1st July 2013

NOTICE

Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011 (the "Rules")

The Bermuda Monetary Authority (the "Authority") proposes that the Rules be amended as follows:

1. To reflect the addition of new Schedules in paragraph 6 of the Rules as "Schedule IIA" and "Schedule VIIIA".

2. The Authority further advises that the following amendments, which are refinements to the Bermuda Solvency Capital Requirements ("BSCR") for Long-Term insurer classes C, D and E, are proposed for Schedules to the Rules (the "Schedules") (which shall be repealed and replaced for ease of review and interpretation by stakeholders):

   a. Proposed amendments to Schedule I to the Rules:

      i. Paragraph 1 of the BSCR formula to reflect negative correlation of 25% between mortality and longevity;
      ii. In paragraphs 2 and 3, amendments to the provisions for fixed income investment risk and equity investment risk, in order to provide a more refined breakdown of the level of investment risk through a new prescribed set of ratings (i.e. the "BSCR ratings");
      iii. In Paragraph 4, revising the provision relating to credit capital calculation to also now prescribe a new set of BSCR ratings in order to reflect the credit rating of the reinsurer as basis for the capital calculation;
      iv. In Paragraph 10, it is proposed that the attained age of annuitant for immediate payout annuities with longevity risk products and the age at which the annuity benefits commence for deferred payout annuities

with longevity risk products be specifically captured in order to distinguish these products and to recognize the nature of their product risks and features; and

v. Amendments to Paragraph 11 relating to variable annuities to provide insurers with an option to use their own internal capital model to determine the capital requirement for variable annuities; and the factor-based capital requirement has also been refined for situations where the use of an internal capital model is not deemed practical by the Authority.

b. Proposal to align Schedules II, VII and VIII with the proposed amendments to Paragraphs 2, 3, 10 and 11 of Schedule I to the Rules.

c. Amendments to Schedule V to include additional disclosure requirements, including the proposed amendment to paragraph 4 of Schedule I to the Rules, with consequential amendments to the “Instructions Affecting Schedule V”, which will enable the Authority to obtain greater understanding of an insurer’s business and risk.

d. The following new additional Schedules are proposed by the Authority—

   i. Schedule IIA, to provide for reporting of the underlying assets of an insurer’s funds held by ceding reinsurers in segregated accounts/trusts for which the insurer shall bear the corresponding market risk; and

   ii. Schedule VIIIA, to capture internal model-based capital requirements for variable annuities.

e. Parts I, II, V, VII, and VIII of Schedule XIII have also been amended to reflect the aforementioned refinements and to ensure consistency in the reporting requirements to be applied to Class C insurers so that such requirements mirror those of Classes D and E insurers.

f. The following new Schedules of Schedule XIII have been added as reporting requirements for Class C insurers —

   i. Part IIA to provide for reporting of the underlying assets of an insurer’s funds held by ceding reinsurers in segregated accounts/trusts for which the insurer shall bear the corresponding market risk; and

   ii. Part VIIIA, to capture the internal model-based capital requirements for variable annuities.

3. The Authority advises other minor amendments made are generally “housekeeping in nature”. This includes amendment for the use in all capital calculations from (statutory) net reserves to reserves net of deferred acquisition costs, value of business acquired, and/or present value of future profits, and among others.

4. Comments on the Schedules are invited by 6th September 2013 and should be sent to email address: policy@bma.bm.

5. It is proposed that all amendments will become effective as of 1st January 2014.

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 in accordance with the following formula-

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

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 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** Insurance Accounts Regulations 1980 or these Rules	**Capital Factor** χ_i
Corporate and Sovereign Bonds		
BSCR rating 0	Schedule II & IIA, Line 1, Column (1)	0.0%
BSCR rating 1	Schedule II & IIA, Line 2, Column (1)	0.4%

BSCR rating 2	Schedule II & IIA, Line 3, Column (1)	0.8%
BSCR rating 3	Schedule II & IIA, Line 4, Column (1)	1.5%
BSCR rating 4	Schedule II & IIA, Line 5, Column (1)	3.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (1)	8.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (1)	15.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (1)	26.3%
BSCR rating 8	Schedule II & IIA, Line 9, Column (1)	35.0%
Residential Mortgage-Backed Securities		
BSCR rating 1	Schedule II & IIA, Line 2, Column (3)	0.6%
BSCR rating 2	Schedule II & IIA, Line 3, Column (3)	1.2%
BSCR rating 3	Schedule II & IIA, Line 4, Column (3)	2.0%
BSCR rating 4	Schedule II & IIA, Line 5, Column (3)	4.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (3)	11.0%

BSCR rating 6	Schedule II & IIA, Line 7, Column (3)	25.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (3)	35.0%
BSCR rating 8	Schedule II & IIA, Line 9, Column (3)	35.0%
Commercial Mortgage-Backed Securities / Asset-Backed Securities		
BSCR rating 1	Schedule II & IIA, Line 2, Column (5)	0.5%
BSCR rating 2	Schedule II & IIA, Line 3, Column (5)	1.0%
BSCR rating 3	Schedule II & IIA, Line 4, Column (5)	1.8%
BSCR rating 4	Schedule II & IIA, Line 5, Column (5)	3.5%
BSCR rating 5	Schedule II & IIA, Line 6, Column (5)	10.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (5)	20.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (5)	30.0%
BSCR rating 8	Schedule II & IIA, Line 9, Column (5)	35.0%
Bond Mutual Funds		

