



14th November 2012

NOTICE

Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Amendment Rules 2012 (the “Rules”)

There were no comments received from Industry with respect to the proposed amendments to the Rules; however the Authority advises that the following additional amendments which have been identified by the Authority shall also be included in the draft of the Rules posted in June of 2012. Such amendments are generally housekeeping in nature:

1. Amendment is proposed to reflect the policy position that there will no longer be a requirement for the board to sign off on the CISSA. However as set out in the Code of Conduct, the Board must review the CISSA annually and review any material changes.
2. Additional amendments to the Schedules to the 2012 Amendment Rules have been made to ensure that updates to the online version of the Authority’s filing model is reflected in the Rules. Such changes have been either consulted on with Industry or have been made by the Authority to ensure that there is consistency with the law.
3. The Authority proposes for the requirements relating to enhanced capital and solvency have been pushed back and such requirements shall now apply to Class C, Class D and Class E insurers as of 1st January 2014, and will be phased in over a three year period.
4. The Authority advises that the proposed amendments to the Rules made herein are final, unless there are substantive policy issues deemed by the Authority to be reviewed and/or revised accordingly.
5. The Rules are effective as of 1st January 2013.

BERMUDA

INSURANCE (PRUDENTIAL STANDARDS) (CLASS E SOLVENCY
REQUIREMENT) AMENDMENT RULES 2012

BR / 2012

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SCHEDULE

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

Citation

1 These Rules, which amend the Insurance (Prudential Standards) (Class E Solvency Requirement) Rules 2011 (the “principal Rules”), may be cited as the Insurance (Prudential Standards) (Class E Solvency Requirement) Amendment Rules 2012.

Amends Title

2 The title to the principal Rules is amended by inserting before “Class E” the words “Class C, Class D and”.

Amends paragraph 1

3 Paragraph 1 of the principal Rules is amended by inserting before “Class E” the words “Class C, Class D and”.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS E SOLVENCY
REQUIREMENT) AMENDMENT RULES 2012

Amends paragraph 3

4 Paragraph 3 of the principal Rules is amended—

- (a) in subparagraph (1)(a) by inserting before “Class E” the words “Class C, Class D or”;
- (b) in subparagraph (5)(a) by deleting “2011” and substituting “2013”;
- (c) in subparagraph (5)(b) by deleting “2012” and substituting “2014”; and
- (d) in subparagraph (5)(c) by deleting “2013” and substituting “2015”.

Revokes and replaces paragraph 4

5 Paragraph 4 of the principal Rules is revoked and replaced with the following—

“BSCR models

4 The Class C, Class D, and Class E BSCR models, set out in Schedule I, have effect.”.

Amends paragraph 5

6 Paragraph 5(1) of the principal Rules is amended by deleting the words “E BSCR model” and substituting “C, Class D or Class E BSCR models”.

Amends paragraph 6

7 Paragraph 6 of the principal Rules is amended—

- (a) in subparagraph (1) by deleting “IX and XII” and substituting “IX, XII, and XIII”;
- (b) in subparagraph (2) by deleting “Every insurer” and substituting “Every Class D and Class E insurer”;
- (c) by inserting the following after paragraph (2)—

“(2A) Every Class C insurer shall make a capital and solvency return in accordance with Schedule XIII.”;

- (d) in subparagraph (3)(a) by deleting “E BSCR model” and substituting “C, Class D and Class E BSCR models”; and
- (e) in subparagraph (3)(b) by deleting “IX and XII” and substituting “IX, XII, and XIII”.

Revokes and replaces paragraph 9

8 Paragraph 9 of the principal Rules is revoked and replaced with the following—

“Commencement

9 (1) These Rules come into operation on 31 December 2011.

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(2) Notwithstanding subparagraph (1), no person is required to comply with paragraph 3 of these Rules until 1 January 2014.”.

