22nd January 2015

NOTICE

Insurance (Prudential Standards) (Class C, Class D and Class E 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 Approved Actuary's Opinion on the EBS technical provisions. This will also require a new Guidance Note covering the Approved Actuary'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, whilst the proposals covering technical provisions would become effective for submissions made following the end of the financial year starting on or after 1st January 2018.

For Long-Term business insurers that also have a Class 3B or Class 4 license (i.e. dual licensed entities), the proposals covering technical provisions would 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 C, CLASS D AND CLASS E 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 C, Class D and Class E Solvency Requirement) Rules 2011 (the "principal Rules"), may be cited as the Insurance (Prudential Standards) (Class C, Class D and Class E 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 4EBS as set out in these Rules";

(c) deleting the words ""Form 4" means Form 4 set out in Schedule I of the Insurance Accounts Regulations 1980";

(d) by inserting in alphabetical order the words ""Form 4EBS" means Schedule XIV Class C, Class D and Class E Statutory Economic Balance Sheet set out in these Rules;".

Paragraph 3 amended

3 Paragraph 3 of the principal Rules is amended in—

(a) sub-paragraph (3) by deleting the words "available statutory capital and surplus"; and inserting the words "available statutory economic capital and surplus";

(b) sub-paragraph (4) by deleting the words "Form 4" and inserting the words "Form 4EBS".

Paragraph 6 amended

4 Paragraph 6 of the principal Rules is amended—

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

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

(c) in sub-paragraph (2A) by deleting the words “Schedule XIII” and inserting the words “Schedules XIII, XIV, XV and XVI”;

(d) in sub-paragraph (3) by deleting the words “XII, and XIII” and inserting the words “XII, XIII, XIV, and XVI”;

(e) 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 approved actuary, which takes into account its technical provisions calculated in accordance with Line 27C of Form 4EBS and Schedule XV.”

Schedule I repealed and replaced

5 Paragraph 6 of the principal Rules is repealed and replaced as follows:

“SCHEDULE I (Paragraph 4)

Bermuda Solvency Capital Requirement (Class D and Class E BSCR)

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

$$BSCR = \sqrt{C_{fi}^2 + C_{eq}^2 + C_{LTcred}^2 + C_{LT\,\mathrm{int}}^2 + \left(C_{LTmort} + C_{LTsl} + C_{LTr}\right)^2 + C_{LTmort}^2 + C_{LTlong}^2 + .\bar{}5 \times \left(\left(C_{LTmort} + C_{LTsl} + C_{LTr}\right) \times C_{LTlong}\right) + C_{LTVA}^2 + C_{LToth}^2} + C_{op}$$

where-

C_{fi} = fixed income investment risk capital as calculated in accordance with paragraph 2;

C_{eq} = equity investment risk capital as calculated in accordance with paragraph 3;

C_{LTcred} = credit risk capital as calculated in accordance with paragraph 4;

$C_{LT\,\mathrm{int}}$ = long-term interest rate and liquidity risk capital as calculated in accordance with paragraph 5;

C_{LTmort} = long-term insurance risk – mortality capital as calculated in accordance with paragraph 6;

C_{LTsl} = long-term insurance risk – stop loss capital as calculated in accordance with paragraph 7;

C_{LTr} = long-term insurance risk – riders capital as calculated in accordance with paragraph 8;

C_{LTmorb} = long-term insurance risk – morbidity and disability capital as calculated in accordance with paragraph 9;

C_{LTlong} = long-term insurance risk – longevity capital as calculated in accordance with paragraph 10;

C_{LTVA} = long-term variable annuity guarantee risk capital as calculated in accordance with paragraph 11;

C_{LToth} = long-term other insurance risk capital as calculated in accordance with paragraph 12; and

C_{op} = operational risk capital as calculated in accordance with paragraph 13

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

$$C_{fi} = \sum_i \chi_i \times FIastclass_i \text{ ,} \quad \text{where}$$

χ_i = the capital 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 factors for $FIastclass_i$

Type of fixed income investments $FIastclass_i$	**Statement Source** 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 4EBS, Line 8	5.0%
Cash and cash equivalents	FORM 4EBS, Line 1 & Schedule IIA, Line 27, Column (1)	0.3%

INSTRUCTIONS AFFECTING TABLE 1: Capital 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 capital calculation shall be established in accordance with the following formula-

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

$\chi_{i\ i}$ = the capital factors prescribed in Table 2 for each type of $Eqastclass_i$; and

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

Table 2 – Capital 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	11.0%

	15, Column (3)	
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 4EBS, Line 7 (a)	10.0%
Real estate investments less: encumbrances	Form 4EBS, Line 7 (b)	20.0%
Other equity investments	Form 4EBS , Lines 2(e) & 3(e)	20.0%
Other tangible assets – net of segregated accounts companies	Form 4EBS, Lines 13(l) & 14(d) Less 13(b), and 13(c)	20.0%
Investments in Affiliates		
Unregulated entities that conduct ancillary services	Form 4EBS, Line 4(a)	5.0%
Unregulated non-financial operating entities	Form 4EBS, Line 4(b)	5.0%

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

INSTRUCTIONS AFFECTING TABLE 2: Capital 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 credit risk capital calculation shall be established in accordance with the following formula-

$$C_{cred} = \sum_{i_i} \delta_i \times debtor_{i_r} \times \mu_r \ , \quad \text{where-}$$

δ_i = the credit risk capital factor for type of $debtor_i$ as prescribed in Table 3;

$debtor_i$ = 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 3 – Capital factors for $debtor_i$

Type of debtor $debtor_i$	**Statement Source** these Rules	**Capital Factor** δ_i
Accounts and Premiums Receivable		
In course of collection	Form 4EBS, Line 10(a)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 4EBS, Line 10(c) Refer to instruction (c) below	10.0%
All Other Receivables		
Accrued investment income	Form 4EBS, Line 9	2.5%
Advances to affiliates	Form 4EBS, Line 4(g)	5.0%

Policy loans	Form 4EBS, Line 6	0.0%
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%

INSTRUCTIONS AFFECTING TABLE 3: Capital 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%;

(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.

5. The long-term interest rate and liquidity risk capital calculation shall be established in accordance with the following formula-

$$C_{LT\,\text{int}} = \left(duration1 \times rateshock \times reserveshare \times assets \times 100\% - ALMCredit\right) + \left(duration2 \times rateshock \times \left(1 - reserveshare\right) \times assets\right)$$

where-

duration1 applies for business where the duration of assets and liabilities is known. *duration1* = the higher of

(a) 1; or

(b) the insurer's weighted average of the difference in asset duration and liability duration;

The statement source for the weighted average of the difference in asset duration and liability duration is Schedule V paragraph (f) of these Rules;

duration2 applies for business where the duration of assets and liabilities is not known. *duration2* is equal to 2;

rateshock = assumed interest rate adjustment prescribed in Table 4;

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

reserveshare is the amount of reserves with known duration divided by the total reserves. The statement source for *reserveshare* is Schedule V paragraph (h) of these Rules; and

ALMCredit = the total factor determined in accordance with Table 5.

Table 4 – Interest rate adjustment for *assets*

Type of investments *assets*	**Statement Source** these Rules	**200 basis point interest rate increase** *rateshock*
Bonds and debentures - other	Form 4EBS, Lines 2(a)(ii) and 3(a)(ii)	2.0%
Preferred stock	Form 4EBS, Lines 2(c)(ii) and 3(c)(ii)	2.0%

Mortgage loans Line	Form 4EBS, 5(c)	2.0%

INSTRUCTIONS AFFECTING TABLE 4: Interest rate adjustment for *assets*

(a) all assets comprising of bonds and debentures - other, 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 bonds and debentures - other, 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.

Table 5 - Asset Liability Management ("ALM") Credit

Criterion	Implemented	Score for yes answers
Has the insurer implemented policies on ALM, including tolerances for deviation?	If yes, the answers to remaining questions are used, If no, the ALM Credit is zero	
Have clear roles and responsibilities for the execution of the ALM program been assigned?		10%

Are ALM positions / tolerances communicated to the investment function, senior management and the board on a timely basis?		10%
Have systems and procedures been established to identify, report and promptly address ALM deficiencies?		10%
Are the ALM policies and procedures reviewed and reapproved or revised at least annually?		10%
Is the insurer's current ALM position in compliance with the insurer's policies?		10%
Total		XX%

6. The long–term insurance risk - mortality capital calculation 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 factor for adjustable life insurance business as prescribed in Table 6;

$NAAR1_i$ = the Net Amount at Risk of all adjustable life insurance business. The statement source is Schedule VII, line 1, column (9) of these Rules;

$\alpha 2_i$ = capital factor for non-adjustable business as prescribed in Table 6; and

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable life insurance business. The statement source is Schedule VII, line 1, column (10) of these Rules.

Table 6 - Capital factors for long-term insurance risk - mortality

Net Amount at Risk **NAAR1 or NAAR2**	**Capital Factor** $\alpha 1_i$	**Capital Factor** $\alpha 2_i$
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

7. The long-term insurance risk – stop loss capital calculation shall be established in accordance with the following formula-

C_{LTsl} □ 50% x Net Annual Premium for stop loss insurance risks.

The statement source for Net Annual Premium for stop loss risks is Schedule VII, line 14, column (11) of these Rules.

8. The long-term insurance risk – riders capital calculation shall be established in accordance with the following formula-

C_{LTr} □ 25% x Net Annual Premium for insurance product riders not included elsewhere.

The statement source for Net Annual Premium for insurance riders not included elsewhere is Schedule VII, line 15, column (11) of these Rules.

9. The long–term insurance risk - morbidity and disability capital calculation shall be established in accordance with the following formula-

C_{LTmorb} □ (a) 7.00% x BSCR adjusted reserves for disability income claims in payment on waiver of premium and long-term care. The statement source for reserves for disability income claims in payment on waiver of premium and long-term care is Schedule VII, line 9, column (7) of these Rules.

plus

(b) 10% x BSCR adjusted reserves for disability income claims in payment on other accident and sickness products. The statement source for reserves for disability income claims on other accident and sickness products is Schedule VII, line 10, column (7) of these Rules.

plus

(c) $\left[\sum_{i>1} \alpha_i \times NAP_i\right]$

where-

α_i = capital factor as prescribed in Table 7; and

NAP_i = the Net Annual Premium for disability income business – active lives as described in Table 7.

Table 7 - Capital factors for NAP_i

Net Annual Premium NAP_i	**Statement Source** These Rules	**Capital Factor** α_i
Benefit period less than or equal to two years, premium guarantee less than or equal to 1 year	Schedule VII, line 7(a), column (9)	9.00%
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, line 7(b), column (9)	15.00%
Benefit period less than or equal to two years, premium guarantee of more than 5 years	Schedule VII, line 7(c), column (9)	22.50%
Benefit period greater than two years, premium guarantee less than or equal to 1 year	Schedule VII, line 7(a), column (10)	12.00%

Benefit period greater than two years, premium guarantee of more than 1 year but less than or equal to 5 years	Schedule VII, line 7(b), column (10)	20.00%
Benefit period greater than two years, premium guarantee of more than 5 years	Schedule VII, line 7(c), (10)	30.00%

plus

(d) 12% x net annual premiums for disability income active lives - other accident and sickness products. The statement source for disability income active lives – other accident and sickness is Schedule VII, line 8, column (11) of these Rules.

plus

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

where-

$\alpha 1_i$ = capital factor as prescribed in Table 8;

$NAAR1_i$ = Net Amount at Risk of all adjustable critical illness insurance business in force. The statement source is Schedule VII, line 2, column (9) of these Rules;

$\alpha 2_i$ = capital factor as prescribed in Table 8; and

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable critical illness insurance business in force. The statement source is Schedule VII, line 2, column (10) of these Rules.

Table 8 - Capital factors for *NAAR1 or NAAR2*

Net Amount at Risk *NAAR1 or NAAR2*	**Capital Factor** $\alpha1_i$	**Capital Factor** $\alpha2_i$
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

10. The long-term insurance risk – longevity capital calculation shall be established in accordance with the following formula-

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

α_i = capital factor as prescribed in Table 9; and

BAR_i = the BSCR adjusted reserves for longevity risk as described in Table 9.

Table 9 - Capital factors for BAR_i

BSCR Adjusted Reserves BAR_i	**Statement Source** These Rules	**Capital Factor** α_i
Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs) – Attained age of annuitant:		
0-55 years	Schedule VII, line 3(a), column (7)	2.0%
56-65 years	Schedule VII, line 3(b), column (7)	3.0%
66-70 years	Schedule VII, line 3(c), column (7)	4.0%
71-80 years	Schedule VII, line 3(d), column (7)	5.0%
81+ years	Schedule VII, line 3(e), column (7)	6.0%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs) – Age at which annuity benefits commence:		
0-55 years	Schedule VII, line 4(a), column (7)	2.0%
56-60 years	Schedule VII, line 4(b), column (7)	3.0%

61-65 years	Schedule VII, line 4(c), column (7)	4.0%
66-70 years	Schedule VII, line 4(d), column (7)	5.0%
71-75 years	Schedule VII, line 4(e), column (7)	6.0%
76+ years	Schedule VII, line 4(f), column (7)	7.0%

INSTRUCTION AFFECTING TABLE 9: Capital factors for BAR_i

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

11. The long-term variable annuity guarantee risk capital calculation shall be established in accordance with the following formula:

$$C_{LTVA} = \text{either } \sum_{i>1} (TotalBS\,\mathrm{Re}\,q_i - TotalBAR - TotalGMDB_{adj}) \text{ or } (IMC\,\mathrm{Re}\,q_{LTVA})$$

Where - (i) $TotalBS\,\mathrm{Re}\,q_i$ = 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) $TotalGMDB_{adj}$ = 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) $IMC\operatorname{Re}q_{LTVA}$ = the capital requirement for variable annuity guarantee risk determined in accordance with an insurer's internal capital model, if applicable. The statement source for $IMC\operatorname{Re}q_{LTVA}$ is Schedule VIIIA, line 1, column (7) of these Rules;

(v) $GV1_i$, $GV2_i$, $GV3_i$, $NAR1_i$, $NAR2_i$, and $NAR3_i$ have the statement source identified in Table 10; and

(vi) $\alpha 1$, $\alpha 2$, $\alpha 3$, $\alpha 4$, $\alpha 4$, $\alpha 5$ and $\alpha 6$ are the capital factors prescribed in Table 11.