BSCR rating 0	Schedule II & IIA, Line 1, Column (7)	0.0%
BSCR rating 1	Schedule II & IIA, Line 2, Column (7)	0.4%
BSCR rating 2	Schedule II & IIA, Line 3, Column (7)	0.8%
BSCR rating 3	Schedule II & IIA, Line 4, Column (7)	1.5%
BSCR rating 4	Schedule II & IIA, Line 5, Column (7)	3.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (7)	8.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (7)	15.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (7)	26.3%
BSCR rating 8	Schedule II & IIA, Line 9, Column (7)	35.0%
Mortgage Loans		
Insured/guaranteed mortgages	Schedule II & IIA, Line 22, Column (1)	0.3%
Other commercial and farm mortgages	Schedule II & IIA, Line 23, Column (1)	5.0%
Other residential mortgages	Schedule II & IIA, Line 24, Column (1)	1.5%

Mortgages not in good standing	Schedule II & IIA, Line 25, Column (1)	35.0%
Other Fixed Income Investments		
Other loans	Form 4, Line 8	5.0%
Cash and time deposits	Form 4, Line 1 & Schedule IIA, Line 27, Column (1)	0.3%

INSTRUCTIONS AFFECTING TABLE 1: Capital factors for $FIastclass_i$

(a) all assets comprising 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.

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

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

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** Insurance Accounts Regulations 1980 or 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%
Mutual funds included in common stock portfolio	Schedule II & IIA, Line 21, Column (5)	14.4%
Preferred Stocks		
BSCR rating 1	Schedule II & IIA, Line 11, Column (3)	0.6%
BSCR rating 2	Schedule II & IIA, Line 12, Column (3)	1.2%
BSCR rating 3	Schedule II & IIA, Line 13, Column (3)	2.0%
BSCR rating 4	Schedule II & IIA, Line 14, Column (3)	4.0%
BSCR rating 5	Schedule II & IIA, Line 15, Column (3)	11.0%

BSCR rating 6	Schedule II & IIA, Line 16, Column (3)	25.0%
BSCR rating 7	Schedule II & IIA, Line 17, Column (3)	35.0%
BSCR rating 8	Schedule II & IIA, Line 18, Column (3)	35.0%
Other Equity Investments		
Insurer-occupied real estate less: encumbrances	Form 4, Line 7(a)	10.0%
Real estate investments less: encumbrances	Form 4, Line 7(b)	20.0%
Other equity investments	Form 4, Lines 2(e) & 3(e)	20.0%
Other tangible assets – net of segregated accounts companies and other adjustments	Form 4, Lines 13(f) & 14(d) Less 13(b) & 13(c) and Schedule VII, Line 18, Columns (2), (3) and (4)	20.0%
Investments in Affiliates		
Unregulated entities that conduct ancillary services	Form 4, Line 4(a)	5.0%
Unregulated non-financial operating entities	Form 4, Line 4(b)	5.0%

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

4. The credit risk capital calculation shall be established in accordance with the following formula-

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

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** The Insurance Accounts Regulations 1980 or these Rules	**Capital Factor** δ_i
Accounts and Premiums Receivable		
In course of collection	Form 4, Line 10(a)	5.0%
Deferred – not yet due	Form 4, Line 10(b)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 4, Line 10(c) Refer to instruction (c) below	10.0%
All Other Receivables		
Accrued investment income	Form 4, Line 9	2.5%
Advances to affiliates	Form 4, Line 4(g)	5.0%

Policy loans	Form 4, 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%
Single consolidated reinsurance exposure	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 all collaterals issued in favour of the insurer relating to accounts and premiums receivable;

(d) the net reinsurance exposure comprising of reinsurance balances receivable and reinsurance recoverable balances offset against the corresponding reinsurance balances payable and any amount of collateral placed in favour of the insurer relating to the reinsurance balances shall be included and shall be classified under the appropriate BSCR ratings;

(e) the amount of collateral in instruction (d) shall be reduced by 2% to account for the market risk associated with the underlying collateral assets;

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

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

(h) the diversification adjustment in instruction (g) is determined as 40% multiplied by 1 minus the ratio of the largest net reinsurance exposure to total net reinsurance exposure.

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

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

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 effective asset duration less the insurer's effective liability duration; or

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

The statement source for effective asset duration and effective liability duration is Schedule V paragraphs (d) and (e), respectively, 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, 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 (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	**Statement Source**	**200 basis point interest rate increase**
$assets$	Insurance Accounts Regulations 1980	$rateshock$

Bonds and debentures	Form 4, Lines 2(b) and 3(b)	2.0%
Preferred stock	Form 4, Lines 2(c)(ii) and 3(c)(ii)	2.0%
Mortgage loans	Form 4, Line 5(c)	2.0%

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

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

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

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

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	Schedule VII, line 7(c), (10)	30.00%

guarantee of more than 5 years		

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** $\alpha 1_i$	**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	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:

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

(i) $TotalBS\operatorname{Re}q_i$ = 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) $IMC\mathrm{Re}q_{LTVA}$ = 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 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) $\alpha1_i$, $\alpha2_i$, $\alpha3_i$, $\alpha4_i$, $\alpha5_i$ and $\alpha6_i$ 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 $NAR2_i$	**Statement Source** These Rules $NAR3_i$
Guaranteed minimum death benefit: Return of premium, ratchet and reset	Schedule VIII, lines 1 and 16, column (2)	Schedule VIII, lines 1 and 16, column (3)	Schedule VIII, lines 1 and 16, column (4)	Schedule VIII, lines 1 and 16, column (5)	Schedule VIII, lines 1 and 16, column (6)	Schedule VIII, lines 1 and 16, column (7)
Guaranteed	Schedule	Schedule	Schedule	Schedule	Schedule	Schedule