Revokes and replaces Schedule I

9 Schedule I to the principal Rules is revoked and replaced.

Revokes and replaces Schedule IX

10 Schedule IX to the principal Rules is revoked and replaced.

Revokes and replaces Schedule XII

11 Schedule XII to the principal Rules is revoked and replaced.

Inserts Schedule XIII

12 The principal Rules are amended by inserting Schedule XIII, after Schedule XII.

Commencement

13 These Rules come into operation on 1 January 2013.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS E SOLVENCY
REQUIREMENT) AMENDMENT RULES 2012

SCHEDULE

(paragraphs 9, 10, 11 and 12)

*The replaced Schedules I, IX, and XII,
and the newly inserted Schedule XIII
have been omitted from these Rules.
They may be inspected at the offices of
the Bermuda Monetary Authority
or on the website: www.bma.bm*

Made this day of 2012

Chairman
The Bermuda Monetary Authority

**AMENDMENTS TO SCHEDULES TO
INSURANCE (PRUDENTIAL STANDARDS) (CLASS
E SOLVENCY REQUIREMENT) AMENDMENT
RULES 2012 POSTED JUNE 2012**

Schedule I amended

8 Schedule I of the principal Rules is amended in —

- (a) the heading by inserting “Class D and” before “Class E”; and
- (b) subparagraph (1) by inserting “Class D and” before “Class E”;
- (c) Table 8 of Schedule I of the Class D and E BSCR is repealed and replaced as follows—

Table 8 Statement Source for Res_i , $AV1_i$, $AV2_i$ and NAR_i

Variable Annuity Benefit Type	Statement Source	Statement Source	Statement Source	Statement Source
	Res_i	$AV1_i$	$AV2_i$	NAR_i
Guaranteed Minimum Accumulation Benefit with less than 5 years to maturity	Schedule VIII, line 1, column (1)	Schedule VIII, line 1, column (2)	Schedule VIII, line 1, column (3)	Schedule VIII, line 1, column (4)
Guaranteed Minimum Accumulation Benefit with 5 years or more to maturity	Schedule VIII, line 2, column (1)	Schedule VIII, line 2, column (2)	Schedule VIII, line 2, column (3)	Schedule VIII, line 2, column (4)

Guaranteed Minimum Death Benefit with Return of Premium, Ratchets or Resets	Schedule VIII, line 3, column (1)	Schedule VIII, line 3, column (2)	Schedule VIII, line 3, column (3)	Schedule VIII, line 3, column (4)
Guaranteed Minimum Death Benefit with Enhanced Benefits (Roll Up)	Schedule XIII Part VIII, line 4, column (1)	Schedule XIII Part VIII, line 4, column (2)	Schedule XIII Part VIII, line 4, column (3)	Schedule XIII Part VIII, line 4, column (4)
Guaranteed Minimum Income Benefit	Schedule VIII, line 5, column (1)	Schedule VIII, line 5, column (2)	Schedule VIII, line 5, column (3)	Schedule VIII, line 5, column (4)
Guaranteed Minimum Withdrawal Benefit	Schedule VIII, line 6, column (1)	Schedule VIII, line 6, column (2)	Schedule VIII, line 6, column (3)	Schedule VIII, line 6, column (4)
Guaranteed Enhanced Earnings Benefit	Schedule VIII, line 7, column (1)	Schedule VIII, line 7, column (2)	Schedule VIII, line 7, column (3)	Schedule VIII, line 7, column (4)

(d) Table 10 of Schedule I of the Class D and E BSCR is repealed and replaced as follows—

Table 10 - Capital factors for $Net\ Re\ s_i$

Net Reserves $Net\ Re\ s_i$	Statement Source	Capital Factor α_i
Mortality (term insurance, whole life, universal life)	Schedule VII, column 1, line 1	2.00%
Critical illness (including accelerated CI products)	Schedule VII, column 1, line 2	2.00%

Longevity (pay-out annuities, contingent annuities, pension blocks)	Schedule VII, column 1, line 3	0.50%
Deferred annuities (including indexed linked products with no guarantees)	Schedule VII, column 1, line 4	0.50%
Disability Income: active lives – including waiver of premium and Long Term Care	Schedule VII, column 1, line 5	2.00%
Disability Income: active lives – other accident and health	Schedule VII, column 1, line 6	2.00%
Disability Income: claims in payment – including waiver of premium and Long Term Care	Schedule VII, column 1, line 7	0.50%
Disability Income: claims in payment – other accident and sickness	Schedule VII, column 1, line 8	0.50%
Group Life	Schedule VII, column 1, line 9	0.50%
Group Disability	Schedule VII, column 1, line 10	0.50%
Group Health	Schedule VII, column 1, line 11	0.50%
Stop Loss	Schedule VII, column 1, line 12	2.00%