Table 10 Statement Source for $GV1_i$, $GV2_i$, $GV3_i$, $NAR1_i$, $NAR2_i$, and $NAR3_i$

Variable Annuity Benefit Type	**Statement Source** These Rules $GV1_i$	**Statement Source** These Rules $GV2_i$	**Statement Source** These Rules $GV3_i$	**Statement Source** These Rules $NAR1_i$	**Statement Source** These Rules $NAR2_i$	**Statemen: Source** These Rules $NAR3_i$
Guaranteed minimum death	Schedule VIII, lines 1	Schedule VIII, lines 1	Schedule VIII, lines 1	Schedule VIII, line 1,	Schedule VIII, line 1,	Schedule VIII, line 1,

benefit: Return of premium, ratchet and reset	and 16, column (2)	and 16, column (3)	and 16, column (4)	column (5)	column (6)	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, line 2, column (5)	Schedule VIII, line 2, column (6)	Schedule VIII, line 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, line 3, column (5)	Schedule VIII, line 3, column (6)	Schedule VIII, line 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, line 4, column (5)	Schedule VIII, line 4, column (6)	Schedule VIII, line 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, line 5, column (5)	Schedule VIII, line 5, column (6)	Schedule VIII, line 5, column (7)
Guaranteed minimum accumulation benefit with 1 year	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, line 6, column (5)	Schedule VIII, line 6, column (6)	Schedule VIII, line 6, column (7)

or less to maturity						
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, line 7, column (5)	Schedule VIII, line 7, column (6)	Schedule VIII, line 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, line 8, column (5)	Schedule VIII, line 8, column (6)	Schedule VIII, line 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, line 9, column (5)	Schedule VIII, line 9, column (6)	Schedule VIII, line 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, line 10, column (5)	Schedule VIII, line 10, column (6)	Schedule VIII, line 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, line 11, column (5)	Schedule VIII, line 11, column (6)	Schedule VIII, line 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, line 12, column (5)	Schedule VIII, line 12, column (6)	Schedule VIII, line 12, column (7)
Guaranteed minimum	Schedule VIII, lines 13	Schedule VIII, lines 13	Schedule VIII, lines 13	Schedule VIII, line 13,	Schedule VIII, line 13,	Schedule VIII, line 13,

accumulation benefit with more than 7 years but less than or equal to 8 years to maturity	and 28, column (2)	and 28, column (3)	and 28, column (4)	column (5)	column (6)	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, line 14, column (5)	Schedule VIII, line 14, column (6)	Schedule VIII, line 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, line 15, column (5)	Schedule VIII, line 15, column (6)	Schedule VIII, line 15, column (7)

Table 11 Capital Factors for $\alpha 1$, $\alpha 2$, $\alpha 3$, $\alpha 4$, $\alpha 4$, $\alpha 5$ and $\alpha 6$

Variable Annuity Benefit Type	**Capital Charge**	**Capital Charge**	**Capital Charge**	**Capital Charge**	**Capital Charge**	**Capital Charge**

	$\alpha 1$	$\alpha 2$	$\alpha 3$	$\alpha 4$	$\alpha 5$	$\alpha 6$
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	3.20%	5.00%	9.00%	90.00%	130.00%	250.00%

or less to maturity						
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 accumulati	2.40%	4.30%	8.00%	55.00%	85.00%	115.00%

on benefit with more than 4 years but less than or equal to 5 years to maturity						
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	1.40%	2.10%	4.90%	40.00%	55.00%	80.00%

maturity						
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%

12. The long-term other insurance risk capital calculation shall be established in accordance with the following formula-

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

where-

α_i = capital factor as prescribed in Table 12; and

BAR_i = the BSCR adjusted reserves as described in Table 12.

Table 12 - Capital factors for BAR_i

BSCR Adjusted Reserves	Statement Source	Capital Factor

BAR_i	The Rules	α_i
Mortality (term insurance, whole life, universal life)	Schedule VII, column (7), line 1	2.00%
Critical illness (including accelerated critical illness products)	Schedule VII, column (7), line 2	2.00%
Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs)	Schedule VII, column (7), line 3(f)	0.50%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs)	Schedule VII, column (7), line 4(g)	0.50%
Annuities certain only	Schedule VII, column (7), line 5	0.50%
Deferred accumulation annuities	Schedule VII, column (7), line 6	0.50%
Disability Income: active lives – including waiver of premium and long term care	Schedule VII, column (7), line 7(d)	2.00%
Disability Income: active lives – other accident and health	Schedule VII, column (7), line 8	2.00%
Disability Income: claims	Schedule VII,	0.50%

in payment – including waiver of premium and long term care	column (7), line 9	
Disability Income: claims in payment – other accident and sickness	Schedule VII, column (7), line 10	0.50%
Group Life	Schedule VII, column (7), line 11	0.50%
Group Disability	Schedule VII, column (7), line 12	0.50%
Group Health	Schedule VII, column (7), line 13	0.50%
Stop Loss	Schedule VII, column (7), line 14	2.00%
Rider (all other products excluding Variable Annuity Guarantees)	Schedule VII, column (7), line 15	2.00%

13. The operational risk capital 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

$ACov$ = BSCR After Covariance amount or an amount approved by the Authority.

Table 13

Operational Risk Capital Factor

Overall Score	Applicable Operational Risk Charge ρ
<=5200	10%
>5200 <=6000	9%
>6000 <=6650	8%
>6650 <=7250	7%
>7250 <=7650	6%
>7650 <=7850	5%
>7850 <=8050	4%
>8050 <=8250	3%
>8250 <=8450	2%
>8450	1%

INSTRUCTIONS AFFECTING TABLE 13:

In this table, "overall score" means an amount equal to the sum of the aggregate score derived from each of tables 13A, 13B, 13C, 13D, 13E, and 13F.

Table 13A

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		200

operational risk tolerance limits more regularly than annually		
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 13A:

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

Table 13B

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 13B:

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 13C

Risk Identification Processes ('RIP') Score Table

Progression			Operational Risk Areas							
Stage	Scoring	Criterion	Fraud	HR	Outsourcing	Distribution Channel	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 a view to assessing effectiveness and introducing								

		improvements								
TOTAL			XX	XX	XX	XX	XX	XX	XX	XX

COMMENTS

INSTRUCTIONS AFFECTING TABLE 13C:

(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 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 13D

Risk Measurement Processes (‘RMP’) Score Table

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channel	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								

		improvements								
TOTAL			XX	XX	XX	XX	XX	XX	XX	XX

COMMENTS

INSTRUCTIONS AFFECTING TABLE 13D:

(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 13E

Risk Response Processes ('RRP') Score Table

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channel	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 13E:

(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 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 13F

Risk Monitoring and Reporting Processes ('RMRP') Score Table

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channel	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	

COMMENTS

INSTRUCTIONS AFFECTING TABLE 13F:

(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 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."

Schedule II amended

6 Schedule II of the principal Rules is amended –

(a) by deleting the words "Form 4" and inserting the words "Form 4EBS" 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 4" and replacing them with the words "Form 4EBS";

(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 IVA amended

8 Schedule IVA of the principal Rules is amended by inserting the following at the end: "**INSTRUCTIONS AFFECTING SCHEDULE IVA:**

Amounts are to be reported on both a consolidated and unconsolidated basis.".

Schedule V amended

9 Schedule V of the principal Rules is amended—

(a) by inserting a new paragraph "(p)" after paragraph (o) as follows:

"(p) reconciliation from GAAP financial statements to Form 4EBS;".

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

(i) inserting a new subheading as follows:

"Paragraphs (a), and (b), 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 4" where they occur, and inserting the words "Form 4EBS";

(iii) inserting a new sub-paragraph ("p") after paragraph "(o)" as follows:

"(p) 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 4EBS.".

Schedule VI amended

10 Schedule VI of the principal Rules is amended by —

(a) deleting the words "Form 4" where they occur and inserting the words "Form 4EBS";

(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 VII amended

11 Schedule VII of the principal Rules is amended by:

(a) deleting the words in Column (1) "BSCR statutory reserve" and inserting the words "Bermuda EBS Best Estimate Provisions";

(b) inserting the following after Schedule VII:

"**INSTRUCTIONS AFFECTING SCHEDULE VII**:

(a) Bermuda EBS best estimate provisions are to be calculated according to the Economic Balance Sheet valuation principles under Schedule XIV;

(b) Amounts are to be reported on both a consolidated and unconsolidated basis."

Schedule VIII amended

12 Schedule VIII of the principal Rules is amended-

(a) by deleting the words in Column (1) "BSCR statutory reserve" and inserting the words "Bermuda EBS Best Estimate Provisions";

(b) under the heading "**INSTRUCTIONS AFFECTING SCHEDULE VIII:"** by inserting the following after paragraph 5:

"6. Amounts are to be reported on both a consolidated and unconsolidated basis.

7. Bermuda EBS best estimate provisions are to be calculated according to the Economic Balance Sheet valuation principles under Schedule XIV."

Schedule VIIIA amended

13 Schedule VIIIA of the principal Rules is amended by-

(a) deleting the words in Column (1) "BSCR statutory reserve" and inserting the words "Bermuda EBS Best Estimate Provisions";

(b) inserting after the Table in paragraph (b) the following:

"**INSTRUCTIONS AFFECTING SCHEDULE VIIIA**:

(c) Bermuda EBS best estimate provisions are to be calculated according to the Economic Balance Sheet valuation principles under Schedule XIV;

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

Schedule IX amended

14 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 XII repealed and replaced

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

"SCHEDULE OF ELIGIBLE CAPITAL

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

(a) Tier 1, Tier 2 and Tier 3 eligible capital (Table 15); 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 15

Total statutory economic capital and surplus (Form 4EBS, Line 40 plus applicable adjustments)	XXX
Less: Encumbered assets not securing policyholder obligations (Notes to Form 4EBS, STMT Line 15)	XXX
Less: relative liability or contingent liability (included on Form 4EBS) 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 4EBS, 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 equal to the policyholder obligations	XXX	XXX	
(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 (Form 4EBS, STMT LINE 15)

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 obligation and not for securing policyholder obligation XXX

<u>Tier 1 – ancillary capital</u>

(a) Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1(c)(i)) XXX

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

Tier 2 -basic capital

(b)	Hybrid capital instruments: Perpetual or fixed term preference shares (Form 8, STMT LINE 1(a)(ii))	XXX
(b)	Other:	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 15:

Table 15 inputs are subject to the Insurance (Eligible Capital) Rules 2012 (the "Eligible Capital Rules") made under Section 6A of the Act.

The insurer shall include all components of total statutory capital and surplus (Form 8, Line 3 of the Insurance Accounts Regulations 1980) subject to adjustments made under Section 6D of the Act in Table 15 in accordance with the provisions of Eligible Capital Rules."

Table 15A

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 15A:

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 15A in accordance with the provisions of the Eligible Capital Rules."

Schedule XIII repealed and replaced

16 Schedule XIII of the principal Rules is repealed and replaced as follows:

"SCHEDULE XIII

Paragraph 2A PART I

Bermuda Solvency Capital Requirement (Class C BSCR)

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

$$BSCR = \sqrt{C_{fi}^{2} + C_{eq}^{2} + C_{LTcred}^{2} + C_{LT\,\text{int}}^{2} + \left(C_{LTmort} + C_{LTsl} + C_{LTr}\right)^{2} + C_{LTmort}^{2} + C_{LTlong}^{2} + .5 \times \left(\left(C_{LTmort} + C_{LTsl} + C_{LTr}\right) \times C_{LTlong}\right) + C_{LTVA}^{2} + C_{LToth}^{2}} + C_{op}$$

where-

C_{fi} = fixed income investment risk capital as calculated in accordance with paragraph 2;

C_{eq} = equity investment risk capital as calculated in accordance with paragraph 3;

C_{LTcred} = credit risk capital as calculated in accordance with paragraph 4;

$C_{LT\,\text{int}}$ = long-term interest rate and liquidity risk capital as calculated in accordance with paragraph 5;

C_{LTmort} = long-term insurance risk – mortality capital as calculated in accordance with paragraph 6;

C_{LTsl} = long-term insurance risk – stop loss capital as calculated in accordance with paragraph 7;

C_{LTr} = long-term insurance risk – riders capital as calculated in accordance with paragraph 8;

C_{LTmorb} = long-term insurance risk – morbidity and disability capital as calculated in accordance with paragraph 9;

C_{LTlong} = long-term insurance risk – longevity capital as calculated in accordance with paragraph 10;

C_{LTVA} = long-term variable annuity guarantee risk capital as calculated in accordance with paragraph 11;

C_{LToth} = long-term other insurance risk capital as calculated in accordance with paragraph 12; and

C_{op} = operational risk capital as calculated in accordance with paragraph 13

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

$$C_{fi} = \sum_i \chi_i \times FIastclass_i$$

, where-

☐ χ_i = the capital 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 factors for $FIastclass_i$

Type of fixed income investments $FIastclass_i$	**Statement Source** these Rules	**Capital Factor** χ_i
Corporate and Sovereign Bonds		
BSCR rating 0	Part II & Part IIA, Line 1, Column (1)	0.0%
BSCR rating 1	Part II & Part IIA, Line 2, Column (1)	0.4%
BSCR rating 2	Part II & Part IIA, Line 3, Column (1)	0.8%
BSCR rating 3	Part II & Part IIA, Line 4, Column (1)	1.5%
BSCR rating 4	Part II & Part IIA, Line 5, Column (1)	3.0%
BSCR rating 5	Part II & Part IIA, Line 6, Column (1)	8.0%
BSCR rating 6	Part II & Part IIA, Line 7, Column (1)	15.0%
BSCR rating 7	Part II & Part IIA, Line 8, Column (1)	26.3%
BSCR rating 8	Part II & Part IIA, Line 9, Column (1)	35.0%

Residential Mortgage-Backed Securities		
BSCR rating 1	Part II & Part IIA, Line 2, Column (3)	0.6%
BSCR rating 2	Part II & Part IIA, Line 3, Column (3)	1.2%
BSCR rating 3	Part II & Part IIA, Line 4, Column (3)	2.0%
BSCR rating 4	Part II & Part IIA, Line 5, Column (3)	4.0%
BSCR rating 5	Part II & Part IIA, Line 6, Column (3)	11.0%
BSCR rating 6	Part II & Part IIA, Line 7, Column (3)	25.0%
BSCR rating 7	Part II & Part IIA, Line 8, Column (3)	35.0%
BSCR rating 8	Part II & Part IIA, Line 9, Column (3)	35.0%
Commercial Mortgage-Backed Securities / Asset-Backed Securities		
BSCR rating 1	Part II & Part IIA, Line 2, Column (5)	0.5%
BSCR rating 2	Part II & Part IIA, Line 3, Column (5)	1.0%
BSCR rating 3	Part II & Part IIA, Line 4, Column (5)	1.8%
BSCR rating 4	Part II & Part IIA, Line 5, Column (5)	3.5%
BSCR rating 5	Part II & Part IIA, Line 6, Column (5)	10.0%
BSCR rating 6	Part II & Part IIA, Line 7, Column (5)	20.0%
BSCR rating 7	Part II & Part IIA, Line 8, Column (5)	30.0%
BSCR rating 8	Part II & Part IIA, Line 9, Column (5)	35.0%
Bond Mutual Funds		
BSCR rating 0	Part II & Part IIA, Line 1, Column (7)	0.0%

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

INSTRUCTIONS AFFECTING TABLE 1: **Capital 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) all amounts are to be reported on a consolidated basis.