minimum death benefit: Enhanced benefits (roll up)	VIII, lines 2 and 17, column (2)	VIII, lines 2 and 17, column (3)	VIII, lines 2 and 17, column (4)	VIII, lines 2 and 17, column (5)	VIII, lines 2 and 17, column (6)	VIII, lines 2 and 17, column (7)
Guaranteed minimum income benefit	Schedule VIII, lines 3 and 18, column (2)	Schedule VIII, lines 3 and 18, column (3)	Schedule VIII, lines 3 and 18, column (4)	Schedule VIII, lines 3 and 18, column (5)	Schedule VIII, lines 3 and 18, column (6)	Schedule VIII, lines 3 and 18, column (7)
Guaranteed minimum withdrawal benefit	Schedule VIII, lines 4 and 19, column (2)	Schedule VIII, lines 4 and 19, column (3)	Schedule VIII, lines 4 and 19, column (4)	Schedule VIII, lines 4 and 19, column (5)	Schedule VIII, lines 4 and 19, column (6)	Schedule VIII, lines 4 and 19, column (7)
Guaranteed enhanced earnings benefit	Schedule VIII, lines 5 and 20, column (2)	Schedule VIII, lines 5 and 20, column (3)	Schedule VIII, lines 5 and 20, column (4)	Schedule VIII, lines 5 and 20, column (5)	Schedule VIII, lines 5 and 20, column (6)	Schedule VIII, lines 5 and 20, column (7)
Guaranteed minimum accumulation benefit with 1 year or less to maturity	Schedule VIII, lines 6 and 21, column (2)	Schedule VIII, lines 6 and 21, column (3)	Schedule VIII, lines 6 and 21, column (4)	Schedule VIII, lines 6 and 21, column (5)	Schedule VIII, lines 6 and 21, column (6)	Schedule VIII, lines 6 and 21, column (7)
Guaranteed minimum accumulation benefit with more	Schedule VIII, lines 7 and 22,	Schedule VIII, lines 7 and 22,	Schedule VIII, lines 7 and 22,	Schedule VIII, lines 7 and 22,	Schedule VIII, lines 7 and 22,	Schedule VIII, lines 7 and 22,

than 1 year but less than or equal to 2 years to maturity	column (2)	column (3)	column (4)	column (5)	column (6)	column (7)
Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity	Schedule VIII, lines 8 and 23, column (2)	Schedule VIII, lines 8 and 23, column (3)	Schedule VIII, lines 8 and 23, column (4)	Schedule VIII, lines 8 and 23, column (5)	Schedule VIII, lines 8 and 23, column (6)	Schedule VIII, lines 8 and 23, column (7)
Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity	Schedule VIII, lines 9 and 24, column (2)	Schedule VIII, lines 9 and 24, column (3)	Schedule VIII, lines 9 and 24, column (4)	Schedule VIII, lines 9 and 24, column (5)	Schedule VIII, lines 9 and 24, column (6)	Schedule VIII, lines 9 and 24, column (7)
Guaranteed minimum accumulation benefit with more than 4 years but less than or equal	Schedule VIII, lines 10 and 25, column (2)	Schedule VIII, lines 10 and 25, column (3)	Schedule VIII, lines 10 and 25, column (4)	Schedule VIII, lines 10 and 25, column (5)	Schedule VIII, lines 10 and 25, column (6)	Schedule VIII, lines 10 and 25, column (7)

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

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

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

Variable Annuity Benefit Type	**Capital Charge** $\alpha 1_i$	**Capital Charge** $\alpha 2_i$	**Capital Charge** $\alpha 3_i$	**Capital Charge** $\alpha 4_i$	**Capital Charge** $\alpha 5_i$	**Capital Charge** $\alpha 6_i$
Guaranteed minimum death benefit: Return of premium, ratchet and reset	4.00%	8.50%	13.00%	0.25%	0.50%	0.75%

Guaranteed minimum death benefit: Enhanced benefits (roll up)	12.00%	16.50%	21.00%	0.75%	1.00%	1.25%
Guaranteed minimum income benefit	100.00%	130.00%	160.00%	5.00%	6.50%	8.00%
Guaranteed minimum withdrawal benefit	60.00%	75.00%	90.00%	3.25%	4.25%	5.00%
Guaranteed enhanced earnings benefit	1.00%	9.00%	17.00%	0.00%	0.50%	1.00%
Guaranteed minimum accumulation benefit with 1 year or less to maturity	90.00%	130.00%	250.00%	3.20%	5.00%	9.00%
Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity	80.00%	115.00%	200.00%	3.00%	5.00%	8.90%
Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity	70.00%	105.00%	160.00%	3.00%	5.00%	8.90%
Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity	60.00%	95.00%	135.00%	2.80%	5.00%	8.80%

Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity	55.00%	85.00%	115.00%	2.40%	4.30%	8.00%
Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity	50.00%	75.00%	100.00%	2.00%	3.50%	6.80%
Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity	45.00%	65.00%	90.00%	1.70%	2.80%	5.90%
Guaranteed minimum accumulation benefit with more than 7 years but less than or equal to 8 years to maturity	40.00%	55.00%	80.00%	1.40%	2.10%	4.90%
Guaranteed minimum accumulation benefit with more than 8 years but less than or equal to 9 years to maturity	35.00%	50.00%	70.00%	1.10%	1.70%	4.30%
Guaranteed minimum accumulation benefit with more than 9 years to maturity	30.00%	45.00%	60.00%	1.00%	1.40%	3.90%

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

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

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 BAR_i	**Statement Source** The Rules	**Capital Factor** 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),	0.50%

	line 5	
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	2.00%
Disability Income: active lives – other accident and health	Schedule VII, column (7), line 8	2.00%
Disability Income: claims in payment – including waiver of premium and long term care	Schedule VII, column (7), line 9	0.50%
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:

$C_{op} = \rho * ACov$, 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

Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011

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		Criterion	Operational Risk Areas							
Stage	Scoring		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	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 **(Paragraph 6)**

Schedule of fixed income and equity investments by BSCR rating

[*blank*] name of Company
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 4, 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		Preferred stock		Equity mutual funds				Total (Form 4, 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 4, Line 5(c))	
		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 SCHEDULE 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; and

(h) 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.