All other products (excluding Variable Annuity Guarantees)	Schedule VII, column 1, line 13	2.00%
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- (e) Table 11 of Schedule I of the Class D and E BSCR is amended by deleting the words—

“All Other Receivables

Funds held by ceding Schedule V, Line (g)(i) 0.8%
insurers – rated AAA or
AA

Funds held by ceding Schedule V, Line (g)(ii) 3.2%
insurers – rated A

Funds held by ceding
insurers – below B rating Schedule V, Line (g)(iii) 5.0%”

and inserting the words—

“All Other Receivables

Funds held by ceding Schedule V, Line (g) 0.8%
insurers – rated AAA or
AA

Funds held by ceding Schedule V, Line (g) 3.2%
insurers – rated A

Funds held by ceding
insurers – below B rating Schedule V, Line (g) 5.0%”

Schedule IX amended—

- 9 Schedule IX of the principal Rules is amended in—

- (a) Table 13 by inserting “Class D” before “Class E” where it occurs; and

- (b) Table 13b by:

- (i) repealing and replacing the introductory

paragraph as follows—

“The board must develop 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.”

(ii) by inserting after paragraph 1 the following—

“1.1 a description of the insurer’s business and strategy.”.

Schedule XII amended

10 The principal Rules are amended by repealing Schedule XII and replacing it as follows—

“

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 1); 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 1

Total statutory capital and surplus (Form 8, STMT LINE 3, plus applicable adjustments) 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 higher 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
<u>Tier 1 – ancillary capital</u>		
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) (ii)) 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**

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- (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 1

Table 1 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 1 in accordance with the provisions of Eligible Capital Rules.

Table 2

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 2

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 2 in accordance with the provisions of Eligible Capital Rules.

Schedule XIII inserted

11 The principal Rules are amended by inserting the following Schedule XIII after Schedule XII —

“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-

$$BSCR = \sqrt{C_{fi}^2 + C_{eq}^2 + C_{LTcred}^2 + C_{LTint}^2 + (C_{LTmort} + C_{LTsl} + C_{LTTr})^2 + C_{LTmorb}^2 + C_{LTlong}^2 + C_{LTVa}^2 + C_{LTOTH}^2 + C_{op}}$$

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_{cred} = credit risk capital as calculated in accordance with paragraph 4;

C_{LTint} = 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;

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

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

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

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	Statement Source	Capital Factor
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$F_{lastclass_i}$		χ_i
Government bonds	Part II, Line (1)	0.3%
High investment grade bonds (AAA & AA)	Part II, Line (2)	0.8%
Medium investment grade bonds (A)	Part II, Line (3)	3.2%
Low investment grade bonds (BBB)	Part II, Line (4)	5.0%
Non-investment grade bonds	Part II, Line (5)	26.3%
Mortgage-backed securities	Part II, Line (6)	10.0%
Mutual funds	Part II, Line (7)	15.0%
Non-rated bonds	Part II, Line (8)	50.0%
Mortgage loans	Form 4, Line (5c)	5.0%
Other loans	Form 4, Line (8)	5.0%
Cash and time deposits	Form 4, Line (1)	0.3%

- (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-

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

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 <i>Eqastclass_i</i>	Statement Source	Capital Factor χ_i
Non-affiliated (quoted) common stocks	Form 4, Line (2c)(i)	14.4%
Non-affiliated (unquoted) common stocks	Form 4, Line (3c)(i)	14.4%
Mutual funds included in common stocks portfolio	Form 4, Lines (2c)(iii) and (3c)(iii)	14.4%
Non-affiliated (quoted) preferred stocks	Form 4, Line (2c)(ii)	14.4%
Non-affiliated	Form 4, Line (3c)(ii)	14.4%

(unquoted) preferred stocks		
Insurer-occupied real estate less: encumbrances	Form 4, Line (7a)	10.0%
Real estate investments less: encumbrances	Form 4, Line (7b)	20.0%
Other equity investments	Form 4, Lines (2e) & (3e)	20.0%
Other tangible assets (net of segregated account companies)	Form 4, Lines (13f) & (14d) less Lines (13b) & (13c)	20.0%

- (a) all assets comprising of common stocks, preferred stocks, 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 stocks shall be included in the equity investment risk charge; and
- (c) all common and preferred stocks, 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-

$$C_{cred} = \sum_i \delta_i \times creditor_i, \quad \text{where-}$$

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

$creditor_i$ = receivable amount from creditor i.

