNICAL PROVISIONS AND OTHER LIABILITIES**	**XXX**	**XXX**
	STATUTORY ECONOMIC CAPITAL AND SURPLUS		
40.	**TOTAL STATUTORY ECONOMIC CAPITAL AND SURPLUS**	**XXX**	**XXX**
41.	**TOTAL**	**XXX**	**XXX**

NOTES TO FORM 1EBS

The notes to the statutory economic balance sheet shall include the following, and any other information which in the opinion of the insurer's directors is required to be disclosed if the insurer statutory financial statements are not to be misleading -

Line 11(e)	Details of the amount of any collateral placed in favour of the insurer
Line 13(k)	Details of the assets included as "any other assets" as part of Line 13(k).
Line 15	The total amount of encumbered assets that are not securing policyholder obligations shall be disclosed, split between the following items, and stating the purpose of the encumbrance: Line 1: Cash and cash equivalents Line 2(f): Total quoted investments Line 3(f): Total unquoted investments Other assets
Line 16(c)	The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual disputes)
Line 16(d)	The amount of premium included as 'Bound by Not Incepted' in the calculation of line 16 Premium provisions, together with the amount of premium provision calculated on this business. The disclosure shall be split between lines of business used for the BSCR calculations of premium risk.
Line 17(c)-(i)	The adjustment to the best estimate of reinsurance recoveries that was

	made to reflect expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual disputes)
Line 17(c)-(ii)	Details of the amount of any collateral placed in favour of the insurer
Line 17(d)	The amount by which the loss and loss expense provisions was reduced as a result of discounting. The disclosure shall be split between lines of business used for the BSCR calculations of reserve risk.
Line 36(i)	Details of the liabilities included as "any other liabilities" as part of Line 36(i).
Line 37	Details of the basis used to derive the amounts disclosed on this line, including the undiscounted amounts of the liabilities.
Line 40	A reconciliation between Line 40 of Form 1EBS and Line 40 of Form 1A as required under Schedule I of the Insurance Accounts Regulations 1980.

INSTRUCTIONS AFFECTING FORM 1EBS

Economic Balance Sheet valuation principles

1. Except where specifically mentioned below, assets and liabilities shall be assessed and fair-valued in line with the GAAP principles adopted by the insurer, as notified to and agreed by the Authority.

2. For cases where the GAAP principles permit both a fair value model and a non-economic valuation model for valuing an asset or liability, the insurer shall apply the fair value model.

3. For cases where the GAAP principles do not require an economic valuation the insurer shall fair value the asset or liability using the following hierarchy of high level principles of valuation of assets and liabilities:
    - Insurers must use quoted market prices in active markets for the same or similar assets or liabilities.
    - Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used.
    - If there are no quoted market prices in active markets available, Insurers should use mark-to-model techniques, which are alternative valuation techniques that have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input.
    - Insurers have to make maximum use of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimising the use of unobservable inputs.
    - When valuing liabilities, no adjustments shall be made to take account of the own credit standing of the Insurer.

4. The exceptions to these principles are mainly related to line items affecting the valuation of insurance technical provisions.

5. The Economic Balance Sheet shall be prepared on a consolidated basis, consistent with the consolidation approach stated in the GAAP principles.

Economic Balance Sheet valuation principles – technical provisions

6. Technical provisions shall be valued at an economic value using the best estimate of probability weighted cash flows, with an additional risk margin. Cash flows, for this purpose, shall take into account all future cash in and out flows required to settle the insurance obligations attributable to the lifetime of the policy. In particular, they shall include:
    - All claims payments / benefit payments expected to be made to policyholders, third party claimants or other beneficiaries
    - All expenses that are expected to be incurred in servicing insurance and reinsurance obligations over their lifetime, including:
        - Claims management expenses
        - Acquisition costs
        - Administrative expenses
        - Investment management expenses
        - Overhead costs associated with the above
    - Any expected future premiums due after the valuation date
    - Any expected salvage and subrogation recoveries

- Any expected cash flows (both inwards and outwards) related to outwards reinsurance arrangements, making due allowance for any expected shortfall in amounts to be collected due to counterparty default (for whatever reason, including reinsurer insolvency or contractual dispute).