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-

SCHEDULE IIA **(Paragraph 6)**

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

[*blank*] name of Company
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 time deposits								
		20xx (000)	20xx (000)							
27	Cash and time deposits									

INSTRUCTIONS AFFECTING SCHEDULE IIA:

(a) all funds held by ceding reinsurers (as reflected in Form 4, Line 12(c)) in segregated accounts/trusts with identifiable assets, such as fixed income investments, equity investments, mortgage loans, and cash and time deposits, 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; 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.

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-

Schedule IVA **(Paragraph 6)**

Schedule of long-term business premiums

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

Schedule Line No.	**GROSS PREMIUMS AND OTHER CONSIDERATIONS Form 5 Line 19(c)**						**NET PREMIUMS AND OTHER CONSIDERATIONS Form 5 Line 19(e)**					
	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. Deferred annuities:												
Active lives for others												
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

SCHEDULE V **(paragraph 6)**

SCHEDULE OF RISK MANAGEMENT
[*blank*] name of Company
As at [*blank*] (day/month/year)
All amounts are expressed in ______ (currency used)

The schedule of risk management shall disclose the Class D and Class E 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) Description of the effective duration of assets and liabilities calculations and key assumptions;
(g) Reserves with known duration as a percentage of total reserves;
(h) Mutual fund disclosures;
(i) Summary of projected performance;
(j) Summary of product features and risks;
(k) Financial impact and description of stress and scenario tests;
(l) Investments and derivatives strategies and policy;
(m) Modified co-insurance arrangements; and
(n) Deferred accumulation annuities disclosures.

INSTRUCTIONS AFFECTING SCHEDULE V:

(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 (re)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;

(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.); and

(ix) Group organizational chart.

(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 material intra-group exposures including:

(a) aggregated values of the exposure limits (gross and net) by counterparties broken down by counterparty rating;

(b) aggregated premium flows between counterparties (gross and net); and

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

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

(a) name of counterparty;
(b) exposure values (face value or 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 a single consolidated reinsurance exposure, including—

(i) the name of reinsurer;
(ii) the amount of reinsurance balances receivable, funds held by ceding reinsurers, and reinsurance recoverable balance (as reflected in Form 4, Lines 11(e), 12(c) and 27(c));
(iii) funds held by ceding reinsurers (as reflected in Form 4, Line 12(c)) shall be included only to the extent that they are not already included under Schedule IIA;
(iv) the amount of reinsurance balances payable and other payables (as reflected in Form 4, Lines 28, 29, 33, and 34(c));
(v) the amount of any collateral placed in favour of the insurer relating to the reinsurance balances (as reflected in Notes to Form 4, Lines 11(e) and 27(c));
(vi) the net reinsurance exposure shall be the amount under (ii) less the amounts under both (iv) and (v) above;
(vii) the appropriate 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;
(viii) for the purpose of determining the appropriate BSCR rating, where the letters of credit does not relate to the entire reinsurance exposure, the reinsurance exposure should be separated 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;
(ix) where the reinsurer is a domestic affiliate, it shall be assigned a BSCR rating of 0 regardless of its credit rating;
(x) where a reinsurer is not rated but is regulated in a jurisdiction that applies the International Association of Insurance Supervisors' Insurance Core Principles ("IAIS' ICPs") and in particular imposes both a minimum capital requirement ("MCR") and a prescribed capital requirement ("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

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

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

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

(f) The description of the process used for determining the effective duration of assets calculation and effective duration of liabilities calculation, and key assumptions for these calculations;

(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 disclosures 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 disclose—

(i) the insurer's latest estimate of new business premiums written;

(ii) 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; and

(iii) a qualitative description of the insurer's business and underwriting strategy to be used in an attempt to achieve the estimates in (i) and (ii) above.

(j) Summary of product features and risks must cover the primary product features and benefits insured and any policyholder options or guarantees that could materially affect the insurer;

(k) 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

(l) The investments and derivatives strategies and policies shall disclose—

(i) a description of the insurer's investment strategy governing selection and composition of investment portfolio;

(ii) a description of the strategies and policies surrounding the use of derivatives and other hedging instruments; and

(iii) the market value and nominal exposure of each derivative financial instrument with a nominal exposure greater than 5% of total assets listed by assets, liabilities, long and short positions, respectively.

(m) Modified co-insurance arrangements shall disclose details of such arrangements including—

(i) name of ceding company;

(ii) type of coverage;

(iii) amount of reserve; and

(iv) aggregate asset allocation (book value) and the related affiliated or unaffiliated cedant.

(n) 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).

SCHEDULE VI (Paragraph 6)

SCHEDULE OF FIXED INCOME SECURITIES

[*blank*] name of Company

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 4 – Statutory Balance Sheet Lines 2(b) and 3(b);

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

i. amount reflected in the Form 4 – Statutory Balance Sheet balance on Lines 2(b) or 3(b);

ii. amount contributing to (as reflected in) the Form 4 – Statutory Balance Sheet balance on Lines 2(b) or 3(b);

iii. face value;

iv. fair value;

v. average effective yield to maturity;

vi. average rating of the security type (if applicable);

vii. average duration and convexity; and

(c) include the effective duration and the convexity of the portfolio.