Table 3 – Capital factors for $creditor_i$

Type of creditor $creditor_i$	Statement Source	Capital Factor δ_i
<i>Accounts and Premiums Receivable</i>		
In course of collection	Form 4, Line (10a)	5.0%
Deferred – not yet due	Form 4, Line (10b)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 4, Line (10c) Refer to definition in (c) below	10.0%
<i>Reinsurance Balances Receivable</i>		
Foreign affiliates	Form 4, Line (11a)	10.0%
Domestic affiliates	Form 4, Line (11b)	0.0%
Pools & associations	Form 4, Line (11c)	10.0%
All other insurers	Form 4, Line (11d)	9.4%
Less: letters of credit	Refer to definition in (d) below	9.0%
Less: funds held under reinsurance contracts	Form 4, Line (34c)	9.7%
<i>All Other Receivables</i>		

Funds held by ceding insurers – rated AAA or AA	Part V, Line (e)(	0.8%
Funds held by ceding insurers – rated A	Part V, Line (e)	3.2%
Funds held by ceding insurers – below B rating	Part V, Line (e)	5.0%
Accrued investment income	Form 4, Line (9)	2.5%
Investments in and advances to affiliates	Form 4, Line (4c)	5.0%
Policy loans	Form 4, Line (6)	0.0%
<i>Reinsurance Recoverable Balance</i>		
Foreign affiliates	Form 4, Line (27b)(i)	10.0%
Domestic affiliates	Form 4, Line (27b)(ii)	0.0%
Pools and associations	Form 4, Line (27b)(iii)	10.0%
All other insurers	Form 4, Line (27b)(iv)	9.4%

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

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- (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) assets accounted in Form 4, Line (34c) shall not be included in (c);
 - (e) letters of credit are the amount of the letters of credit issued in favour of the insurer relating to reinsurance receivable; and
 - (f) assets accounted for in Form 4, Line (14d) shall not be included in (e).
 - (g) Funds held by ceding insurers are to be based upon the rating of the underlying assets.

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

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

where-

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

1; or

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

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

The statement source for duration1 is Schedule VII, line 15, column 1.

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 stocks, or mortgage loans;

reserveshare is the amount of reserves with known mismatch duration divided by the total reserves. The statement source for *reserveshare* is Schedule VII, line 16, column 1.

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
<i>assets</i>		<i>rateshock</i>
Bonds and debentures	Form 4, Lines (2b) and (3b)	2.0%
Preferred stocks	Form 4, Lines (2c)(ii) and (3c)(ii)	2.0%
Mortgage loans	Form 4, Line (5c)	2.0%

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- (a) all assets comprising bonds and debentures, preferred stocks, 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 stocks shall be included in the interest rate/liquidity risk charge; and
 - (c) all bonds and debentures, preferred stocks, 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 Credit

Criterion	Implemented	Score for yes answers
Has the insurer implemented policies on Asset Liability Management, 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 Asset Liability Management program been assigned?		10%
Are Asset Liability management 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 asset liability management deficiencies?		10%
Are the Asset Liability Management policies and procedures reviewed and reapproved or revised at least annually?		10%
Is the insurer's current Asset Liability Management 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 5.

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

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable life insurance business. The statement source is Schedule VII, line 1 column 6.

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-

$$C_{LTsl} = 50\% \times \text{Net Annual Premium for stop loss insurance risks}$$

The statement source for Net Annual Premium for stop loss risks is Schedule VII, line 12, column 7.