7. Technical provisions shall be calculated gross of reinsurance, with a separate assessment of amounts expected to be recovered from reinsurers.

8. Where the insurer has committed to write a policy with an inception date after the valuation date, and the terms of that policy cannot be changed unilaterally by the insurer, then that policy shall be included in the best estimate (bound but not incepted business).

9. Assumptions underlying the calculation of technical provisions shall be based on current expected experience, using expert judgment where necessary, and shall reflect expected policyholder behaviour and future management actions.

10. The valuation shall reflect the time value of money, using a risk free discount rate curve, which may be adjusted to reflect certain risk characteristics of the liability. The Authority will supply risk free discount curves for a number of the major currencies, and these shall be used where appropriate. However insurer may use alternative risk free curves (eg those approved for use in Solvency II) provided they obtain prior approval from the Authority. Details of the approach used for determining the risk free discount rate curves will be directed by the Authority.

11. Insurers will be permitted to include an adjustment to the risk-free rate to partially reflect the illiquidity premium implicit in typical underlying assets, as well as making allowance for the prevention of pro-cyclical investment behaviour (the 'standard approach'). The Authority will supply discount curves including this adjustment for a number of major currencies, and provide further details of the approach adopted so that insurers can produce rates for other currencies if needed. Details of the approach used for determining the 'standard approach' discount rate curves will be directed by the Authority.

12. Insurers may also elect to adopt the 'scenario based approach' that is designed to capture both the sensitivity to interest rates and the degree to which assets and liabilities are cash flow matched. Details of the approach, including the conditions under which it can be adopted will be prescribed by the Authority and published annually in such manner as the Authority directs.

13. Where future cash flows associated with insurance obligations can be replicated reliably using financial instruments for which a reliable market value is observable, the value of technical provisions associated with those future cash flows shall be determined on the basis of the market price of those financial instruments. A separate risk margin is not required for such obligations. This approach to calculating technical provisions 'as a whole' does not then require the calculation of an explicit separate risk margin for such obligations.

14. The risk margin shall be calculated using the cost of capital method, and reflect the cost of holding an ECR level of capital in respect of insurance risk, credit risk, operational risk and market risk in respect of assets that are classified as 'held to maturity' or other assets that are held to qualify for adjustments to the risk free discount rate. A 6% cost of capital rate shall be used. The assessment shall cover the full period needed to run-off the insurance liabilities (excluding those

determined based on the market prices of financial instruments that reliably replicate the insurance obligation cash flows), and be discounted using the risk free discount curve. The risk margin may be calculated at an aggregate level for general business and long-term business separately, making allowance for the effects of the diversification of regulatory capital requirements within the insurer.

15. Subject to prior approval of the Authority, insurers may elect to make use of transitional arrangements to calculate some or all of their technical provisions. This applies only for Long-term business for which the scenario based approach has not been applied. Under the transitional arrangement, the insurer would calculate technical provisions using the EBS approach described above (and using the standard approach for the risk free discount rate), and also using approaches consistent with the current approach (defined as the valuation approach in force at 31 December 2017). The insurer would then interpolate linearly between the 2 values, such that the current approach applies for year end 31 December 2017 and the full EBS approach would apply 20 years later at year end 31 December 2037.

16. Subject to prior approval of the Authority, insurers may elect to produce some or all of their EBS using Solvency II principles, or such other economic valuation principles that the Authority has approved in advance for this purpose.