SCHEDULE VII (Paragraph 6)

SCHEDULE OF LONG-TERM INSURANCE DATA

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

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
										Net Amount at Risk		
Line No	Description	Bermuda Statutory Reserve (000)	Reported DAC (if any) (000)	Value of Business Acquired (000)	Present Value of Future Profits (000)	Best Estimate Reserve (000)	Net Reserve [Column (1) less Columns (2), (3) and (4)]	BSCR Adjusted Reserve [Greater of Column (6) and 0]	Margins in Reserves [If (5) is not 0, then excess of Column (6) over Column (5)]	Adjustable Product/ Treaty (000)	Non-adjustable 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 - incl. waiver of premium and long-term care									Net Annual Premium		
	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 – incl. 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											Net Annual Premium

										s (000)
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									

SCHEDULE VIII **(Paragraph 6)**

SCHEDULE OF LONG-TERM VARIABLE ANNUITY DATA AND RECONCILIATION

[*blank*] name of Company at [*blank*] (day/month/year)
All amounts expressed in .... (currency used)

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Line No.	Description	Bermuda Statutory Reserve	Guaranteed Value			Net Amount at Risk		
			Volatility 0%-10%	Volatility 10%-20%	Volatility >20%	Volatility 0%-10%	Volatility 10%-20%	Volatility >20%
		(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 SCHEDULE VIII:

1. Factors should be applied to NAR defined as:

Guaranteed minimum accumulation benefit (GMAB)	Total claim payable if all contracts mature immediately
Guaranteed minimum death benefit (GMDB)	Total claim amount payable upon immediate death of all policyholders
Guaranteed minimum income benefit (GMIB)	Total claim 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 claim 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 the purposes of Schedule 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.

SCHEDULE VIIIA (Paragraph 6)

SCHEDULE OF LONG-TERM VARIABLE ANNUITY GUARANTEES – INTERNAL CAPITAL MODEL

[*blank*] name of Company at [*blank*] (day/month/year)
All amounts expressed in .... (currency used)

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

a) Information for each section (if applicable)—

	(1)	(2)	(3)	(4)	(5)
	BSCR statutory reserve (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)		

SCHEDULE IX (Paragraph 6)

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

The Schedule of CISSA shall provide particulars of the following matters:

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 SCHEDULE IX:

Table 14

CISSA Capital Summary

	CISSA capital	Regulatory capital
Risk Categories		
Insurance risk – mortality		
Insurance risk – longevity		
Insurance risk – morbidity		
Insurance risk – variable annuity guarantees		
Insurance risk – other		
Insurance risk – stop loss		
Insurance risk – rider		
Market risk		
Credit risk		
Interest and Liquidity risk		
Group, 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 Bermuda Solvency Capital Requirement ("BSCR") as described in the Insurance Prudential Standards (Class D and Class E Solvency Requirement) Order or regulatory capital determined from an approved internal model for regulatory purposes at 99% TVaR.

Table 14, continued

ADDITIONAL INFORMATION

1. What is the primary reason(s) (select multiple responses where applicable) for aiming at the disclosed Projected Target Economic Capital amount? (select all that apply)
   - o target agency rating (e.g. "A-", "AA", etc);
   - o market share;
   - o business expansion;
   - o nature of product(s) (e.g. risk characteristics);
   - o manage downgrade risk;
   - o regulatory capital requirements; and
   - o others (briefly describe).

2. What methodology is used to aggregate the risk categories? (select all that apply)
   - o correlation matrix;
   - o linear correlations;
   - o T copulas;
   - o Gumbel copulas;
   - o Clayton copulas;
   - o causal drivers approach e.g. inflation, cycles; and
   - o others (briefly describe)

ADDITIONAL INFORMATION

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 (participations) 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 (for both policyholder obligations and not 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:

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

- 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".

- 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 (i.e. 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)

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

- performance measurement and assessment;
- improving mergers and acquisition decisions; and
- 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.

Table 14B

CISSA Assessment of Material Risks of the Insurer–

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.

1. The date the assessment 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 and how they are enforced.
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. For each material risk identified the submission should minimally include:
    a. Identification of the risk owner, qualifications and responsibilities;

b. The risk drivers (e.g. for catastrophe risk the drivers could be epidemic, medical advancements, etc);
c. The primary model(s)/tool(s) used to calculate the CISSA Capital for the risk, where applicable;
d. The primary sources of data used as inputs to the model(s)/tool(s);
e. The key assumptions used in the assessment of the risk
f. A description and quantitative impact of stress and scenarios test on capital (if any) including key assumptions;
g. A description of measures taken to transfer or otherwise mitigate the risk;
h. Quantification of the risk if the insurer is holding capital against it both pre and post diversification;
i. An explanation of the primary reasons for any material deviations between the CISSA capital as it pertains to the risk and the associated capital (if holding capital against the risk) and the regulatory capital charge for the risk, if the deviation is greater than 15%.