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

$$C_{LTr} = 25\% \times \text{Net Annual Premium for insurance product riders not included elsewhere}$$

The statement source for Net Annual Premium for insurance riders not included elsewhere is Schedule VII, line 13, column 7.

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

$$C_{LTmorb} = \begin{aligned} & \text{(a) } 7.00\% \times \text{reserves for disability income claims in} \\ & \text{payment on waiver of premium and long-term care.} \\ & \text{The statement source for reserves for disability} \\ & \text{income claims in payment on waiver of premium and} \\ & \text{long-term care is Schedule VII line 7, column 1.} \end{aligned}$$

plus

(b) 10% x 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 8, column 1.

plus

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

where-

α_i = capital factor as prescribed in Table 7;

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	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 5 (a), column 5	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 5 (b), column 5	15.00%
Benefit period less than or equal to two years, premium guarantee of more than 5 years	Schedule VII, line 5 (c), column 5	22.50%
Benefit period greater than two years, premium guarantee less than or equal to 1 year	Schedule VII, line 5 (a), column 6	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 5 (b), column 6	20.00%
Benefit period greater than two years, premium guarantee of more than 5 years	Schedule VII, line 5 (c), column 6	30.00%

plus

(d) 12% x net annual premiums for disability income active lives - other accident and sickness products. The statement source for disability income active lives – other accident and sickness is Schedule VII line 6, column 7

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 7;

$NAAR1_i$ = Net Amount at Risk of all adjustable critical illness insurance business in force. The statement source is Schedule VII line 2, column 5.

$\alpha 2_i$ = capital factor as prescribed in Table 7;

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable critical illness insurance business in force. The statement source is Schedule VII line 2, column 6.

Table 8 - Capital factors for NAAR1 or NAAR2

Net Amount at Risk <i>NAAR1 or NAAR2</i>	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-

$$C_{Llong} = 6\% \times \text{Net reserves for longevity risk. The statement source for the net reserve for longevity risk is Schedule VII, line 3, column 1.}$$

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

$$C_{LTVA} = \sum_{i>1} (TotalBSReq_i - Res_i)$$

Where (i) $TotalBSReq_i = \text{larger of } \alpha 3_i \times AV1_i + \alpha 4_i \times AV2_i$ (a)

and (b) $WF_i \times NAR_i$

(ii) $WF_i = (\alpha 1_i \times AV1_i + \alpha 2_i \times AV2_i) / (AV1_i + AV2_i)$

(iii) Res_i , $AV1_i$, $AV2_i$, NAR_i have the statement source identified in Table 9.

Table 9 Statement Source for Res_i , $AV1_i$, $AV2_i$ and NAR_i

Variable Annuity Benefit Type	Statement Source Res_i	Statement Source $AV1_i$	Statement Source $AV2_i$	Statement Source NAR_i
Guaranteed Minimum Accumulation Benefit with less than 5 years to maturity	Part VIII, line 1, column (1)	Part VIII, line 1, column (2)	Part VIII, line 1, column (3)	Part VIII, line 1, column (4)
Guaranteed Minimum Accumulation Benefit with 5 years or more to maturity	Part VIII, line 2, column (1)	Part VIII, line 2, column (2)	Part VIII, line 2, column (3)	Part VIII, line 2, column (4)
Guaranteed Minimum Death Benefit with Return of Premium, Ratchets or Resets	Part VIII, line 3, column (1)	Part VIII, line 3, column (2)	Part VIII, line 3, column (3)	Part VIII, line 3, column (4)
Guaranteed Minimum Death Benefit with Enhanced Benefits (Roll Up)	Part VIII, line 4, column (1)	Part VIII, line 4, column (2)	Part VIII, line 4, column (3)	Part VIII, line 4, column (4)
Guaranteed Minimum Income Benefit	Part VIII, line 5, column (1)	Part VIII, line 5, column (2)	Part VIII, line 5, column (3)	Part VIII, line 5, column (4)
Guaranteed Minimum Withdrawal Benefit	Part VIII, line 6, column (1)	Part VIII, line 6, column (2)	Part VIII, line 6, column (3)	Part VIII, line 6, column (4)
Guaranteed Enhanced Earnings Benefit	Part VIII, line 7, column (1)	Part VIII, line 7, column (2)	Part VIII, line 7, column (3)	Part VIII, line 7, column (4)