Line of statutory economic balance sheet	**Instructions**	
1. Cash and cash equivalents	Cash and cash equivalents (maturities of less than 90 days) as at balance sheet shall be included here. This includes restricted cash	
2. Quoted investments	There shall be disclosed severally -	
	(a)	Bonds and debentures
	(i)	held to maturity: quoted fixed maturities
	(ii)	other: quoted fixed maturities
	(b)	Total bonds and debentures: The total of (a) (i) and (ii);
	(c)	Equities –
	(i)	common stock: investments in quoted common shares
	(ii)	preferred shares: investments in quoted preferred shares; and
	(iii)	mutual funds: investments in quoted mutual funds, etc
	(d)	Total equities: The total of (c)(i), (ii) and (iii).
	(e)	Other quoted investments: Other quoted investments not included in 2(b) and 2(d) e.g. alternative funds.
	(f)	Total quoted investments: The total of 2(b), (d) and (e).
3. Unquoted investments	There shall be disclosed severally -	
	(a)	Bonds and debentures -
	(i)	held to maturity:

		unquoted fixed maturities
	(ii)	other: unquoted fixed maturities
	(b)	Total bonds and debentures: The total of (i) and (ii).
	(c)	Equities –
	(i)	common stock: investments in unquoted common shares
	(ii)	preferred shares: investments in unquoted preferred shares; and
	(iii)	mutual funds: investments in unquoted mutual funds, etc
	(d)	Total equities: The total of (c)(i), (ii) and (iii).
	(e)	Other unquoted investments: Other unquoted investments not included in 3(b) and 3(d) e.g. alternative funds.
	(f)	Total unquoted investments: The total of 3(b), (d) and (e).
4. Investment in and advances to affiliates	All investments where the insurer does not hold a majority equity interest but has the ability to exercise significant influence (generally at least a 20% interest or a general partner interest) over operating and financial matters shall be included here and should be accounted for under the equity method of accounting. Economic Balance Sheet valuation principles shall be applied to the affiliates before deriving values to be included here. There shall be disclosed severally	
	(a)	Unregulated entities that conduct ancillary services : All unregulated entities that conduct ancillary services accounted for under equity method shall be included here;
	(b)	Unregulated non-financial operating entities: All unregulated non-financial operating entities accounted for under equity method shall be included here;
	(c)	Unregulated financial operating entities: All unregulated financial operating entities accounted for under equity method shall be included here;
	(d)	Regulated non-insurance financial operating entities: All regulated non-insurance financial operating entities accounted for both under control and equity method shall be included here;
	(e)	Regulated insurance financial operating entities: All regulated insurance financial operating entities accounted for under equity method shall be included here.
	(f)	Total investments in affiliates: The total of (a) to (e) inclusive.
5. Investments in mortgage loans on real estate	Residential and commercial investment loans shall be included here. There shall be disclosed severally	
	(a)	First liens.
	(b)	Liens other than first liens.
	(c)	Total investments in mortgage loans on real estate:

		The total of (a) and (b).
7. Real estate	Commercial investments occupied by insurer shall be included here.	
	(a)	Occupied by the insurer (less encumbrances): Both land and buildings and any other commercial investments occupied by the insurer shall be included here.
	(b)	Other properties (less encumbrances): Other residential and commercial investments.
	(c)	Total real estate: The total of (a) and (b).
8. Collateral loans	Other loans shall be included here.	
9. Investment income due and accrued	Accrued investment income shall be included here.	
10. Accounts and premiums receivable	Amounts due in more than one year shall be discounted at the relevant risk free rate. There shall be disclosed severally:	
	(a)	In course of collection: Insurance balances receivable and accounts receivable. Note that amounts not yet due should not be included here as they will be reflected in the insurance technical provisions
	(c)	Receivables from retrocessional contracts: Insurance balances receivable
	(d)	Total accounts and premiums receivable: The total of (a) to (c) inclusive.
11. Reinsurance balances receivable	Amounts due in more than one year shall be discounted at the relevant risk free rate. The amount of any collateral placed in favour of the insurer shall be disclosed in a supplementary note. There shall be disclosed severally -	
	(a)	Foreign affiliates: reinsurance balance received from foreign affiliates
	(b)	Domestic affiliates: reinsurance balance received from domestic affiliates
	(c)	Pools and associations: Reinsurance balances receivables from pools and associations
	(d)	All other insurers
	(e)	Total reinsurance balances receivable: The total of (a) to (d) inclusive.
12. Funds held by ceding	Funds held by ceding reinsurers shall be included here. Any amounts deemed uncollectible shall be deducted.	
13. Sundry assets	Any asset not accounted for in lines 1 to 12 and 14 may be included here if it has a readily realisable value. There shall be disclosed severally –	
	(a)	Derivative instruments: Derivative instruments with a favourable position shall be included here
	(d)	Segregated accounts – General business
	(e)	Deposit assets.
	(f)	Balances receivable on the sale of investments