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12 **The insurer shall review the following statements and select from the drop-down list as applicable and/or provide a brief description or an attachment. Where the insurer provides an attachment, include references (e.g. page number, paragraph number) of where the information is located within the attachment.**

Model(s)/tool(s) used to calculate the CISSA capital

	Governance	Select	Comments
a)	Does the Board of Directors, chief and senior executives approve the design, maintenance and use of the model(s)/tool(s)?		
b)	How often does the Board or relevant Board committees review outputs, changes and issues arising from the model(s)/tool(s) (review should be documented e.g. minutes, presentations etc)?		
c)	Does the Board and chief and senior executives have a general understanding of the key assumptions/elements and the implications of the outputs (including limitations) of the model(s)/tool(s)?		
	Validation	**Select**	**Comments**

d)	Is the model(s)/tool(s) subject to a regular cycle of validation, which includes the monitoring of performance, review appropriateness of model specifications and testing of forecast results against actual results?		
e)	How often is the validation of the model(s)/tool(s) performed?		
f)	Does the validation process demonstrate that the model(s)/tool(s) remains suitable during changing conditions (e.g. changes in inflation, interest rate, etc)? If no, provide comments.		
	Documentation	**Select**	**Comments**
g)	Does the insurer have formal documentation of the structure, design, operational details, input assumptions, parameters, governance process and controls of the model(s)/tool(s)?		
h)	If yes, to what extent is the model(s)/tool(s) documented such that it can be used by new personnel with limited user experience? (include comments for partial or no documentations)		
i)	How often does the Board of Directors or chief and senior executives review and approve the model/input documentation?		
	Internal controls	**Select**	**Comments**
j)	How does the insurer rate the effectiveness of the controls in place to monitor and evaluate the operation and maintenance of the model(s)/tool(s)?		
k)	Are there strict protocols in place restricting access to the model(s)/tool(s) and ability to make adjustments thereto?		
	Others	**List**	
l)	What is the risk measure (VaR,TVaR etc), confidence interval (95%, 99.95% etc) and time horizon (1 year, 3 years etc) used to derive CISSA capital?		

SCHEDULE XII (Paragraph 6)

SCHEDULE OF ELIGIBLE CAPITAL

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

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 capital and surplus (Form 8, STMT LINE 3)			XXX
Less: Encumbered assets not securing policyholder obligations (Form 4, STMT Line 15)			XXX
Less: relative liability or contingent liability (Form 4) 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 surplus- End of Year (Form 8, STMT LINE 2(h) (deficit) or retained earnings)		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:		
	(i) Encumbered assets where the pledged assets exceed policyholder obligations (per contract)	XXX	
	(ii) Policyholder obligations		

where the pledged assets exceed Policyholder obligations (per contract) XXX

(iii) Capital requirement applicable to encumbered assets for policyholder obligations under (i) above (equal to the contribution of the pledged assets to the ECR) XXX

(iv) Subtotal: (equal to (i) minus the sum of (ii) and (iii) above) XXX

(v) Total policyholder obligations where the pledged assets are equal or exceed policyholder obligations (per contract) XXX

(vi) Total encumbered assets where the policyholder obligations exceed the pledged assets (per contract) XXX

(vii) Subtotal: (equal to the sum of (v) and (vi) above) XXX

(viii) Total policyholder obligations (Form 4, STMT LINE 27(a)) XXX

(ix) Proportion of non-collateralized policyholder obligations XXX

(x) Subtotal: (equal to the product of (iv) and (ix) above) XXX

(i) Less: Encumbered assets not securing policyholder obligations (Form 4, STMT LINE 15)

Less: relative liability or contingent liability (Form 4A) for which the encumbered assets are held XXX

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

Tier 1 – ancillary capital

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

Total Tier 1 available capital	**XXX**

Tier 2 -basic capital

(a)	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 (as reflected in Form 8, Line 3 of the Insurance Accounts Regulations 1980) subject to adjustments made under Section 6D of the Act in Table 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 Eligible Capital Rules.

SCHEDULE XIII   Paragraph 2A

PART I

Bermuda Solvency Capital Requirement (Class C BSCR)

1. The Class C BSCR shall be established in accordance with the following formula-

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

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 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** Insurance Accounts Regulations 1980 or 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)	35.0%
Other Fixed Income Investments		
Other loans	Form 4, Line 8	5.0%
Cash and time deposits	Form 4, Line 1 & Part IIA, Line 27, Column (1)	0.3%

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

(a) all assets comprising 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.

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

$$C_{eq} = \sum_i \chi_i \times Eqastclass_i$$, 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** Insurance Accounts Regulations 1980 or 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%

Mutual funds included in common stock portfolio	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		
Insurer-occupied real estate less: encumbrances	Form 4, Line 7(a)	10.0%
Real estate investments less: encumbrances	Form 4, Line 7(b)	20.0%
Other equity investments	Form 4, Lines 2(e) & 3(e)	20.0%

Other tangible assets – net of segregated accounts companies and other adjustments	Form 4, Lines 13(f) & 14(d) Less 13(b) & 13(c) and Part VII, Line 18, Columns (2), (3) and (4)	20.0%
Investments in Affiliates		
Unregulated entities that conduct ancillary services	Form 4, Line 4(a)	5.0%
Unregulated non-financial operating entities	Form 4, Line 4(b)	5.0%
Unregulated financial operating entities	Form 4, Line 4(c)	5.0%
Regulated non-insurance financial operating entities	Form 4, Line 4(d)	5.0%
Regulated insurance financial operating entities	Form 4, 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.

4. The credit risk capital calculation shall be established in accordance with the following formula-

$$C_{LTcred} = \sum_i \delta_i \times debtor_i \times \mu_r ,$$ 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** The Insurance Accounts Regulations 1980 or these Rules	**Capital Factor** δ_i
Accounts and Premiums Receivable		
In course of collection	Form 4, Line 10(a)	5.0%
Deferred – not yet due	Form 4, Line 10(b)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 4, Line 10(c) Refer to instruction (c) below	10.0%
All Other Receivables		
Accrued investment income	Form 4, Line 9	2.5%
Advances to affiliates	Form 4, Line 4(g)	5.0%
Policy loans	Form 4, 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%
Single consolidated reinsurance exposure	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 all collaterals issued in favour of the insurer relating to accounts and premiums receivable;

(d) the net reinsurance exposure comprising of reinsurance balances receivable and reinsurance recoverable balances offset against the corresponding reinsurance balances payable and any amount of collateral placed in favour of the insurer relating to the reinsurance balances shall be included and shall be classified under the appropriate BSCR ratings;

(e) the amount of collateral in instruction (d) shall be reduced by 2% to account for the market risk associated with the underlying collateral assets;

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

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

(h) the diversification adjustment in instruction (g) is determined as 40% multiplied by 1 minus the ratio of the largest net reinsurance exposure to total net reinsurance exposure.