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

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

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

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

Table 2 – Capital 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	Part II & IIA, Line 19, Column (1)	14.4%
Non-affiliated (unquoted) common stock	Part II & IIA, Line 20, Column (1)	14.4%
Equity mutual funds	Part II & IIA, Line 21, Column (5)	14.4%

Preferred Stocks		
BSCR rating 1	Part II & Part IIA, Line 11, Column (3)	0.6%
BSCR rating 2	Part II & Part IIA, Line 12, Column (3)	1.2%
BSCR rating 3	Part II & Part IIA, Line 13, Column (3)	2.0%
BSCR rating 4	Part II & Part IIA, Line 14, Column (3)	4.0%
BSCR rating 5	Part II & Part IIA, Line 15, Column (3)	11.0%
BSCR rating 6	Part II & Part IIA, Line 16, Column (3)	25.0%
BSCR rating 7	Part II & Part IIA, Line 17, Column (3)	35.0%
BSCR rating 8	Part II & Part IIA, Line 18, Column (3)	35.0%
Other Equity Investments		
Company-occupied real estate less: encumbrances	Form 4EBS, Line 7(a)	10.0%
Real estate investments less: encumbrances	Form 4EBS, Line 7(b)	20.0%
Other equity investments	Form 4EBS, Lines 2(e) & 3(e)	20.0%

Other tangible assets – net of segregated accounts companies	FORM 4EBS, Lines 13(l) & 14(d) Less 13(b) and 13(c)	20.0%

Investments in Affiliates		
Unregulated entities that conduct ancillary services	Form 4EBS, Line 4(a)	5.0%
Unregulated non-financial operating entities	Form 4EBS, Line 4(b)	5.0%
Unregulated financial operating entities	Form 4EBS, Line 4(c)	5.0%
Regulated non-insurance financial operating entities	Form 4EBS, Line 4(d)	5.0%
Regulated insurance financial operating entities	FORM 4EBS, Line 4(e)	5.0%

INSTRUCTIONS AFFECTING TABLE 2: Capital 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 credit risk capital calculation shall be established in accordance with the following formula-

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

δ_i = the credit risk capital factor for type of $debtor_i$ as prescribed in Table 3;

$debtor_i$ = 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 3 – Capital factors for $debtor_i$

Type of debtor $debtor_i$	**Statement Source** these Rules	**Capital Factor** δ_i
Accounts and Premiums Receivable		
In course of collection	Form 4EBS, Line 10(a)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 4EBS, Line 10(c) Refer to instruction	10.0%
All Other Receivables		
Accrued investment income	Form 4EBS, Line 9	2.5%
Advances to affiliates	Form 4EBS, Line 4(g)	5.0%
Policy loans	Form 4EBS, Line 6	0.0%
Particulars of Reinsurance Balances		
BSCR rating 0	Part V paragraph (c)	0.0%
BSCR rating 1	Part V paragraph (c)	0.7%

BSCR rating 2	Part V paragraph (c)	1.5%
BSCR rating 3	Part V paragraph (c)	3.5%
BSCR rating 4	Part V paragraph (c)	7.0%
BSCR rating 5	Part V paragraph (c)	12.0%
BSCR rating 6	Part V paragraph (c)	20.0%
BSCR rating 7	Part V paragraph (c)	27.0%
BSCR rating 8	Part V paragraph (c)	35.0%
Less: Diversification adjustment	Part V paragraph (c)	40.0%

INSTRUCTIONS AFFECTING TABLE 3: Capital 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.

5. The long-term interest rate and liquidity risk capital calculation shall be established in accordance with the following formula-

$C_{LT\,\text{int}}$ duration1 rateshock reserveshare assets (100% − ALMCredit)

duration2 rateshock (1 − reserveshare) assets

$$C_{LT\,\text{int}} = \left(duration1 \times rateshock \times reserveshare \times assets \times 100\% - ALMCredit\right)$$
$$+\left(duration2 \times rateshock \times \left(1 - reserveshare\right) \times assets\right)$$

where-

$duration1$ applies for business where the duration of assets and liabilities is known. duration1 = the higher of

(a) 1; or

(b) the insurer's weighted average of the difference in asset duration and liability duration;

The statement source for the weighted average of the difference in asset duration and liability duration is Part V paragraph (f) of these Rules.

$duration2$ applies for business where the duration of assets and liabilities is not known. duration2 is equal to 2;

$rateshock$ = assumed interest rate adjustment prescribed in Table 4;

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

$reserveshare$ is the amount of reserves with known duration divided by the total reserves. The statement source for $reserveshare$ is Part V paragraph (g) of these Rules; and

ALMCredit = the total factor determined in accordance with Table 5.

Table 4 – Interest rate adjustment for *assets*

Type of investments *assets*	**Statement Source** These rules	**200 basis point interest rate increase** *rateshock*
Bonds and debentures - other	Form 4EBS, Lines 2(a)(ii) and 3(a)(ii)	2.0%
Preferred stock	Form 4EBS, Lines 2(c)(ii) and 3(c)(ii)	2.0%
Mortgage loans	Form 4EBS, Line 5(c)	2.0%

INSTRUCTIONS AFFECTING TABLE 4: Interest rate adjustment for *assets*

(a) all assets comprising of bonds and debentures - other, 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 bonds and debentures - other, 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.

Table 5 - Asset Liability Management ("ALM") Credit

Criterion	**Implemented**	**Score for yes answers**

Has the insurer implemented policies on ALM, including tolerances for deviation?	If yes, the answers to remaining questions are used, If no, the ALM Credit is zero	
Have clear roles and responsibilities for the execution of the ALM program been assigned?		10%
Are ALM positions / tolerances communicated to the investment function, senior management and the board on a timely basis?		10%
Have systems and procedures been established to identify, report and promptly address ALM deficiencies?		10%
Are the ALM policies and procedures reviewed and reapproved or revised at least annually?		10%
Is the insurer's current ALM position in compliance with the insurer's policies?		10%
Total		XX%

6. The long-term insurance risk - mortality capital calculation shall be established in accordance with the following formula-

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

C where-

$\alpha 1_i$ = capital factor for adjustable life insurance business as prescribed in Table 6;

$NAAR1_i$ = the Net Amount at Risk of all adjustable life insurance business. The statement source is Part VII, line 1, column (9) of these Rules.

$\alpha 2_i$ = capital factor for non-adjustable business as prescribed in Table 6; and

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable life insurance business. The statement source is Part VII, line 1, column (10) of these Rules.

Table 6 - Capital factors for long-term insurance risk - mortality

Net Amount at Risk **NAAR1 or NAAR2**	**Capital Factor** $\alpha 1_i$	**Capital Factor** $\alpha 2_i$
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

7. The long-term insurance risk – stop loss capital calculation shall be established in accordance with the following formula-

C_{LTsl} □ 50% x Net Annual Premium for stop loss insurance risks.

The statement source for Net Annual Premium for stop loss risks is Part VII, line 14, column (11) of these Rules.

8. The long-term insurance risk – riders capital calculation shall be established in accordance with the following formula-

C_{LTr} □ 25% x Net Annual Premium for insurance product riders not included elsewhere.

The statement source for Net Annual Premium for insurance riders not included elsewhere is Part VII, line 15, column (11) of these Rules.

9. The long-term insurance risk - morbidity and disability capital calculation shall be established in accordance with the following formula-

C_{LTmorb} □ (a) 7.00% x BSCR adjusted reserves for disability income claims in payment on waiver of premium and long-term care. The statement source for reserves for disability income claims in payment on waiver of premium and long-term care is Part VII, line 9, column (7) of these Rules.

plus

(b) 10% x BSCR adjusted reserves for disability income claims in payment on other accident and sickness products. The statement source for reserves for disability income claims on other accident and sickness products is Part VII, line 10, column (7) of these Rules.

plus

(c) $\left[\sum_{i>1} \alpha_i \times NAP_i\right]$

where-

α_i = capital factor as prescribed in Table 7; and

NAP_i = the Net Annual Premium for disability income business –active lives as described in Table 7.

Table 7 - Capital factors for NAP_i

Net Annual Premium NAP_i	**Statement Source** These Rules	**Capital Factor** α_i
Benefit period less than or equal to two years, premium guarantee less than or equal to 1 year	Part VII, line 7(a), column (9)	9.00%
Benefit period less than or equal to two years, premium guarantee of more than 1 year but less than or equal to 5 years	Part VII, line 7(b), column (9)	15.00%
Benefit period less than or equal to two years, premium guarantee of more than 5 years	Part VII, line 7(c), column (9)	22.50%
Benefit period greater than two years, premium guarantee less than or equal to 1 year	Part VII, line 7(a), column (10)	12.00%
Benefit period greater than two years, premium guarantee of more than 1 year but less than or equal to 5 years	Part VII, line 7(b), column (10)	20.00%
Benefit period greater than two years, premium guarantee of more than 5 years	Part VII, line 7(c), column (10)	30.00%

plus

(d) 12% x net annual premiums for disability income active lives - other accident and sickness products. The statement source for disability income active lives – other accident and sickness is Part VII, line 8, column (11) of these Rules plus

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

where-

$\alpha 1_i$ = capital factor as prescribed in Table 8;

$NAAR1_i$ = Net Amount at Risk of all adjustable critical illness insurance business in force. The statement source is Part VII, line 2, column (9) of these Rules;

$\alpha 2_i$ = capital factor as prescribed in Table 8; and

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable critical illness insurance business in force. The statement source is Part VII, line 2, column (10) of these Rules.

Table 8 - Capital factors for *NAAR1 or NAAR2*

Net Amount at Risk *NAAR1 or NAAR2*	**Capital Factor** $\alpha 1_i$	**Capital Factor** $\alpha 2_i$
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

10. The long-term insurance risk – longevity capital calculation shall be established in accordance with the following formula-

$$C_{LTlong} = \left[\sum_{i>1} \alpha_i \times BAR_i\right]$$ Where:

α_i = capital factor as prescribed in Table 9; and

BAR_i = the BSCR adjusted reserves for longevity risk as described in Table 9.

Table 9 - Capital factors for BAR_i

BSCR Adjusted Reserves BAR_i	**Statement Source** These Rules	**Capital Factor** α_i
Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs) – Attained age of annuitant:		
0-55 years	Part VII, line 3(a), column (7)	2.0%
56-65 years	Part VII, line 3(b), column (7)	3.0%
66-70 years	Part VII, line 3(c), column (7)	4.0%
71-80 years	Part VII, line 3(d), column (7)	5.0%
81+ years	Part VII, line 3(e), column (7)	6.0%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs) – Age at which annuity benefits commence:		
0-55 years	Part VII, line 4(a), column (7)	2.0%

56-60 years	Part VII, line 4(b), column (7)	3.0%
61-65 years	Part VII, line 4(c), column (7)	4.0%
66-70 years	Part VII, line 4(d), column (7)	5.0%
71-75 years	Part VII, line 4(e), column (7)	6.0%
76+ years	Part VII, line 4(f), column (7)	7.0%

INSTRUCTION AFFECTING TABLE 9: Capital factors for BAR_i

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

11. The long-term variable annuity guarantee risk capital calculation shall be established in accordance with the following formula-

$$C_{LTVA} = \text{either } \sum_{i>1} (TotalBS\,\mathrm{Re}\,q_i - TotalBAR - TotalGMDB_{adj}) \text{ or } \left(IMC\,\mathrm{Re}\,q_{LTVA}\right)$$

Where - (i) $TotalBS\,\mathrm{Re}\,q_i$ = higher of (a) $\left(\alpha 1_i \times GV1_i + \alpha 2_i \times GV2_i + \alpha 3_i \times GV3_i\right)$

and (b) $\left(\alpha 4_i \times NAR1_i + \alpha 5_i \times NAR2_i + \alpha 6_i \times NAR3_i\right)$

(ii) $TotalBAR$ = the total BSCR adjusted reserves for variable annuity guarantee risk. The statement source for $TotalBAR$ is Part VII, line 17, column (7) of these Rules;

(iii) $TotalGMDB_{adj}$ = capital requirement charged on guaranteed minimum death benefit (GMDB) policies with multiplied by the percentage of GMDB with multiple guarantees. The statement source for percentage of GMDB with multiple guarantees is Part VIII, line 32, column (4) of these Rules;

(iv) $IMC\,\mathrm{Re}\,q_{LTVA}$ = the capital requirement for variable annuity guarantee risk determined in accordance with an insurer's internal capital model, if applicable. The statement source for $IMC\,\mathrm{Re}\,q_{LTVA}$ is Part VIIIA, line 1, column (7) of these Rules;

(v) $GV1_i$, $GV2_i$, $GV3_i$, $NAR1_i$, $NAR2_i$, and $NAR3_i$ have the statement source identified in Table 10; and

(v) $\alpha 1$, $\alpha 2$, $\alpha 3$, $\alpha 4$, $\alpha 4$, $\alpha 5$, and $\alpha 6$ are the capital factors as prescribed in Table 11.