	(g)	Intangible assets These shall only be recognised if it is probable that the expected future economic benefits will flow to the insurer and the value of the assets can be reliably measured. The assets must be separable and there should be evidence of exchange transactions for the same or similar assets indicating they are saleable in the market place. If a fair value assessment of an intangible asset is not possible then such asset should be valued at nil. Goodwill shall be valued at nil.
	(h)	Deferred tax assets
	(i)	Prepayments
	(j)	Pension Benefit surplus
	(k)	Any other assets – please provide details in a supplementary note
	(l)	Total sundry assets: The total of (a) to (k) inclusive.
14. Letters of credit, guarantees and other instruments	These are contractual rights arising from off-balance sheet arrangements to receive financial assets through:	
	(a)	Letters of Credit
	(b)	Guarantees
	(c)	Other instruments
	(d)	Total letters of credit, guarantees and other instruments: The total of (a) to (c).
	Such assets may, with the approval of the Authority obtained on an application made for that purpose, be recorded and the capital increased by a corresponding amount. Letters of credit, guarantees or other instruments in favour of the insurer which relate to insurance or reinsurance contracts shall not be recorded.	
15. Total Assets	• This shall be the total of Lines 1 to 14 inclusive. • The total amount of encumbered assets that are not securing policyholder obligations shall be disclosed, stating the purpose of the encumbrance.	
General Business Insurance Technical Provisions		
16. Best Estimate Premium Provisions	• Best Estimate Premium provisions shall be assessed using the Economic Balance Sheet valuation principles, and shall cover all claims events that are expected to be incurred after the valuation date in respect of all contracts written on or before the valuation date – this includes business which has been written on or before the valuation date and incepts after the valuation date ('bound but not incepted' business). They shall also take into account any guaranteed options included in these contracts for future coverage on rates and terms and conditions which are fixed and which the insurer is unable to change. • Cash flows to be considered here include loss and loss expense payments, any other future expense payments that are expected to be paid out, and also any future premiums expected to be received or refunded, including appropriate allowance for expected uncollectable amounts. Expected cash flows to and from any reinsurers shall also be taken	

	into account. • There shall be disclosed severally -	
	(a)	Gross premium provisions: Gross premium provisions assessed on the Economic Balance Sheet valuation principles
	(b)	Less: reinsurance recoverable balances): Amounts expected to be recoverable from reinsurers assessed on the Economic Balance Sheet valuation principles on a basis consistent with the gross assessment. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. Allowance shall be made for expected uncollectable amounts (for whatever reason). The amounts shall be subdivided between:
	(i)	Foreign affiliates
	(ii)	Domestic affiliates
	(iii)	Pools and associations
	(iv)	All other reinsurers
	(c)	Total reinsurance recoverable balance: The total of (b) (i) to (iv) The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default shall be disclosed in a supplementary note.
	(d)	Net premium provisions: The total of (a) and (c).
17. Best Estimate Loss and loss expense provisions	Best Estimate loss and loss expense provisions shall be assessed on the Economic Balance Sheet valuation principles. It shall include all unpaid amounts in respect of claim events that have occurred on or before the valuation date, whether reported to the insurer or not. There shall be disclosed severally -	
	(a)	Gross loss and loss expense provisions: Gross unpaid loss and loss expenses assessed on the Economic Balance Sheet valuation principles
	(b)	Less: reinsurance recoverable balances): Losses and loss expenses recoverable shall be assessed on the Economic Balance Sheet valuation principles on a basis consistent with the gross assessment. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. Allowance shall be made for expected uncollectable amounts (for whatever reason). The amounts shall be subdivided between:
	(i)	Foreign affiliates
	(ii)	Domestic affiliates
	(iii)	Pools and associations
	(iv)	All other reinsurers
	(c)	Total reinsurance recoverable balance: • The total of (b) (i) to (iv) • The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default shall be disclosed in a supplementary note.