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

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

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 effective asset duration less the insurer's effective liability duration; or

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

The statement source for the effective asset duration and effective liability duration is Part V paragraphs (d) and (e), respectively, 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, 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 (f) 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** Insurance Accounts Regulations 1980	**200 basis point interest rate increase** $rateshock$
Bonds and debentures	Form 4, Lines 2(b) and 3(b)	2.0%
Preferred stock	Form 4, Lines 2(c)(ii) and 3(c)(ii)	2.0%
Mortgage loans	Form 4, Line 5(c)	2.0%

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

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

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

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

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 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-

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

Wherein (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 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) $\alpha1_i, \alpha2_i, \alpha3_i, \alpha4_i, \alpha5_i$, and $\alpha6_i$ 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, lines 1 and 16, column (5)	Part VIII, lines 1 and 16, column (6)	Part VIII, lines 1 and 16, 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, lines 2 and 17, column (5)	Part VIII, lines 2 and 17, column (6)	Part VIII, lines 2 and 17, 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, lines 3 and 18, column (5)	Part VIII, lines 3 and 18, column (6)	Part VIII, lines 3 and 18, 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, lines 4 and 19, column (5)	Part VIII, lines 4 and 19, column (6)	Part VIII, lines 4 and 19, 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, lines 5 and 20, column (5)	Part VIII, lines 5 and 20, column (6)	Part VIII, lines 5 and 20, 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, lines 6 and 21, column (5)	Part VIII, lines 6 and 21, column (6)	Part VIII, lines 6 and 21, 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, lines 7 and 22, column (5)	Part VIII, lines 7 and 22, column (6)	Part VIII, lines 7 and 22, 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, lines 8 and 23, column (5)	Part VIII, lines 8 and 23, column (6)	Part VIII, lines 8 and 23, 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, lines 9 and 24, column (5)	Part VIII, lines 9 and 24, column (6)	Part VIII, lines 9 and 24, 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, lines 10 and 25, column (5)	Part VIII, lines 10 and 25, column (6)	Part VIII, lines 10 and 25, 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, lines 11 and 26, column (5)	Part VIII, lines 11 and 26, column (6)	Part VIII, lines 11 and 26, 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, lines 12 and 27, column (5)	Part VIII, lines 12 and 27, column (6)	Part VIII, lines 12 and 27, 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, lines 13 and 28, column (5)	Part VIII, lines 13 and 28, column (6)	Part VIII, lines 13 and 28, 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, lines 14 and 29, column (5)	Part VIII, lines 14 and 29, column (6)	Part VIII, lines 14 and 29, 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, lines 15 and 30, column (5)	Part VIII, lines 15 and 30, column (6)	Part VIII, lines 15 and 30, column (7)

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

Variable Annuity Benefit Type	**Capital Charge** $\alpha 1_i$	**Capital Charge** $\alpha 2_i$	**Capital Charge** $\alpha 3_i$	**Capital Charge** $\alpha 4_i$	**Capital Charge** $\alpha 5_i$	**Capital Charge** $\alpha 6_i$
Guaranteed minimum death benefit: Return of premium, ratchet and reset	4.00%	8.50%	13.00%	0.25%	0.50%	0.75%
Guaranteed minimum death benefit: Enhanced benefits (roll up)	12.00%	16.50%	21.00%	0.75%	1.00%	1.25%

Guaranteed minimum income benefit	100.00%	130.00%	160.00%	5.00%	6.50%	8.00%
Guaranteed minimum withdrawal benefit	60.00%	75.00%	90.00%	3.25%	4.25%	5.00%
Guaranteed enhanced earnings benefit	1.00%	9.00%	17.00%	0.00%	0.50%	1.00%
Guaranteed minimum accumulation benefit with 1 year or less to maturity	90.00%	130.00%	250.00%	3.20%	5.00%	9.00%
Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity	80.00%	115.00%	200.00%	3.00%	5.00%	8.90%
Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity	70.00%	105.00%	160.00%	3.00%	5.00%	8.90%
Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity	60.00%	95.00%	135.00%	2.80%	5.00%	8.80%
Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity	55.00%	85.00%	115.00%	2.40%	4.30%	8.00%

Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity	50.00%	75.00%	100.00%	2.00%	3.50%	6.80%
Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity	45.00%	65.00%	90.00%	1.70%	2.80%	5.90%
Guaranteed minimum accumulation benefit with more than 7 years but less than or equal to 8 years to maturity	40.00%	55.00%	80.00%	1.40%	2.10%	4.90%
Guaranteed minimum accumulation benefit with more than 8 years but less than or equal to 9 years to maturity	35.00%	50.00%	70.00%	1.10%	1.70%	4.30%
Guaranteed minimum accumulation benefit with more than 9 years to maturity	30.00%	45.00%	60.00%	1.00%	1.40%	3.90%

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

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

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	2.00%
Disability Income: active lives – otdfaher 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:

$C_{op} = \rho * ACov$, 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 4, Lines 2 & 3(b))	
		20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20x (00
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 (Form 4, Lines 2 & 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 4, Line 5(c))	
		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; and

(h) 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.