Table 10 Statement Source for $GV1_i$, $GV2_i$, $GV3_i$, $NAR1_i$, $NAR2_i$, and $NAR3_i$

Variable Annuity Benefit Type	**Statement Source** These Rules $GV1_i$	**Statement Source** These Rules $GV2_i$	**Statement Source** These Rules $GV3_i$	**Statement Source** These Rules $NAR1_i$	**Statement Source** These Rules $NAR2_i$	**Statement Source** These Rules $NAR3_i$
Guaranteed minimum death benefit: Return of premium, ratchet and reset	Part VIII, lines 1 and 16, column (2)	Part VIII, lines 1 and 16, column (3)	Part VIII, lines 1 and 16, column (4)	Part VIII, line 1, column (5)	Part VIII, line 1, column (6)	Part VIII, line 1, column (7)
Guaranteed minimum death benefit: Enhanced benefits (roll up)	Part VIII, lines 2 and 17, column (2)	Part VIII, lines 2 and 17, column (3)	Part VIII, lines 2 and 17, column (4)	Part VIII, line 2, column (5)	Part VIII, line 2, column (6)	Part VIII, line 2, column (7)
Guaranteed minimum income benefit	Part VIII, lines 3 and 18, column (2)	Part VIII, lines 3 and 18, column (3)	Part VIII, lines 3 and 18, column (4)	Part VIII, line 3, column (5)	Part VIII, line 3, column (6)	Part VIII, line 3, column (7)

Guaranteed minimum withdrawal benefit	Part VIII, lines 4 and 19, column (2)	Part VIII, lines 4 and 19, column (3)	Part VIII, lines 4 and 19, column (4)	Part VIII, line 4, column (5)	Part VIII, line 4, column (6)	Part VIII, line 4, column (7)
Guaranteed enhanced earnings benefit	Part VIII, lines 5 and 20, column (2)	Part VIII, lines 5 and 20, column (3)	Part VIII, lines 5 and 20, column (4)	Part VIII, line 5, column (5)	Part VIII, line 5, column (6)	Part VIII, line 5, column (7)
Guaranteed minimum accumulation benefit with 1 year or less to maturity	Part VIII, lines 6 and 21, column (2)	Part VIII, lines 6 and 21, column (3)	Part VIII, lines 6 and 21, column (4)	Part VIII, line 6, column (5)	Part VIII, line 6, column (6)	Part VIII, line 6, column (7)
Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity	Part VIII, lines 7 and 22, column (2)	Part VIII, lines 7 and 22, column (3)	Part VIII, lines 7 and 22, column (4)	Part VIII, line 7, column (5)	Part VIII, line 7, column (6)	Part VIII, line 7, column (7)

Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity	Part VIII, lines 8 and 23, column (2)	Part VIII, lines 8 and 23, column (3)	Part VIII, lines 8 and 23, column (4)	Part VIII, line 8, column (5)	Part VIII, line 8, column (6)	Part VIII, line 8, column (7)
Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity	Part VIII, lines 9 and 24, column (2)	Part VIII, lines 9 and 24, column (3)	Part VIII, lines 9 and 24, column (4)	Part VIII, line 9, column (5)	Part VIII, line 9, column (6)	Part VIII, line 9, column (7)
Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity	Part VIII, lines 10 and 25, column (2)	Part VIII, lines 10 and 25, column (3)	Part VIII, lines 10 and 25, column (4)	Part VIII, line 10, column (5)	Part VIII, line 10, column (6)	Part VIII, line 10, column (7)

Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity	Part VIII, lines 11 and 26, column (2)	Part VIII, lines 11 and 26, column (3)	Part VIII, lines 11 and 26, column (4)	Part VIII, line 11, column (5)	Part VIII, line 11, column (6)	Part VIII, line 11, column (7)
Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity	Part VIII, lines 12 and 27, column (2)	Part VIII, lines 12 and 27, column (3)	Part VIII, lines 12 and 27, column (4)	Part VIII, line 12, column (5)	Part VIII, line 12, column (6)	Part VIII, line 12, column (7)
Guaranteed minimum accumulation benefit with more than 7 years but less than or equal to 8 years to maturity	Part VIII, lines 13 and 28, column (2)	Part VIII, lines 13 and 28, column (3)	Part VIII, lines 13 and 28, column (4)	Part VIII, line 13, column (5)	Part VIII, line 13, column (6)	Part VIII, line 13, column (7)

Guaranteed minimum accumulation benefit with more than 8 years but less than or equal to 9 years to maturity	Part VIII, lines 14 and 29, column (2)	Part VIII, lines 14 and 29, column (3)	Part VIII, lines 14 and 29, column (4)	Part VIII, line 14, column (5)	Part VIII, line 14, column (6)	Part VIII, line 14, column (7)
Guaranteed minimum accumulation benefit with more than 9 years to maturity	Part VIII, lines 15 and 30, column (2)	Part VIII, lines 15 and 30, column (3)	Part VIII, lines 15 and 30, column (4)	Part VIII, line 15, column (5)	Part VIII, line 15, column (6)	Part VIII, line 15, column (7)

Table 11 Capital Factors for $\alpha 1$, $\alpha 2$, $\alpha 3$, $\alpha 4$, $\alpha 4$, $\alpha 5$ and $\alpha 6$

Variable Annuity Benefit Type	**Capital Charge** $\alpha 1$	**Capital Charge** $\alpha 2$	**Capital Charge** $\alpha 3$	**Capital Charge** $\alpha 4$	**Capital Charge** $\alpha 5$	**Capital Charge** $\alpha 6$
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%

12. The long-term other insurance risk capital calculation shall be established in accordance with the following formula-

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

where-

α_i = capital factor as prescribed in Table 12; and

BAR_i = the BSCR adjusted reserve as described in Table 12.

Table 12 - Capital factors for BAR_i

BSCR Adjusted Reserves BAR_i	**Statement Source** These Rules	**Capital Factor** α_i
Mortality (term insurance, whole life, universal life)	Part VII, column (7), line 1	2.00%
Critical illness (including accelerated critical illness products)	Part VII, column (7), line 2	2.00%
Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs)	Part VII, column (7), line 3(f)	0.50%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs)	Part VII, column (7), line 4(g)	0.50%
Annuities certain only	Part VII, column (7), line 5	0.50%
Deferred accumulation annuities	Part VII, column (7), line 6	0.50%

Disability Income: active lives – including waiver of premium and long term care	Part VII, column (7), line 7(d)	2.00%
Disability Income: active lives – other accident and health	Part VII, column (7), line 8	2.00%
Disability Income: claims in payment – including waiver of premium and long term care	Part VII, column (7), line 9	0.50%
Disability Income: claims in payment – other accident and sickness	Part VII, column (7), line 10	0.50%
Group Life	Part VII, column (7), line 11	0.50%
Group Disability	Part VII, column (7), line 12	0.50%
Group Disability	Part VII, column (7), line 13	0.50%
Stop Loss	Part VII, column (7), line 14	2.00%
Riders (all other products excluding Variable Annuity Guarantees)	Part VII, column (7), line 15	2.00%

13. The operational risk capital 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 = BSCR After Covariance amount or an amount approved by the Authority.

Table 13

Operational Risk Capital Factor

Overall Score	Applicable Operational Risk Charge ρ
<=800	10%
>800 <=1200	9%
>1200 <=1400	8%
>1400 <=1600	7%
>1600 <=1800	6%
>1800 <=2000	5%
>2000 <=2200	4%
>2200 <=2400	3%
>2400 <=2600	2%
>2600	1%

INSTRUCTIONS AFFECTING TABLE 13

In this table, "overall score" means an amount equal to the sum of the aggregate score derived from each of tables 13A and 13B.

Table 13A

Corporate Governance Score Table

Criterion	Implemented	Score
Board sets risk policies, practices and tolerance limits for all material foreseeable operational risks at least annually		200
Board ensures that risk policies, practices and tolerance limits for all material foreseeable operational risks are communicated to relevant business units at least annually		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 13A

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

Table 13B

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		200

RMF is entrenched in strategic planning, decision making and the budgeting process		200
RMF ensures that the risk management procedures and policies are well documented and approved by the Board of Directors		200
RMF ensures that the risk management policies and procedures are communicated throughout the organization		200
RMF ensures that operational risk management processes and procedures are reviewed at least annually		200
RMF ensures that loss events arising from operational risks are documented and loss event data is integrated into the risk management strategy		200
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		200
TOTAL		XX

INSTRUCTIONS AFFECTING TABLE 13B:

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

PART II **(Paragraph 2)**

Schedule of fixed income and equity investments by BSCR rating

[*blank*] name of insurer
As at [*blank*] (day/month/year)
All amounts are expressed in ______(currency used)

Line no.	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Total (Form 4EBS, Lines 2(b) & 3(b))	
		20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)
1	BSCR rating 0										
2	BSCR rating 1										
3	BSCR rating 2										
4	BSCR rating 3										
5	BSCR rating 4										
6	BSCR rating 5										
7	BSCR rating 6										
8	BSCR rating 7										
9	BSCR rating 8										
10	Total										

Quoted and unquoted equities		Common stock (Form 4EBS, Lines 2(c)(i) & 3(c)(i))		Preferred stock (Form 4EBS, Lines 2(c)(ii) & 3(c)(ii))		Equity mutual funds (Form 4EBS, Lines 2(c)(iii) & 3(c)(iii))			Total (Form 4EBS, Lines 2(d) & 3(d))	
		20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)		20xx (000)	20xx (000)
11	BSCR rating 1									
12	BSCR rating 2									
13	BSCR rating 3									
14	BSCR rating 4									
15	BSCR rating 5									
16	BSCR rating 6									
17	BSCR rating 7									
18	BSCR rating 8									
19	Quoted equity funds									
20	Unquoted equity funds									
21	Total									

Mortgage loans		Mortgage loans (Form 4EBS, Line 5c))	
		20xx (000)	20xx (000)
22	Insured/guaranteed mortgages		

23	Other commercial and farm mortgages			
24	Other residential mortgages			
25	Mortgages not in good standing			
26	Total			

INSTRUCTIONS AFFECTING PART II:

(a) fixed income investments, both quoted and unquoted, shall be categorized into corporate bonds and sovereign bonds, residential mortgage-backed securities, commercial mortgage-backed securities/asset-backed securities, and bond mutual funds and classified by BSCR rating;

(b) equity investments, both quoted and unquoted, shall be categorized into common stock, preferred stock and equity mutual funds;

(c) preferred stock shall be classified by BSCR rating;

(d) the latest available AM Best, S&P, Moody's, or Fitch ratings shall be used in determining the appropriate BSCR rating of any fixed income security or preferred stock;

(e) where the ratings of a security by different rating agencies differ, the insurer shall classify the security according to the most conservative rating;

(f) unrated securities shall be assigned a BSCR rating of 8;

(g) sovereign debt issued by a country in its own currency that is rated AA- or better shall be classified under BSCR rating 0 while all other sovereign bonds shall be classified in a similar manner as corporate bonds;

(h) debt issued by government-owned and related entities that were explicitly guaranteed by that government, with the exception of mortgage-backed securities, shall be assigned a BSCR rating of 0; and

(i) bond mutual funds shall be classified based on the underlying bond ratings as advised by the fund manager; equity mutual funds shall be classified in a similar manner as direct equity investments; while money market funds shall be treated as cash and time deposits and assigned a BSCR rating of 0.