		• The amount of any collateral placed in favour of the insurer shall be disclosed in a supplementary note.
	(d)	Net loss and loss expense provisions: The total of (a) and (c).
18. Risk Margin – General Insurance Business	The risk margin shall be calculated using the cost of capital method, using a 6% cost of capital, as per the Economic Balance Sheet valuation principles. It shall not be split between premium provisions, loss provisions and other reserves, and may be calculated at an aggregate level for general business, making allowance for the effects of the diversification effects of regulatory capital requirements within the general business of the insurer.	
19. Total general insurance business technical provisions	This shall be the total of lines 16(d), 17(d), and 18 inclusive.	
Other Liabilities		
28. Insurance and Reinsurance balances payable	• These are amounts payable to reinsurers (eg, premiums received in advance, reinsurance premiums payable. etc.) • Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
29. Commissions, expenses, fees and taxes payable	• All unearned commissions shall be included here. • Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
30. Loans and notes payable	• Loans and notes payable shall be included here. This shall include subordinated debt. • Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
31. Tax liabilities		• Amounts payable in more than one year shall be discounted at the relevant risk free rate. • There shall be disclosed severally:
	(a)	Income taxes payable
	(b)	Deferred income taxes
32. Amounts due to affiliates	• All amounts due to affiliates shall be included here. • Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
33. Accounts payable and accrued liabilities	• All accounts payable and accrued liabilities shall be included here. • Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
34. Funds held under reinsurance contracts	Funds held under reinsurance contracts shall be included here, and shall be included at amounts consistent with the fair value of the underlying assets.	
	(a)	Affiliated reinsurers
	(b)	Non-affiliated reinsurers
	(c)	This shall be the total of (a) and (b)
35. Dividends payable	All dividends payable shall be included here	
36. Sundry liabilities	There shall be disclosed severally:	

	(a)	Those derivative instruments which are held for hedging purposes, with an unfavourable position shall be included here;
	(b)	Other derivative instruments (ie those which are not held for hedging purposes), with an unfavourable position shall be included here;
	(e)	Segregated accounts – General business
	(f)	Deposit liabilities
	(g)	Pension benefit obligations
	(h)	Balances payable for purchase of investments
	(i)	Any other liabilities – please provide details in a supplementary note
	(j)	This shall be the total of (a) to (i) inclusive
37. Letters of credit, guarantees and other instruments	• All contractual liabilities or contingent liabilities arising from off-balance sheet arrangements are reported in this line. A liability is recorded decreasing the statutory capital and surplus equal to the expected present value of such contingent obligations discounted to take into consideration the time value of money at an appropriate rate (to be disclosed). • Material contingent liabilities shall be recognised and recorded on this line. The Contingent liabilities shall be valued based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate. • Where the present value of contingent obligations cannot be determined, the amount of the liability must be recorded at its undiscounted value. Letters of credit, guarantees or other instruments not in favour of the insurer which relate to the insurer's insurance or reinsurance contracts shall not be recorded. • Details of the basis used to derive amounts disclosed shall be set out in a supplementary note, including the undiscounted amounts of the liabilities. • There shall be disclosed severally -	
	(a)	Letters of credit
	(b)	Guarantees
	(c)	Other instruments
	(d)	This shall be the total of (a) to (c) inclusive
38. Total other liabilities	This shall be the total of lines 28 to 37 inclusive	
39. Total insurance technical provisions and other liabilities	This shall be the total of lines 19, 27C and 38 inclusive	
40. Total statutory economic capital and surplus	• This is the capital and surplus total as at the valuation date. • It is derived as line 15 less line 39 • A reconciliation between this amount and line 40 for Form	

	1A as required under Schedule I of the Insurance Accounts Regulations 1980 shall be shown in a supplementary note.
41. Total	• This shall be the total of lines 39 and 40. • It should equal Line 15.