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 account/trust 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)	20x (00
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)	20x (00
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/guarantee d 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 time deposits		
		20xx (000)	20xx (000)	
27	Cash and time deposits			

INSTRUCTIONS AFFECTING PART IIA:

(a) all funds held by ceding reinsurers (Form 4, Line 12(c)) in segregated accounts/trusts with identifiable assets, such as fixed income investments, equity investments, mortgage loans, and cash and time deposits, 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; 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.

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 Line No.		**GROSS PREMIUMS AND OTHER CONSIDERATIONS**						**NET PREMIUMS AND OTHER CONSIDERATIONS**					
		Form 5 Line 19(c)										**Form 5 Line 19(e)**	
		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.	Deferred annuities:												
	Active lives for others												

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) reserves with known duration as a percentage of total reserves;
g) mutual fund disclosures;
h) summary of projected performance;
i) financial impact and description of stress and scenario tests;
j) modified co-insurance arrangements; and
k) deferred accumulation annuities disclosures.

INSTRUCTIONS AFFECTING PART V:

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

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

(iv) the amount of reinsurance balances payable and other payables (Form 4, Lines 28, 29, 33, and 34(c));

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

(vi) the net reinsurance exposure shall be the amount under (ii) less the amounts under both (iv) and (v) above;

(vii) the appropriate 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;

(viii) for the purpose of determining the appropriate BSCR rating, 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;

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

(x) 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

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

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

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

f) 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 and liquidity risk capital calculation;

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

h) 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;

i) 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;

j) 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;

k) 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).

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 4 – Statutory Balance Sheet lines 2(b) and 3(b);

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

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

(c) include the effective duration and the convexity of the portfolio.

PART VII (Paragraph 6)
SCHEDULE OF LONG-TERM INSURANCE DATA

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

All amounts are expressed in _____ (currency used)

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
										Net Amount at Risk		
Line No	Description	Bermuda Statutory Reserve (000)	Reported DAC (if any) (000)	Value of Business Acquired (000)	Present Value of Future Profits (000)	Best Estimate Reserve (000)	Net Reserve [Column (1) less Columns (2), (3) and (4)]	BSCR Adjusted Reserve [Greater of Column (6) and 0]	Margins in Reserves [If (5) is not 0, then excess of Column (6) over Column (5)]	Adjustable Product/ Treaty (000)	Non-adjustable 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 - incl. waiver of premium and long-term care									Net Annual Premium		
	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 – incl. 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											Net Annual Premium

											s (000)
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										

PART VIII

(Paragraph 6)

SCHEDULE OF LONG-TERM VARIABLE ANNUITY DATA AND RECONCILIATION

[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 Statutory Reserve	Guaranteed Value			Net Amount at Risk		
			Volatility 0%-10%	Volatility 10%-20%	Volatility >20%	Volatility 0%-10%	Volatility 10%-20%	Volatility >20%
		(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.

PART VIIIA (Paragraph 6)
SCHEDULE OF LONG-TERM VARIABLE ANNUITY GUARANTEES – 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 guarantees – internal capital model – shall provide particulars of the following matters—

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

	(1)	(2)	(3)	(4)	(5)
	BSCR statutory reserve (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)		

PART IX (Paragraph 6)

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

The Schedule of CISSA shall provide particulars of the following matters:

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 Projected Target Economic 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 (participations) 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:

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

- 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".

- 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:

- o 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.
- o 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.
- o 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.

Table 14B

CISSA Assessment of Material Risks of the Insurer–

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 insurer-specific 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:

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 capital and surplus (Form 8, STMT LINE 3)		XXX
Less: Encumbered assets not securing policyholder obligations (Notes to Form 4, STMT Line 15)		XXX
Less: relative liability or contingent liability (included on Form 4) 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 surplus- End of Year (Form 8, STMT LINE 2(h) (deficit) or retained earnings		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:		

(i)	Encumbered assets where the pledged assets exceed policyholder obligations (per contract)	XXX
(ii)	Policyholder obligations where the pledged assets exceed policyholder obligations (per contract)	XXX
(iii)	Capital requirement applicable to encumbered assets for policyholder obligations under (i) above (equal to the contribution of the pledged assets to	

	the ECR)	XXX	
(iv)	**Subtotal** (equal to (i) minus the sum of (ii) and (iii) above)	XXX	
(v)	Total policyholder obligations where the pledged assets are equal or exceed policyholder obligations (per contract)	XXX	
(vi)	Total encumbered assets where the policyholder obligations exceed the pledged assets (per contract)	XXX	
(vii)	**Subtotal** (equal to the sum of (v) and (vi) above	XXX	
(viii)	Total Policyholder obligations (Form 4, STMT LINE 27(a))	XXX	
(ix)	Proportion of non-collateralized policyholder obligations	XXX	
(x)	**Subtotal** (equal to the product of (iv) and (ix) above)		XXX

(i) Less: Encumbered assets not securing policyholder obligations (Form 4, STMT LINE 15)

Less: relative liability or contingent liability (included on Form 4) for which the encumbered assets are held XXX

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

BERMUDA

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) AMENDMENT RULES 2013

BR / 2013

TABLE OF CONTENTS

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

Citation and commencement

1. These Rules which amend the Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules (the "principal Rules") may be cited as the Insurance (Prudential Standards) (Class 3A Solvency Requirement) Amendment Rules 2013 and shall come into operation on January 1, 2014.

Paragraph 6 amended

2. Paragraph 6 of the principal Rules are amended by inserting "IIA," after "II" where it occurs and "VIIIA" after "VIII" where it occurs.

Revokes and replaces Schedules I through XII

3. The Schedule to these Rules revokes and replaces Schedules I through XII to the principal Rules.

Made this day of 2013.

Gerald Simons
Chairman
Bermuda Monetary Authority

DRAFT