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

BSCR Rating	Standard & Poor's	Moody's	AM Best	Fitch
1	AAA	Aaa	A++	AAA
2	AA+ to AA-	Aa1 to Aa3	A+	AA+ to AA-
3	A+ to A-	A1 to A3	A	A+ to A-
4	BBB+ to BBB-	Baa1 to Baa3	A-	BBB+ to BBB-
5	BB+ to BB-	Ba1 to Ba3	B++ to B	BB+ to BB-
6	B+ to B-	B1 to B3	B- to C+	B+ to B-
7	CCC+ to CCC-	Caa1 to Caa3	C, C-	CCC+ to CCC-
8	Below CCC-	Below Caa3	Below C-	Below CCC-

PART IIA **(Paragraph 2)**

Schedule of funds held by ceding reinsurers in segregated accounts/trusts by BSCR rating

[*blank*] name of insurer
As at [*blank*] (day/month/year)
All amounts are expressed in ______(currency used)

Line no.	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Total	
		20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)
1	BSCR rating 0										
2	BSCR rating 1										
3	BSCR rating 2										
4	BSCR rating 3										
5	BSCR rating 4										
6	BSCR rating 5										
7	BSCR rating 6										
8	BSCR rating 7										
9	BSCR rating 8										
10	Total										

Quoted and unquoted equities		Common stock		Preferred stock		Equity mutual funds			Total	
		20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)		20xx (000)	20xx (000)
11	BSCR rating 1									
12	BSCR rating 2									
13	BSCR rating 3									
14	BSCR rating 4									
15	BSCR rating 5									
16	BSCR rating 6									
17	BSCR rating 7									
18	BSCR rating 8									
19	Quoted equity funds									
20	Unquoted equity funds									
21	Total									

Mortgage loans		Mortgage loans	
		20xx (000)	20xx (000)
22	Insured/guaranteed mortgages		

23	Other commercial and farm mortgages			
24	Other residential mortgages			
25	Mortgages not in good standing			
26	Total			
Cash and time deposits		Cash and cash equivalents		
		20xx (000)	20xx (000)	
27	Cash and cash equivalents			
28	Total funds held by ceding reinsurers in segregated accounts/trusts (Total of lines 10, 21, 26 and 27)			

INSTRUCTIONS AFFECTING PART IIA:

(a) all funds held by ceding reinsurers (Form 4EBS, Line 12(c)) in segregated accounts/trusts with identifiable assets, such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, shall be included here;

(b) fixed income investments, both quoted and unquoted, shall be categorized into corporate bonds and sovereign bonds, residential mortgage-backed securities, commercial mortgage-backed securities/asset-backed securities, and bond mutual funds and classified by BSCR rating;

(c) equity investments, both quoted and unquoted, shall be categorized into common stock, preferred stock and equity mutual funds;

(d) preferred stock shall be classified by BSCR rating;

(e) the latest available AM Best, S&P, Moody's, or Fitch ratings shall be used in determining the appropriate BSCR rating of any fixed income security or preferred stock;

(f) where the ratings of a security by different rating agencies differ, the insurer shall classify the security according to the most conservative rating;

(g) unrated securities shall be assigned a BSCR rating of 8;

(h) sovereign debt issued by a country in its own currency that is rated AA- or better shall be classified under BSCR rating 0 while all other sovereign bonds shall be classified in a similar manner as corporate bonds;

(i) debt issued by government-owned and related entities that were explicitly guaranteed by that government, with the exception of mortgage-backed securities, shall be assigned a BSCR rating of 0; and

(j) bond mutual funds shall be classified based on the underlying bond ratings as advised by the fund manager; equity mutual funds shall be classified in a similar manner as direct equity investments; while money market funds shall be treated as cash and time deposits and assigned a BSCR rating of 0.

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

BSCR Rating	Standard & Poor's	Moody's	AM Best	Fitch
1	AAA	Aaa	A++	AAA
2	AA+ to AA-	Aa1 to Aa3	A+	AA+ to AA-
3	A+ to A-	A1 to A3	A	A+ to A-
4	BBB+ to BBB-	Baa1 to Baa3	A-	BBB+ to BBB-
5	BB+ to BB-	Ba1 to Ba3	B++ to B	BB+ to BB-
6	B+ to B-	B1 to B3	B- to C+	B+ to B-
7	CCC+ to CCC-	Caa1 to Caa3	C, C-	CCC+ to CCC-
8	Below CCC-	Below Caa3	Below C-	Below CCC-

PART IVA (Paragraph 2)

Schedule of long-term business premiums

[*blank*] name of insurer
As at [*blank*] (day/month/year)
All amounts are expressed in ______(currency used)

Schedule GROSS PREMIUMS AND OTHER CONSIDERATIONS NET PREMIUMS AND OTHER CONSIDERATIONS

Line No. Form 5 Line 19(c)
Form 5 Line 19(e)(iv)

Adjustable/Benefit	**Unrelated**		**Related**		**Total**		**Adjustable/Benefit Period <=2 years**		**Non-Adjustable/Benefit Period >2 years**		**Total**	
	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx
1. Mortality	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
2. Critical illness	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
3. Longevity	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
4. Deferred annuities	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
5. Disability income:												
Active lives with												
Premium guarantee of-												
(i) <= 1 year	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
(ii) 1-5 years	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
(iii) > 5 years	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
6. Disability income:												

Active lives for other Accident and sickness	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
7. Disability income: Claims in payment	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
8. Disability income: Claims in payment for other Accident and sickness	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
9. Group life	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
10. Group disability	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
11. Group health	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
12. Stop loss	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
13. Rider	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
14. Variable annuities	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
15. Total	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

PART V
(paragraph 6)

SCHEDULE OF RISK MANAGEMENT

The schedule of risk management shall disclose the insurer's risk management program as follows —

a) governance and group structure;
b) intra-group transactions that the insurer is a party to and the insurer's risk concentrations;
c) particulars of reinsurance balances;
d) effective duration of assets;
e) effective duration of liabilities;
f) weighted average of the difference in asset duration and liability duration;
g) reserves with known duration as a percentage of total reserves;
h) mutual fund disclosures;
i) summary of projected performance;
j) financial impact and description of stress and scenario tests;
k) modified co-insurance arrangements; and
l) deferred accumulation annuities disclosures.
m) reconciliation from GAAP financial statements to Form 4EBS.

INSTRUCTIONS AFFECTING PART V:

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

(a) Governance and group structure shall disclose—
- (i) the structure and names of the board of directors and chief and senior executives, including roles and work experience of officers;
- (ii) terms of reference of the board of directors and its sub-committees;
- (iii) name of the jurisdiction(s) where the group's board of directors primarily deliberates on matters including —
  - a. setting strategic decision;
  - b. determining the insurer's risk appetite;
  - c. choosing of corporate structure, including amalgamations, acquisitions and strategic alliances;
  - d. choosing of new lines of business, new products, marketplace positioning; and
  - e. assessing solvency needs;

(iv) name of the jurisdiction(s) where the group's board of directors and chief and senior executives primarily reside;

(v) name of the jurisdiction(s) where the group's control functions reside (i.e. group finance, actuarial, and risk management);

(vi) group's financial position based on its most recent audited general purpose financial statement regarding its—

a. total assets;

b. total reserves; and

c. capital and surplus;

(vii) name of (re)insurers within the group that have the three highest —

a. total asset value;

b. total insurance reserve value; and

c. total capital and surplus;

based on the group's most recent audited general purpose financial statements; and provide the total values for items (a), (b) and (c); and confirm the jurisdiction of incorporation of each (re)insurer; and

(viii) explanation of any events which have occurred or decisions made subsequent to the relevant year-end that would, or have, materially changed the information above (e.g. amalgamation or acquisition or restructuring, etc.);

(b) Intra-group transactions that the insurer is a party to and the insurer's risk concentrations shall include—

(i) details of material intra-group transactions between the insurer and other members of the group to which it belongs, including (where applicable):—

a. exposure value (face value or market value, if the latter is available);

b. counterparties involved including where they are located; and

c. summary details of the transactions – including purpose, terms and transaction costs, duration of the transaction, and performance triggers.

(ii) details surrounding all intra-group reinsurance and retrocession arrangements, and other intra-group risk transfer insurance business arrangements, including—

a. aggregated values of the exposure limits by counterparties broken down by counterparty rating;

b. aggregated premium flows between counterparties; and

c. the proportion of the insurer's insurance business exposure covered by internal reinsurance, retrocession and other intra-group risk transfer insurance business arrangements.

(iii) ten largest exposures to unaffiliated counterparties and any other unaffiliated counterparty exposures or series of linked unaffiliated counterparty exposures, excluding reinsurance exposures disclosed in (d), exceeding 10% of the insurer's statutory capital and surplus, including—

a. name of unaffiliated counterparty;

b. exposure values (face value and market value); and

c. transaction type;

(c) Particulars of reinsurance balances shall disclose at least the ten largest reinsurance exposures with the remaining reinsurance exposures grouped according to BSCR ratings and/or as a single consolidated reinsurance exposure, including—

(i) the name of the reinsurer;

(ii) the BSCR rating;

(iii) the amount of reinsurance balances receivable, funds held by ceding reinsurers, and reinsurance recoverable balance (Form 4EBS, Lines 11(e), 12(c) and 27(c));

(iv) funds held by ceding reinsurers (Form 4EBS, Line 12(c)), in paragraph (iii) above, shall be included only to the extent that they are not already included under Part IIA;

(v) the amount of reinsurance balances payable and other payables (Form 4EBS, Lines 28, 29, 33, and 34(c)) to the extent that they are attributable to that particular reinsurer or reinsurance exposure balance;

(vi) the amount of any collateral placed in favour of the insurer relating to the reinsurance balances (Notes to Form 4EBS, Lines 11(e) and 27(c));

(vii) the amount of qualifying collateral shall be the collateral amount in (vi) less a 2% reduction to account for the market risk associated with the underlying collateral assets but, at all times, the qualifying collateral shall not exceed the net exposure, which is the difference between amounts in (iii) and (v);

(viii) the net qualifying exposure shall be the amount under (iii) less the amounts under both (v) and (vii) above; and

(ix) for the purposes of this Schedule, the appropriate BSCR rating shall be determined as follows—

(a) the BSCR rating shall be based on either the rating of the reinsurer or the rating of the letters of credit issuer, if any, whichever is higher;

(b) where the letters of credit does not relate to the entire reinsurance exposure, the reinsurance exposure should be bifurcated to reflect the rating of that portion of the exposure which is covered by the letters of credit and the rating of that portion of the exposure which is not;

(c) where the reinsurer is a domestic affiliate, it shall be assigned a BSCR rating of 0 regardless of its credit rating;

(d) where a reinsurer is not rated but is regulated in a jurisdiction that applies the IAIS' ICPs and in particular imposes both a MCR and a PCR and fully meets its PCR in that jurisdiction, it shall be assigned a BSCR rating of 4 or otherwise, it shall be assigned a BSCR rating of 8; and

(e) where the insurer has disclosed a single consolidated reinsurance exposure, that exposure shall be assigned a BSCR rating of 8;

BSCR Rating	Standard & Poor's	Moody's	AM Best	Fitch
1	AAA	Aaa	A++	AAA
2	AA+ to AA-	Aa1 to Aa3	A+	AA+ to AA-
3	A+ to A-	A1 to A3	A	A+ to A-
4	BBB+ to BBB-	Baa1 to Baa3	A-	BBB+ to BBB-
5	BB+ to BB-	Ba1 to Ba3	B++ to B	BB+ to BB-
6	B+ to B-	B1 to B3	B- to C+	B+ to B-
7	CCC+ to CCC-	Caa1 to Caa3	C, C-	CCC+ to CCC-
8	Below CCC-	Below Caa3	Below C-	Below CCC-

(d) The effective duration of assets must be determined using the aggregate of the bonds and debentures – other (Form 4EBS, Lines 2(a)(ii) and 3(a)(ii)), preferred stock (Form 4EBS, Lines 2(c)(ii) and 3(c)(ii)), and mortgage loans (Form 4EBS, Line 5(c)) as a basis;

(e) The effective duration of liabilities must be determined using the reserves (Form 4EBS, Line 27(d)) as a basis;

(f) The weighted average of the difference in asset duration and liability duration is the difference in effective duration of assets and liabilities taking into account the carrying amount of the underlying assets and liabilities;

(g) The reserves with known duration as a percentage of total reserves is the amount of reserves with known duration divided by the total reserves used in the long-term interest rate and liquidity risk capital calculation;

(h) Mutual fund disclosure shall include the name, type and amount of each mutual fund used by the insurer;

(i) Summary of projected performance for the year following the relevant year shall disclosure—
- (i) the insurer's latest estimate of new business premiums written; and
- (ii) the estimated net income or loss either for the insurer or on a group basis with disclosure of the estimated percentage of the insurer's contribution relative to the group;

(j) Financial impact and description of stress and scenario tests shall disclose the results from the stress and scenario tests prescribed by the Authority annually and published in such manner as the Authority directs;

(k) Modified co-insurance arrangements shall disclose details of such arrangements including—
- (i) name of the ceding company;
- (ii) type of coverage;
- (iii) amount of reserve; and
- (iv) aggregate asset allocation (book value) and the related affiliated or unaffiliated cedant;

(l) Deferred accumulation annuities disclosures shall include—
- (i) total reserves for deferred accumulation annuities;
- (ii) total reserves for deferred accumulation annuities with contractual guaranteed annuitization rates;
- (iii) total reserves for deferred accumulation annuities annuitized in the past year at contractual guaranteed rates (prior to annuitization); and
- (iv) total reserves for deferred accumulation annuities annuitized in the past year at contractual guaranteed rates (post annuitization).

(m) 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 4EBS;

PART VI (Paragraph 6)
SCHEDULE OF FIXED INCOME SECURITIES

[blank] name of insurer
As at [blank] (day/month/year)

All amounts are expressed in _____(currency used)

The schedule of fixed income securities shall —

(a) represent the amounts stated in the Form 4EBS – Statutory Balance Sheet lines 2(b) and 3(b);

(b) include the following information according to security type—

i. amount reflected in the Form 4EBS – Statutory Balance Sheet balance on lines 2(b) and 3(b);
ii. amount contributing to (reflected in) the Form 4EBS – Statutory Balance Sheet balance on lines 2(b) and 3(b);
iii. face value;
iv. fair value
v. average effective yield to maturity; and
vi. average rating of the security type (if applicable).

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

SCHEDULE VII (Paragraph 6)

SCHEDULE OF LONG-TERM BUSINESS DATA

[*blank*] name of Company

as at [*blank*] (day/month/year)
All amounts are expressed in ______(currency used)

		(1)	(7)	(9)	10)	(11)
				Net Amount at Risk		
Line No	Description	Bermuda EBS Best Estimate Provision	BSCR Adjusted Reserve [Greater of Column (1) and 0]	Adjustable Product/ Treaty (000)	Non-adjust able Product/ Treaty (000)	Total (000)
1	Mortality (term assurance, whole life, universal life)					
2	Critical illness (including accelerated critical illness products)					
3	Longevity (immediate pay- out annuities, contingent annuities, pension pay-outs)					
	Attained age of annuitant:					
	(a) 0-55					
	(b) 56-65					
	(c) 66-70					
	(d) 71-80					
	(e) 81+					
	(f) Total					

4	Longevity (deferred pay- out annuities, future contingent annuities, future pension pay-outs)					
	Age at which annuity benefits commence:					
	(a) 0-55					
	(b) 56-60					
	(c) 61-65					
	(d) 66-70					
	(e) 71-75					
	(f) 76+					
	(g) Total					
5	Annuities certain only					
6	Deferred accumulation annuities					
7	Disability income: active lives - including waiver of premium and					
	Length of premium guarantee:			Benefit Period <=2 years (000)	Benefit Period >2 years (000)	Total (000)
	(a) <= 1 year					
	(b) 1-5 years					
	(c) >5–years					
	(d) Total					
8	Disability income: active lives - other accident and sickness					

9	Disability income: claims in payment – including waiver of premium and long-term care		
10	Disability income: claims in payment – other accident and sickness		
11	Group life		
12	Group disability		
13	Group health		
14	Stop loss		
15	Rider (other product riders not included above)		
16	Total (excluding variable annuities)		
17	Total for variable annuities		
18	Total with variable annuities		

Annual Premiums (000)

INSTRUCTIONS AFFECTING SCHEDULE VII:

(a) Bermuda EBS best estimate provisions are those requirements calculated to the best of the insurer's ability at the time such insurer is required to comply with Form 4EBS requirements.