SCHEDULE XV (Paragraph 6)

LOSS RESERVE SPECIALIST'S OPINION

1 The loss reserve specialist's opinion must state whether or not, in the opinion of the loss reserve specialist, the aggregate amount of technical provisions shown at Line 19 in the Statutory Economic Balance Sheet as at the end of the relevant financial year:

- meets the requirements of the Insurance Act 1978 and related rules and regulations;
- makes adequate provision for the total technical provisions of the group under the terms of its insurance contracts and agreements.

2 The loss reserve specialist shall state their own best estimates (and/or ranges for the best estimates) and confirm that such estimates have been determined in accordance with the requirements set out in Schedule XIV. The loss reserve specialist shall also state (but is not limited to) their best estimates for following matters (as applicable):

(a) Line 16(a)
(b) Line 16(d)
(c) Line 17(a)
(d) Line 17(d)

3 The loss reserve specialist is required to state their estimates for the risk margin (Line 18) and state whether or not, in their opinion, these amounts have been calculated in accordance with the requirements of Schedule XIV.

4 In relation to Lines 16(a), the loss reserve specialist shall provide commentary on the assumptions made in relation to bound but not incepted business, as described in paragraph 8 of Schedule XIV.

5 The loss reserve specialist shall provide commentary for Lines 16(d) and 17(d) on the assumptions made for expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual dispute) in relation to reinsurance recoveries.

6 Where the loss reserve specialist has not used "risk discount curves" provided by the Authority they shall state the rates used for calculation and provide commentary on how they were derived.

7 The loss reserve specialist shall provide commentary on any aspects of the technical provisions of the Group which give rise to greater levels of uncertainty than would typically be associated with the group's business.

8 The loss reserve specialist opinion shall further confirm:

- the loss reserve specialist's name, employer and professional designations attained (which qualifies them to issue the opinion and formed the basis for their application to the Authority for approval as Loss Reserve Specialist) ;

- whether or not the loss reserve specialist continues to be a qualified member in good standing of all official actuarial bodies included in their application to the Authority for approval;

- whether or not the loss reserve specialist is in full compliance with the most recent Continuing Professional Development requirements of their official actuarial body;

- whether or not the loss reserve specialist has any perceived conflicts of interest relative to providing the opinion.

9 Working papers supporting the loss reserve specialist's opinion which are required to be made available to the Authority by the loss reserve specialist upon request should be sufficient in and of themselves to enable the completion of an independent review of the Opinion by another unrelated but experienced actuary..

10 The opinion shall be signed and dated by the loss reserve specialist and must include their current contact information, including but not limited to, telephone number and email address.

SCHEDULE XVI (paragraph 6)

SCHEDULE OF MINIMUM MARGIN OF SOLVENCY

Name of Insurer

as at [*blank*] (day/month/year)

All amounts are expressed in (currency used)

.

Affiliate Member Name	**Jurisdiction**	**Entity Type**	**Percent of Participation Interest**	**Net Premiums Written**	**Total Assets (Economic Value)**	**Net Assets (Economic Value)**	**Minimum Margin of Solvency (MSM)**

INSTRUCTIONS AFFECTING SCHEDULE XVI:

The insurer shall provide the following information to calculate the minimum margin of solvency:

(a) the name of every affiliate over which the insurer exercises control or significant influence;

(b) the name of the jurisdiction in which the affiliate is licensed or registered;

(c) the type of affiliate;

(d) the insurer's participation interest in each affiliate;

(e) the net premium written of the affiliate;

(f) the total assets of the affiliate valued in accordance with the requirements set out in Schedule XIV;

(g) the net asset valuation of the affiliate valued in accordance with the requirements set out in Schedule XIV;

(h) the minimum margin of solvency for each affiliate as determined by the jurisdiction where the affiliate is licensed or registered.