(iv) $\alpha 1_i$, $\alpha 2_i$, $\alpha 3_i$ and $\alpha 4_i$ are the capital factors as prescribed in Table 10;

Table 10 Capital Factors for $\alpha 1_i$, $\alpha 2_i$, $\alpha 3_i$ and $\alpha 4_i$

Variable Annuity Benefit Type	Weighting Factor	Weighting Factor	Capital Charge	Capital Charge
	$\alpha 1_i$	$\alpha 2_i$	$\alpha 3_i$	$\alpha 4_i$
Guaranteed Minimum Accumulation Benefit with less than 5 years to maturity	65.00%	125.00%	4.00%	7.00%
Guaranteed Minimum Accumulation Benefit with 5 years or more to maturity	20.00%	70.00%	1.50%	4.00%
Guaranteed Minimum Death Benefit with Return of Premium, Ratchets or Resets	4.00%	13.00%	0.25%	0.75%
Guaranteed Minimum Death Benefit with Enhanced Benefits (Roll Up)	12.00%	21.00%	0.75%	1.25%
Guaranteed Minimum Income Benefit	100.00%	160.00%	5.00%	8.00%
Guaranteed Minimum Withdrawal Benefit	60.00%	90.00%	3.25%	5.00%
Guaranteed Enhanced Earnings Benefit	1.00%	17.00%	0.00%	1.00%

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

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

where-

α_i = capital factor as prescribed in Table 8;

$Net\ Res_i$ = the net reserve as described in Table 11.

Table 11 - Capital factors for $Net\ Res_i$

Net Reserves <i>Net Res_i</i>	Statement Source	Capital Factor <i>α_i</i>
Mortality (term insurance, whole life, universal life)	Part VII, column 1, line 1	2.00%
Critical illness (including accelerated CI products)	Part VII, column 1, line 2	2.00%
Longevity (pay-out annuities, contingent annuities, pension blocks)	Part VII, column 1, line 3	0.50%
Deferred annuities (including indexed linked products with no guarantees)	Part VII, column 1, line 4	0.50%
Disability Income: active lives – including waiver of premium and Long Term Care	Part VII, column 1, line 5	2.00%

Disability Income: active lives – other accident and health	Part VII, column 1, line 6	2.00%
Disability Income: claims in payment – including waiver of premium and Long Term Care	Part VII, column 1, line 7	0.50%
Disability Income: claims in payment – other accident and sickness	Part VII, column 1, line 8	0.50%
Group Life	Part VII, column 1, line 9	0.50%
Group Disability	Part VII, column 1, line 10	0.50%
Group Health	Part VII, column 1, line 11	0.50%
Stop Loss	Part VII, column 1, line 12	2.00%
All other products (excluding Variable Annuity Guarantees)	Part VII, column 1, line 13	2.00%

13. The operational risk capital calculation shall be established in accordance with the following formula:

$$C_{op} = \rho * ACov, \text{ where-}$$

ρ = an amount between 1% and 10% as determined by the Authority in accordance with Table 12; and

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

Table 12

Operational Risk Capital Factor

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

INSTRUCTIONS AFFECTING TABLE 12

In this table, “overall score” means an amount equal to the sum of the aggregate score derived from each of tables 12A and 12B.

Table 12A

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

COMMENTS	

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 12B**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		200

reported to the Board of Directors at least annually		
TOTAL		XX

COMMENTS

INSTRUCTIONS AFFECTING TABLE 12B

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 investments by rating categories

[*blank*] name of insurer

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

[All amounts are expressed in _____ (currency used)]