(b) Amounts are to be reported on both a consolidated and unconsolidated basis.

PART VIII
(Paragraph 6)
SCHEDULE OF LONG-TERM VARIABLE ANNUITY

[Blank] name of insurer
As at [blank] (day/month/year)

All amounts are expressed in _____(currency used)

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Line No.	Description	Bermuda EBS Best Estimate Provision	Guaranteed Value			Net Amount at Risk		
			Volatility 0%-10%	Volatility 10%-15%	Volatility >15%	Volatility 0%-10%	Volatility 10%-15%	Volatility >15%
		(000)	(000)	(000)	(000)	(000)	(000)	(000)
	In-the-money							
1	GMDB: Return of premium, ratchet and reset							
2	GMDB: Enhanced benefits (roll up)							
3	GMIB							
4	GMWB							
5	GEEB							
	GMAB:							
6	Time to maturity – 0-1 year							
7	Time to maturity – 1-2 years							
8	Time to maturity – 2-3 years							

9	Time to maturity – 3-4 years							
10	Time to maturity – 4-5 years							
11	Time to maturity – 5-6 years							
12	Time to maturity – 6-7 years							
13	Time to maturity – 7-8 years							
14	Time to maturity – 8-9 years							
15	Time to maturity – >9 years							
	Out-of-the-money							
16	GMDB: Return of premium, ratchet and reset							
17	GMDB: Enhanced benefits (roll up)							
18	GMIB							
19	GMWB							
20	GEEB							
	GMAB:							
21	Time to maturity – 0-1 year							

22	Time to maturity – 1-2 years							
23	Time to maturity – 2-3 years							
24	Time to maturity – 3-4 years							
25	Time to maturity – 4-5 years							
26	Time to maturity – 5-6 years							
27	Time to maturity – 6-7 years							
28	Time to maturity – 7-8 years							
29	Time to maturity – 8-9 years							
30	Time to maturity – >9 years							
31	Total variable annuities							
32	Percentage of GMDB with multiple guarantees							

INSTRUCTIONS AFFECTING PART VIII:

1. Factors should be applied to NAR defined as:

Guaranteed minimum accumulations benefit (GMAB)	Total claims payable if all contracts mature immediately
Guaranteed minimum death benefit (GMDB)	Total claims amount payable upon immediate death of all policyholders
Guaranteed minimum income benefit (GMIB)	Total claims payable upon full and immediate annuitization of all policies using an 80% factor applied to the GV (the 80% represents the ratio between current market annuitization factors and the guaranteed annuitization factors)
Guaranteed minimum withdrawal benefit (GMWB)	Total claims payable if 100% of the guaranteed withdrawal benefit base in excess of the current account value is withdrawn immediately
Guaranteed enhanced earnings benefit (GEEB)	Total guaranteed enhanced payments upon immediate death of all policyholders

2. Where ratchets, resets and roll-ups exist, the roll-up category is to be used.

3. NAR is net of reinsurance.

4. The proportion used for the account value under reinsurance is the proportion used for NAR.

5. For purposes of PART VIII "volatility" is defined as the annual volatility of the fund. In the case where there is no or insufficient history of the annual volatility of the fund available to determine volatility, the volatility of the benchmark (for the fund) should be used to determine volatility.

6. Bermuda EBS best estimate provisions are those requirements calculated to the best of the insurer's ability at the time such insurer is required to comply with Form 4EBS requirements.

7. Amounts are to be reported on both a consolidated and unconsolidated basis.

PART VIIIA (Paragraph 6)
SCHEDULE OF LONG-TERM VARIABLE ANNUITY – INTERNAL CAPITAL MODEL

[blank] name of insurer
As at [blank] (day/month/year)

All amounts are expressed in _____(currency used)

The Schedule of long-term variable annuity – internal capital model – shall provide particulars of the following matters—

(a) Information for each section (if applicable)—

	(1)	(2)	(3)	(4)	(5)
	Bermuda EBS Best Estimate Provision (000)	Policy count	Account value (000)	Guarantee value (000)	Net amount at risk (000)
By policy type:					
By number of years since issuance:					
By policy position (in the money vs. out of the money):					
By fund volatility:					
By number of years to next maturity **(for GMAB only)**:					

(b) The capital requirement based on the insurer's internal capital model including—

Line Schedule No.	Description	(6) Without Hedging (000)	(7) With Hedging (000)
1	Internal model-based capital requirement		
2	Prescribed economic stress tests:		
	a) Equity – immediate shock of 20% to separate account funds		
	b) Absolute immediate increase of 10% in implied volatility		
	c) Interest rates – immediate parallel shift up/down by 100bps		
3	Stresses to actuarial assumptions for mortality and policyholder behavior:		
	a) (Provide description)		
	b) (Provide description)		
	c) (Provide description)		
	d) (Provide description)		

(c) An actuarial memorandum-The insurer must file with the Authority an actuarial memorandum that should minimally include the particulars described below. When the information is already available in other documents within the Capital and Solvency Return, it is acceptable to attach those documents and simply make reference to them in the actuarial memorandum. The insurer should indicate any significant changes from the last memorandum filed with the Authority.

Line No.	Section	**Provide a brief summary or description of the following**

		details under each section
1	Executive summary	Required capital amount and drivers of result; Key risks and associated risk mitigation techniques; and The modelling methods used.
2	Overview of business	Type of business; and Key product features and specifications.
3	Key risk exposures	Qualitative description of key risk exposures, such as economic, mortality, surrender, annuitisation, withdrawal, expense and counterparty risks.
4	Description of model	The approach used to calculate total assets and required capital; Key model details, including: Source of asset and liability data; Aggregations used to generate model cells; Allocation of assets to variable annuity blocks; The reserve basis; Timestep of model (e.g. monthly); The rate used to accumulate and discount cash flows; and; The treatment of interim solvency (e.g. how are periods of negative cash flows followed by positive cash flows allowed for).
5	Description of assumptions	Basis for economic scenarios, including underlying model and parameters; Information on the average return and volatility on the equity investment funds; For mortality and all policyholder behavior assumptions (e.g. premium payments, withdrawals, annuitizations and lapses): - Source of data (e.g. company-specific experience); - Any margins for conservatism that were used; and - Any future mortality improvement; Approach to investment fund mapping; Insurer's crediting strategy; Expenses and commissions; Treatment of taxes; and Future management actions (other than hedging and reinsurance).
6	Reinsurance	Reinsurance (both assumed and ceded), including a list of counterparties; Nature of arrangements, including caps, floors and recapture provisions; The approach to modelling these arrangements; and Collateral requirements, if relevant.
7	Hedging	Business covered; Hedge target;

		Hedged parameters (i.e. Greeks) managed/monitored by the insurance group; Internal governance procedures; Currently-held derivatives and range of derivatives approved for trading; Unhedged exposures; Historical hedge effectiveness; Sample attribution reports; and How hedging is reflected in the determination of required capital and stress tests, including
8	Risk mitigation arrangements other than hedging	Business covered; Nature of arrangements; Internal governance procedures; and Other supporting details such as internal analyses, historical results, etc.
9	Results and model output	Capital results (summarized also in Line 1 of the Table under b)) and commentary; Results of stress tests (summarized also in Lines 2 and 3 of the Table under b)) with description and justification for tests selected and commentary on results; Sensitivity results for key assumptions/risk exposures; and The output from the model for a single scenario in the tail (e.g., that which most closely corresponds to the TVaR 95% result) showing cash flows by guaranteed rider type, accumulation and discounting of cash flows, and total assets required for that scenario
10	Reviewer and signatory	The memorandum is required to be reviewed and signed by the Approved Actuary.

INSTRUCTIONS AFFECTING PART VIIIA:

(a) Bermuda EBS best estimate provisions are those requirements calculated to the best of the insurer's ability at the time such insurer is required to comply with Form 4EBS requirements.

(b) Amounts are to be reported on both a consolidated and unconsolidated basis.

PART IX (Paragraph 6)

SCHEDULE OF COMMERCIAL INSURER'S SOLVENCY SELF-ASSESSMENT (CISSA)

The Schedule of CISSA shall provide particulars of the following matters on a consolidated basis:

(a) Table 14: CISSA Capital Summary disclosing the insurer's own capital computations, insurer's plans for raising additional capital and contingency arrangements impacting the available capital.

(b) Table 14A: CISSA General Questions relating to an insurer's risk management and governance program, the review and approval of CISSA, integration of CISSA into the strategic decision making process, governance and controls surrounding the model(s)/tool(s) used to compute the capital, assessment of risk appetite of an insurer.

(c) Table 14B: CISSA Assessment of Material Risks of the Insurer disclosing the insurer's material risks and the determination of the quality and quantity of CISSA capital required to cover these risks.

INSTRUCTIONS AFFECTING PART IX:
Table 14
CISSA Capital Summary

	CISSA capital	Regulatory capital
Risk Categories		
Insurance risk		
Market risk		
Credit risk		
Liquidity risk		
Group, Concentration, Reputational and Strategic risk		
Other (specify)		
Total capital pre-diversification between risk categories		
Diversification credit between risk categories		
Total capital after diversification before operational risk		
Operational risk		
Total capital after diversification and operational risk		

Where:

(a) CISSA capital is the amount of capital the insurer has determined, that is required to achieve its strategic goals upon undertaking an assessment of all material (reasonably foreseeable) risks arising from its operations or operational environment.

(b) Regulatory capital as determined by the Class C BSCR as described in Part XIII or regulatory capital determined from an approved internal model for regulatory purposes at 99.0% TVaR.

ADDITIONAL INFORMATION

1. What is the primary reason(s) (select multiple responses where applicable) for aiming at the disclosed CISSA Capital amount? (select all that apply)

☐ target agency rating (e.g. "A-", "AA", etc);

☐ market share;

☐ business expansion;

☐ nature of product(s) (e.g. risk characteristics);

☐ manage downgrade risk;

☐ regulatory capital requirements; and

☐ others (briefly describe).

2. What methodology is used to aggregate the risk categories? (select all that apply)

☐ correlation matrix;

☐ linear correlations;

☐ T copulas;

☐ Gumbel copulas;

☐ Clayton copulas;

☐ causal drivers approach e.g. inflation, cycles; and

☐ others (briefly describe)

3. What contingency plans are in place for raising additional capital under stress situations? (select all that apply)

☐ parental guarantees;

☐ revolving letters of credit;

☐ issue subordinated debt;

☐ issue preference shares;

☐ float additional shares;

☐ capital injections from parent;

☐ contingent surplus notes;

☐ catastrophe derivatives (e.g. bonds, swaps and options); and

☐ Others (briefly describe)

4. Does the insurer have arrangements/ contractual commitments to provide support, including forward purchase arrangements or guarantees, to affiliates/other companies in stressed situations? (Yes or No)

   If yes, briefly describe the arrangement(s) and the aggregate exposure.

5. Has the insurer down streamed debt to establish equity positions or engaged in double or multiple gearing? (Yes or No)

   If yes, provide details and amount of capital.

6. Has debt been down streamed to establish equity positions in the insurer, or is the insurer using capital that is double or multiple geared? (Yes or No)

   If yes, provide details and amount of capital.

7. Are there any assets of a subsidiary of the insurer that are restricted for use that cannot be transferred to another subsidiary or the insurer, that were not included in the encumbered assets (both for policyholder obligations and not for policyholder obligations) reported in the Schedule of Eligible Capital? (Yes or No)

   If yes, provide:

Total restricted assets	XXX
Less: regulatory capital requirements for members for which the assets pertain	XXX
Restricted assets in excess of capital requirements to the extent that these amounts Are not included in the encumbered assets reported in the Schedule of Eligible Capital	XXX

INSTRUCTIONS AFFECTING TABLE 14:

- o Total capital pre-diversification between risk categories is derived by aggregating all the risk categories.

- o Total capital after diversification between risk categories shall be derived by deducting the diversification benefit (calculated by an insurer) from the "Total capital pre-diversification between risk categories".

- o Where a question/section is not applicable to an insurer or the options provided do not fully reflect the insurer's position, the insurer shall include a brief description in the comment fields.

Table 14A

CISSA General Questions

1. CISSA Integration

Is the CISSA and its underlying information integrated (ie considered when making key strategic decisions) into the insurer's strategic and risk management decision-making processes? (Yes or No)

If yes, how is CISSA and its underlying information used? (select all that apply)

- o strategic planning;
- o annual business planning;
- o setting risk limits;
- o defining risk appetite;
- o evaluation of capital adequacy;
- o allocation of capital to business segments and lines of business;
- o capital management;
- o determination of rates of return for pricing and underwriting guidelines;
- o reinsurance purchase;
- o determination of investment policies and strategies;
- o meeting regulatory requirements;
- o improving credit rating;
- o improving investor relations;
- o assessing risk adjusted product profitability;
- o performance measurement and assessment;
- o improving mergers and acquisition decisions; and
- o others (list)

2. Has the insurer applied reverse stress testing to both identify the scenarios that could cause business failure and the required actions to manage such situations? (Yes or No)

3. Is the CISSA process clearly documented and regularly amended for changes in strategic direction, risk management framework, and market developments? (Yes or No)

4. How often is the information underlying CISSA discussed and reviewed by the board and chief and senior executives?

5. **Has the board and chief and senior executives ensured that an appropriate oversight process is in place, including an appropriate level of independent verification, whereby material deficiencies are reported on a timely basis and suitable actions taken? (Yes or No)**

INSTRUCTIONS AFFECTING TABLE 14A:

- Where a question/section is not applicable to an insurer or the options provided do not fully reflect the insurer's position, a brief description shall be included in the comment fields.
- Independent verification shall be conducted by an internal or external auditor or any other appropriately skilled internal or external function, as long as they have not been responsible for the part of the CISSA process they review, and are therefore deemed to be independent in their assessment.
- In relation to intra-group transactions, materiality will be defined as:

  i. an intra-group transaction whose impact can cause a reduction in the insurer's available statutory capital and surplus by 5% or more;

  ii. a series of linked intra-group transactions that can cumulatively reduce an insurer's available capital and surplus by 10% or more; and

  iii. Qualitative risk characteristics of the transaction: for example, a transaction may be assessed as high risk; however, the quantitative impact remains unknown.

<u>Table 14B</u>

<u>CISSA Assessment of Material Risks of the Insurer–</u>

The board must review policies, processes, and procedures to assess its material risks and self-determine the capital requirement it would need to support its insurance undertaking, at least annually.

Minimally, the assessment should:

☐ Be an integral part of the insurer's risk management framework;

☐ Be clearly documented, reviewed, and evaluated regularly by the board and the chief and senior executives to ensure continual advancement in light of changes in the strategic direction, risk management framework, and market developments; and

☐ Ensure an appropriate oversight process whereby material deficiencies are reported on a timely basis and suitable actions taken.

The insurer must undertake and file with the Authority the insurer's most recent report ("insurer-specific report") comprising a solvency self-assessment of the insurer's material risks and the determination of both the quality (types of capital) and quantity of CISSA Capital required to cover these risks, while remaining solvent and achieving the insurer's business goals.

Minimally, the assessment should include:

1. The date the report was completed.
2. A description of the insurer's business and strategy.
3. The identification and assessment of all reasonably foreseeable material risks (i.e. insurance underwriting risk; investment, liquidity and concentration risk; market risk; credit risk; operational risk; group risk; strategic risk; reputational risk; and legal risk).
4. The identification of the relationships of the material risk with one another and the quantity and type of capital required to cover the risks.
5. A description of the insurer's risk appetite, including limits imposed, how they are enforced and their key performance indicators.
6. Assumptions and methodology used to assess and aggregate risks.
7. A forward looking analysis of the risks faced by the insurer over its planning horizon and an analysis demonstrating the ability to manage its business and capital needs in adverse circumstances and still meet regulatory capital requirements.
8. An evaluation of whether the insurer has sufficient capital and liquidity available, including an assessment of whether capital is fungible and assets are transferable, to achieve its strategic goals over its planning horizon and any potential adverse consequences if insufficient.
9. A description of business continuity and disaster plans.
10. A description of how the results of the self-assessment are integrated into the management and strategic decision-making process.
11. The risk measure, time horizon and confidence level (if any) used to determine the CISSA capital.

PART XII (Paragraph 6)

SCHEDULE OF ELIGIBLE CAPITAL

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

(a) Tier 1, Tier 2 and Tier 3 eligible capital (Table 15); 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 15

Total statutory economic capital and surplus (Form 4EBS, Line 40 plus applicable adjustments)	XXX
Less: Encumbered assets not securing policyholder obligations (Notes to Form 4EBS, STMT Line 15)	XXX
Less: relative liability or contingent liability (included on Form 4EBS) 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 4EBS 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 equal to the policyholder obligations	XXX	XXX	
(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 (Form 4EBS, STMT LINE 15)

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 obligation and not for securing policyholder obligation XXX

Tier 1 – ancillary capital

(a) Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1(c)(i)) XXX

Total Tier 1 available capital **XXX**

Tier 2 -basic capital

(b)	Hybrid capital instruments: Perpetual or fixed term preference shares (Form 8, STMT LINE 1(a)(ii))	XXX
(b)	Other:	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 15:

Table 15 inputs are subject to the Insurance (Eligible Capital) Rules 2012 (the “Eligible Capital Rules”) made under Section 6A of the Act.

The insurer shall include all components of total statutory capital and surplus (Form 8, Line 3 of the Insurance Accounts Regulations 1980) subject to adjustments made under Section 6D of the Act in Table 15 in accordance with the provisions of Eligible Capital Rules.

Table 15A

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 15A:

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 15A in accordance with the provisions of the Eligible Capital Rules.

PART XIV (Paragraph 6)

CLASS C STATUTORY ECONOMIC BALANCE SHEET

Schedule XIV Class C Statutory Economic Balance Sheet (EBS), shall provide particulars of the following matters—

Form 4EBS

CLASS C 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
6.	**POLICY LOANS**	**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
(b)	Segregated accounts - LT business – variable annuities	XXX	XXX
(c)	Segregated accounts - LT business - other	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**
	LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS		
20.	**BEST ESTIMATE RESERVES FOR REPORTED CLAIMS**	**XXX**	**XXX**
21.	**BEST ESTIMATE RESERVES FOR UNREPORTED CLAIMS**	**XXX**	**XXX**
22.	**BEST ESTIMATE POLICY RESERVES - LIFE**	**XXX**	**XXX**
23.	**BEST ESTIMATE POLICY RESERVES – ACCIDENT AND HEALTH**	**XXX**	**XXX**
24.	**BEST ESTIMATE POLICYHOLDERS' FUNDS ON DEPOSIT**	**XXX**	**XXX**

25.	**BEST ESTIMATE LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS**	**XXX**	**XXX**
26.	**BEST ESTIMATE OTHER LONG-TERM BUSINESS INSURANCE RESERVES**	**XXX**	**XXX**
27.	**BEST ESTIMATE TOTAL LONG-TERM BUSINESS INSURANCE PROVISIONS**		
(a)	Total gross long-term business insurance provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other insurer	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Total net long-term business insurance provisions	XXX	XXX
27A.	**RISK MARGIN – LONG-TERM INSURANCE BUSINESS**	**XXX**	**XXX**
27B.	**LONG-TERM TECHNICAL PROVISIONS CALCULATED AS A WHOLE**	**XXX**	**XXX**
27C.	**TOTAL LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS**		
(a)	Total gross long-term business insurance provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other insurer	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Total net long-term business insurance 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
(c)	Segregated accounts - LT business – variable annuities	XXX	XXX
(d)	Segregated accounts - LT business - other	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 4EBS

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 27(c)-(i)	(Only after 1 January 2018) 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 27(c)-(ii)	(Only after 1 January 2018) Details of the amount of any collateral placed in favour of the insurer
Line 27(d) – (i)	Only after 1 January 2018 The amount of premium included as 'Bound but Not Incepted' in the calculation of line 27 Best estimate Long-term business provisions, together with the amount of best estimate provision calculated on this business. The disclosure shall be split between lines of business used for the BSCR disclosure of long-term business premiums (Schedule IV(A)).
Line 27(d) – (ii)	Only after 1 January 2018 The amount of best estimate provisions which have been calculated making use of the 20 year transitional arrangements, together with the corresponding best estimate provisions had the EBS valuation principles been applied in full. The disclosure shall be split between lines of business used for the BSCR disclosure of long-term business premiums (Schedule IV(A)).
Line 27B(c)-(i)	(Only after 1 January 2018) 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 27B(c)-(ii)	(Only after 1 January 2018) Details of the amount of any collateral placed in favor of the insurer
Line 27B(d) – (i)	Only after 1 January 2018 The amount of premium included as 'Bound but Not Incepted' in the calculation of line 27B Long-term business technical provisions, together with the amount of technical provision calculated on this business. The disclosure shall be split between lines of business used for the BSCR disclosure of long-term business premiums (Schedule IV(A)).
Line 27B(d) – (ii)	Only after 1 January 2018 The amount of technical provisions which have been calculated making use of the 20 year transitional arrangements, together with the corresponding technical provisions had the EBS valuation principles been applied in full. The disclosure shall be split between lines of business used for the BSCR disclosure of long-term business premiums (Schedule IV(A)).
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 4EBS and Line 40 of Form 4 as required under Schedule I of the Insurance Accounts Regulations 1980

INSTRUCTIONS AFFECTING FORM 4EBS

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. As part of transitional arrangements until 31 December 2018, the insurer shall continue to use existing valuation approaches as required under the Insurance Accounts Regulations 1980 for lines 20-27, with lines 27A and 27B being set to zero. After that date, the following principles will apply.

7. 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).

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

9. 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).

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

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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).
6. Policy loans	Loans to policyholders on the security of cash surrender value of the policyholder's long-term insurance policy shall be included here.	
7. Real estate	Commercial investments occupied by group members shall be included here.	
	(a)	Occupied by any member of the insurer or its consolidated entities (less encumbrances): Both land and buildings and any other commercial investments occupied by the insurer or its consolidated entities 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. 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
	(b)	Segregated accounts – LT business – variable annuities
	(c)	Segregated accounts – LT business - other
	(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 group 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.	
Long-term Business Insurance Technical Provisions		
20. Best Estimate Reserves for reported claims	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 20 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate reserves, calculated in line with Economic	

	Balance Sheet valuation principles, to meet unpaid claims at the valuation date and made under long-term insurance policies in respect of incidents occurring and reported to the insurer before the valuation date, net of any expected recoverable amounts
21. Best Estimate Reserves for unreported claims	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 21 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate reserves, calculated in line with Economic Balance Sheet valuation principles, to meet unpaid claims at the valuation date and made under long-term insurance policies in respect of incidents occurring but not reported to the insurer before the valuation date, net of any expected recoverable amounts.
22. Best Estimate Policy reserves - life	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 22 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate provisions, calculated in line with Economic Balance Sheet valuation principles, in respect of future guaranteed benefits as they become payable under the provisions of life insurance policies in force, including any 'bound but not incepted' business. These may also include amounts applicable to other life contract benefits (such as disability waiver of premium, disability income benefits and additional accidental death benefits). • These amounts are net of any expected recoverable balances.
23. Best Estimate Policy reserves – accident and health	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 23 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate provisions, calculated in line with Economic Balance Sheet valuation principles, in respect of accident and health policies, including any 'bound but not incepted business. • These amounts are net of any expected recoverable balances
24. Best Estimate Policyholders' funds on deposit	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 24 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: These consist of premiums paid in advance of the due date, and shall be valued in line with Economic Balance Sheet valuation principles.

25. Best Estimate Liability for future policyholders' dividends	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 25 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate dividends payable, as declared by the directors, on participating life policies which qualify for such dividends, and valued in line with Economic Balance Sheet valuation principles.	
26. Best Estimate Other long-term business insurance reserves	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 26 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate reserves not included in lines 20 to 25 and valued in line with Economic Balance Sheet valuation principles, including any 'bound but not incepted' business.	
27. Total Best Estimate long-term business insurance provisions	Best estimate long-term business insurance provisions calculated in line with Economic Balance Sheet valuation principles (and that are not included on Form 4EBS, Line 27B). It comprises the total of lines 20 to 26 inclusive, showing an analysis between the gross and net positions. There shall be disclosed severally -	
	(a)	Total gross long-term business insurance provisions: Gross unpaid loss and loss expenses
	(b)	Less: reinsurance recoverable balances: The amount of recoverables 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 amount 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 long term business provisions: The total of (a) and (c) – which is also the same as the sum of lines 20 to 26 inclusive.
27A. Risk Margin – Long-term insurance business	• The Authority confirms that until 30 December 2018, the amount shall be set as zero.	

	• After that date, the following instructions shall apply: 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 the line items 20-26, and shall be calculated at an aggregate level for long-term insurance business, making allowance for the effects of the diversification effects of regulatory capital requirements within the long-term business of the insurer.	
27B. Long-term technical provisions calculated as a whole	• The Authority confirms that until 30 December 2018, the amount shall be set as zero. • After that date, the following instructions shall apply: This line shall contain the total of all technical provisions calculated as a whole which have been determined based on the market price of financial instruments that reliably replicate the cash flows of the insurance obligations.	
	(a)	Total gross long-term business insurance provisions: Gross unpaid loss and loss expenses
	(b)	Less: reinsurance recoverable balances: The amount of recoverables 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 amount 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 long term business provisions: The total of (a) and (c).
27C. Total Long-term insurance business technical provisions	This shall be the total of lines 27(d), 27A and 27B(d).	
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,	• All unearned commissions shall be included here.	

fees and taxes payable		• 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.
	(c)	Segregated accounts – LT business – variable annuities
	(d)	Segregated accounts – LT business - other
	(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 the amounts disclosed on this line, including the undiscounted amounts of the liabilities shall be shown in a supplementary note. 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 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 4 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	

PART XV (Paragraph 6)

APPROVED ACTUARY'S OPINION

1 The approved actuary's opinion must state whether or not, in the opinion of the approved actuary, the aggregate amount of technical provisions shown at Line 27C 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 insurer under the terms of its insurance contracts and agreements.

2 The approved actuary 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 approved actuary shall also state (but is not limited to) their best estimates for following matters (as applicable):

(a) Line 27(a)
(b) Line 27(d)
(c) Line 27B(a)
(d) Line 27B(d)

3 The approved actuary is required to state their estimates for the risk margin (Line 27A) and state whether or not, in their opinion, this amount has been calculated in accordance with the requirements of Schedule XIV.

4 In relation to Lines 27(a) and 27B(a), the approved actuary shall provide commentary on the assumptions made in relation to bound but not incepted business, as described in paragraph 9 of Schedule XIV.

5 The approved actuary shall provide commentary for Lines 27(d) and 27B(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 In relation to Lines 27B (a) and 27B(d), the approved actuary shall provide commentary on the nature of the business valued 'as a whole' and whether or not their approach is in accordance with the requirements of Schedule XIV.

7 Where the approved actuary 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.

8 Where the Insurer has made use of the 20 year transitional arrangements for certain insurance business, the approved actuary shall provide estimates for that business for both the EBS approach and the approach consistent with the valuation approach in force before EBS requirements came into force.

9 The approved actuary shall provide commentary on any aspects of the technical provisions of the insurer which give rise to greater levels of uncertainty than would

typically be associated with the insurer's business.

10 The approved actuary's opinion shall further confirm:

- the approved actuary'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 Approved Actuary) ;
- whether or not the approved actuary 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 approved actuary is in full compliance with the most recent Continuing Professional Development requirements of their official actuarial body;
- whether or not the approved actuary has any perceived conflicts of interest relative to providing the opinion.

11 Working papers supporting the approved actuary's opinion which are required to be made available to the Authority by the approved actuary 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.

12 The opinion shall be signed and dated by the approved actuary and must include their current contact information, including but not limited to, telephone number and email address.

Schedules XIV, XV and XVI inserted

17 The principal Rules are amended by inserting Schedule XIV "Class C, Class D and Class E Statutory Economic Balance Sheet", Schedule XV "Approved Actuary Opinion" and Schedule XVI "Schedule of Minimum Margin of Solvency" after Schedule XIII.

Transitional and Savings

18 (1) The requirements prescribed under paragraph 12 (a) and paragraph 13 (a) of these Rules are not applicable to Class D and Class E insurers until 31 December 2018.

(2) The requirements prescribed out under paragraph 17 of these Rules relating to the instructions for Lines 20- 27C of Schedule XIV, shall not apply to Class D and Class E insurers until 31 December 2018. Instead, the instructions to Line 20 to 27 as prescribed under Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980 shall continue to apply.

(3) Notwithstanding the repeal and replacement of the requirements set out under paragraph 16 of these Rules, the requirements relating to the instructions for Lines 20- 27C of Part XIV of Schedule XIII shall not apply to Class C insurers until 31 December 2018. Instead, the instructions to Line 20 to 27 as prescribed under Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980 shall continue to apply.

(4) Notwithstanding the repeal and replacement of Schedule XIII under paragraph 16 of these Rules in relation to Part VII, Part VIII and Part VIIIA of Schedule XIII; the requirements of Part VII, Part VIII and Part VIIA of Schedule XIII of the principal Rules in effect

at the time of coming into operation of this Rule, shall continue to apply until 31 December 2018.

Commencement

19 These Rules come into operation on 31 December 2016.

Made this day of 2015

Chairman
The Bermuda Monetary Authority

SCHEDULE XIV (Paragraph 6)

CLASS D AND CLASS E STATUTORY ECONOMIC BALANCE SHEET

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

Form 4EBS

CLASS D AND CLASS E 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
6.	**POLICY LOANS**	**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
(b)	Segregated accounts - LT business – variable annuities	XXX	XXX
(c)	Segregated accounts - LT business - other	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**
	LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS		
20.	**BEST ESTIMATE RESERVES FOR REPORTED CLAIMS**	**XXX**	**XXX**
21.	**BEST ESTIMATE RESERVES FOR UNREPORTED CLAIMS**	**XXX**	**XXX**
22.	**BEST ESTIMATE POLICY RESERVES - LIFE**	**XXX**	**XXX**
23.	**BEST ESTIMATE POLICY RESERVES – ACCIDENT AND HEALTH**	**XXX**	**XXX**

24.	**BEST ESTIMATE POLICYHOLDERS' FUNDS ON DEPOSIT**	**XXX**	**XXX**
25.	**BEST ESTIMATE LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS**	**XXX**	**XXX**
26.	**BEST ESTIMATE OTHER LONG-TERM BUSINESS INSURANCE RESERVES**	**XXX**	**XXX**
27.	**BEST ESTIMATE TOTAL LONG-TERM BUSINESS INSURANCE PROVISIONS**		
(a)	Total gross long-term business insurance provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other insurer	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Total net long-term business insurance provisions	XXX	XXX
27A.	**RISK MARGIN – LONG-TERM INSURANCE BUSINESS**	**XXX**	**XXX**
27B.	**LONG-TERM TECHNICAL PROVISIONS CALCULATED AS A WHOLE**	**XXX**	**XXX**
27C.	**TOTAL LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS**		
(a)	Total gross long-term business insurance provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other insurer	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Total net long-term business insurance 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
(c)	Segregated accounts - LT business – variable annuities	XXX	XXX
(d)	Segregated accounts - LT business - other	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 4EBS

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 27(c)-(i)	(Only after 1 January 2018) 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 27(c)-(ii)	(Only after 1 January 2018) Details of the amount of any collateral placed in favour of the insurer
Line 27(d) – (i)	Only after 1 January 2018 The amount of premium included as 'Bound but Not Incepted' in the calculation of line 27 Best estimate Long-term business provisions, together with the amount of best estimate provision calculated on this business. The disclosure shall be split between lines of business used for the BSCR disclosure of long-term business premiums (Schedule IV(A)).
Line 27(d) – (ii)	Only after 1 January 2018 The amount of best estimate provisions which have been calculated making use of the 20 year transitional arrangements, together with the corresponding best estimate provisions had the EBS valuation principles been applied in full. The disclosure shall be split between lines of business used for the BSCR disclosure of long-term business premiums (Schedule IV(A)).
Line 27B(c)-(i)	(Only after 1 January 2018) 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 27B(c)-(ii)	(Only after 1 January 2018) Details of the amount of any collateral placed in favour of the insurer
Line 27B(d) – (i)	Only after 1 January 2018 The amount of premium included as 'Bound but Not Incepted' in the calculation of line 27B Long-term business technical provisions, together with the amount of technical provision calculated on this business. The disclosure shall be split between lines of business used for the BSCR disclosure of long-term business premiums (Schedule IV(A)).
Line 27B(d) – (ii)	Only after 1 January 2018 The amount of technical provisions which have been calculated making use of the 20 year transitional arrangements, together with the corresponding technical provisions had the EBS valuation principles been applied in full. The disclosure shall be split between lines of business used for the BSCR disclosure of long-term business premiums (Schedule IV(A)).
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 4EBS and Line 40 of Form 4 as required under Schedule I of the Insurance Accounts Regulations 1980

INSTRUCTIONS AFFECTING FORM 4EBS

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. As part of transitional arrangements until 31 December 2018, the insurer shall continue to use existing valuation approaches as required under the Insurance Accounts Regulations 1980 for lines 20-27, with lines 27A and 27B being set to zero. After that date, the following principles will apply.

7. 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).

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

9. 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).

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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	Residential and commercial investment loans shall be included	

loans on real estate	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).
6. Policy loans	Loans to policyholders on the security of cash surrender value of the policyholder's long-term insurance policy shall be included here.	
7. Real estate	Commercial investments occupied by group members shall be included here.	
	(a)	Occupied by any member of the insurer or its consolidated entities (less encumbrances): Both land and buildings and any other commercial investments occupied by the insurer or its consolidated entities 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. 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
	(b)	Segregated accounts – LT business – variable annuities
	(c)	Segregated accounts – LT business - other
	(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 group 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.	
Long-term Business Insurance Technical Provisions		
20. Best Estimate Reserves for reported claims	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 20 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate reserves, calculated in line with Economic Balance Sheet valuation principles, to meet unpaid claims at the valuation date and made under long-term insurance policies in respect of incidents occurring and reported to the insurer before the valuation date, net of any expected recoverable amounts	

21. Best Estimate Reserves for unreported claims	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 21 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate reserves, calculated in line with Economic Balance Sheet valuation principles, to meet unpaid claims at the valuation date and made under long-term insurance policies in respect of incidents occurring but not reported to the insurer before the valuation date, net of any expected recoverable amounts.
22. Best Estimate Policy reserves - life	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 22 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate provisions, calculated in line with Economic Balance Sheet valuation principles, in respect of future guaranteed benefits as they become payable under the provisions of life insurance policies in force, including any 'bound but not incepted' business. These may also include amounts applicable to other life contract benefits (such as disability waiver of premium, disability income benefits and additional accidental death benefits). • These amounts are net of any expected recoverable balances.
23. Best Estimate Policy reserves – accident and health	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 23 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate provisions, calculated in line with Economic Balance Sheet valuation principles, in respect of accident and health policies, including any 'bound but not incepted' business. These amounts are net of any expected recoverable balances
24. Best Estimate Policyholders' funds on deposit	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 24 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: These consist of premiums paid in advance of the due date, and shall be valued in line with Economic Balance Sheet valuation principles.
25. Best Estimate Liability for future policyholders' dividends	• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 25 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980. • After that date, the following instructions shall apply: Best estimate dividends payable, as declared by the

<table>
<tr><td></td><td colspan="2">directors, on participating life policies which qualify for such dividends, and valued in line with Economic Balance Sheet valuation principles.</td></tr>
<tr><td>26. Best Estimate Other long-term business insurance reserves</td><td colspan="2">• The Authority confirms that until 30 December 2018, this line shall be determined as per the instructions for Line 26 of Form 4 in Part III of Schedule III of the Insurance Accounts Regulations 1980.

• After that date, the following instructions shall apply:
Best estimate reserves not included in lines 20 to 25, and valued in line with Economic Balance Sheet valuation principles, including any 'bound but not incepted' business.</td></tr>
<tr><td>27. Total Best Estimate long-term business insurance provisions</td><td colspan="2">• Best estimate long-term business insurance provisions calculated in line with Economic Balance Sheet valuation principles (and that are not included on Form 4EBS, Line 27B). It comprises the total of lines 20 to 26 inclusive, showing an analysis between the gross and net positions.

• There shall be disclosed severally -</td></tr>
<tr><td></td><td>(a)</td><td>Total gross long-term business insurance provisions:
Gross unpaid loss and loss expenses</td></tr>
<tr><td></td><td>(b)</td><td>Less: reinsurance recoverable balances:
The amount of recoverables 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 amount shall be subdivided between:</td></tr>
<tr><td></td><td>(i)</td><td>Foreign affiliates</td></tr>
<tr><td></td><td>(ii)</td><td>Domestic affiliates</td></tr>
<tr><td></td><td>(iii)</td><td>Pools and associations</td></tr>
<tr><td></td><td>(iv)</td><td>All other reinsurers</td></tr>
<tr><td></td><td>(c)</td><td>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.</td></tr>
<tr><td></td><td>(d)</td><td>Net long term business provisions:
The total of (a) and (c) – which is also the same as the sum of lines 20 to 26 inclusive.</td></tr>
<tr><td>27A. Risk Margin – Long-term insurance business</td><td colspan="2">The Authority confirms that until 30 December 2018, the amount shall be set as zero. After that date, the following instructions shall apply: 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 the line items 20-26, and shall be calculated at an aggregate level for long-term insurance business, making allowance for the effects of the diversification effects of regulatory capital requirements within the long-term business of the insurer.</td></tr>
<tr><td>27B. Long-term technical</td><td colspan="2">The Authority confirms that until 30 December 2018, the amount</td></tr>
</table>

provisions calculated as a whole	shall be set as zero. After that date, the following instructions shall apply: This line shall contain the total of all technical provisions calculated as a whole which have been determined based on the market price of financial instruments that reliably replicate the cash flows of the insurance obligations	
	(a)	Total gross long-term business insurance provisions: Gross unpaid loss and loss expenses
	(b)	Less: reinsurance recoverable balances: The amount of recoverables 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 amount 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 long term business provisions: The total of (a) and (c).
27C. Total Long-term insurance business technical provisions	This shall be the total of lines 27(d), 27A and 27B(d).	
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.
	(c)	Segregated accounts – LT business – variable annuities
	(d)	Segregated accounts – LT business - other
	(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 the amounts disclosed on this line, including the undiscounted amounts of the liabilities shall be shown in a supplementary note. • 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 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 calculated as Line 15 less Line 39. • Reconciliation between this amount and Line 40 for Form 4 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)

APPROVED ACTUARY'S OPINION

1 The approved actuary's opinion must state whether or not, in the opinion of the approved actuary, the aggregate amount of technical provisions shown at Line 27C 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 insurer under the terms of its insurance contracts and agreements.

2 The approved actuary 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 approved actuary shall also state (but is not limited to) their best estimates for following matters (as applicable):

(a) Line 27(a)
(b) Line 27(d)
(c) Line 27B(a)
(d) Line 27B(d)

3 The approved actuary is required to state their estimates for the risk margin (Line 27A) and state whether or not, in their opinion, this amount has been calculated in accordance with the requirements of Schedule XIV.

4 In relation to Lines 27(a) and 27B(a), the approved actuary shall provide commentary on the assumptions made in relation to bound but not incepted business, as described in paragraph 9 of Schedule XIV.

5 The approved actuary shall provide commentary for Lines 27(d) and 27B(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 In relation to Lines 27B (a) and 27B(d), the approved actuary shall provide commentary on the nature of the business valued 'as a whole' and whether or not their approach is in accordance with the requirements of Schedule XIV.

7 Where the approved actuary 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.

8 Where the Insurer has made use of the 20 year transitional arrangements for certain insurance business, the approved actuary shall provide estimates for that business for both the EBS approach and the approach consistent with the valuation approach in force before EBS requirements came into force.

9 The approved actuary shall provide commentary on any aspects of the technical provisions of the insurer which give rise to greater levels of uncertainty than would typically be associated with the insurer's business.

10 The approved actuary's opinion shall further confirm:

- the approved actuary'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 Approved Actuary) ;
- whether or not the approved actuary 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 approved actuary is in full compliance with the most recent Continuing Professional Development requirements of their official actuarial body;
- whether or not the approved actuary has any perceived conflicts of interest relative to providing the opinion.

11 Working papers supporting the approved actuary's opinion which are required to be made available to the Authority by the approved actuary upon request. 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.

12 The opinion shall be signed and dated by the approved actuary 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

[*blank*] 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 XIV:

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.