Schedule	QUOTED INVESTMENTS		UNQUOTED INVESTMENTS			
Line No.	Bonds and Debentures		Bonds and Debentures		TOTAL	
[Form 4 Lines 2(b) & 3(b)]	[Form 4 Line 2(b)]		[Form 4 Line 3(b)]			
	20XX	20XX	20XX	20XX	20XX	20XX
1. Government	XXX	XXX	XXX	XXX	XXX	XXX
2. High Investment Grade (AAA & AA)	XXX	XXX	XXX	XXX	XXX	XXX
3. Medium Investment Grade (A)	XXX	XXX	XXX	XXX	XXX	XXX
4. Low Investment Grade (BBB)	XXX	XXX	XXX	XXX	XXX	XXX
5. Non Investment Grade	XXX	XXX	XXX	XXX	XXX	XXX
6. Mortgage-backed securities	XXX	XXX	XXX	XXX	XXX	XXX
7. Mutual Funds	XXX	XXX	XXX	XXX	XXX	XXX
8. Non Rated	XXX	XXX	XXX	XXX	XXX	XXX
9. Total	XXX	XXX	XXX	XXX	XXX	XXX

INSTRUCTIONS AFFECTING SCHEDULE II

- (a) quoted and unquoted issues shall be combined;
- (b) all non-government bonds shall be segregated according to the latest available AM Best, S&P, Moody's, or Fitch ratings of the issues with unrated bonds assigned to Non-Rated;
- (c) where the ratings differ between agencies, insurers shall segregate according to the most conservative rating;

- (d) the "Government" line includes all bonds and mortgage-backed securities issued by any government authority.(including non-US jurisdictions, government agencies, and government-sponsored enterprises); and
- (e) all other types of bonds and debentures not included in Lines 6 or 7 may be segregated in Lines 1 to 5 or 8 as appropriate.

Line Item	Description
1 Government	All quoted and unquoted bonds and mortgage-backed securities issued by any government authority (including non-US jurisdiction).
2 High Investment Grade (AAA & AA)	High Investment Grade (AAA & AA) — All quoted and unquoted non-government bonds rated AAA & AA by any of the rating agencies mentioned above or equivalent.
3 Medium Investment Grade (A)	All quoted and unquoted non-government bonds rated A by rating agencies mentioned above or equivalent.
4 Low Investment Grade (BBB)	All quoted and unquoted non-government bonds rated BBB by rating agencies mentioned above or equivalent.
5 Non-Investment Grade	All quoted and unquoted non-government bonds rated as non-investment grade by rating agencies mentioned above or equivalent.
6 Mortgage-backed securities	All quoted and unquoted mortgage-backed securities not issued by any government authority.
7 Mutual Funds	All quoted and unquoted mutual funds.
8 Non-Rated	All quoted and unquoted non-government bonds non-rated by rating agencies mentioned above or equivalent.

PART IV-Long-Term

(Paragraph 2)

Schedule of long-term business premiums

[blank] name of insurer

As at [blank] (day/month/year)

[All amounts are expressed in _____ (currency used)]

Schedule		GROSS PREMIUMS								NET PREMIUMS				Total
Line No.		[Form 5 Line 19(c)]								[Form 5 Line 19(e)]				
		Unrelated		Related		Total		Adjustable/Benefit		Non-adjustable/		Benefit Period > 2 years		
		20xx	20xx	20xx	20xx	20xx	20xx	Period <= 2 years		20xx	20xx	20xx	20xx	
1.	Mortality	XXX	XXX	XXX	XXX	XXX	XXX	20xx	20xx			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 year but < 5 years	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX	
	(iii) > 5 years	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX			XXX	XXX	

6.	Disability income: Active lives for other accident & 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 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.	Riders	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

PART V – LONG-TERM
(paragraph 6)

SCHEDULE OF RISK MANAGEMENT

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

- a) governance structure;
- b) 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;
- c) summary of company performance;
- d) financial impact and description of stress and scenario tests;
- e) details of the composition of funds held; and
- f) details of material intra-group transactions.

INSTRUCTIONS AFFECTING SCHEDULE V

- a) "governance 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.);
 - (ix) group organization chart.
- b) 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—
 - (i) name of unaffiliated counterparty;
 - (ii) exposure values (face value and market value); and
 - (iii) transaction type;
- c) summary of company performance shall disclosure—
 - (i) the insurer's latest estimate of new business premiums written; and
 - (ii) the estimated net income or loss for the year following the relevant year either for the insurer or on a group basis with disclosure of the estimated percentage of the insurer's contribution relative to the group;
- d) estimated impact of stress and scenario tests prescribed by the Authority;
- e) details of the composition of funds held broken down by the underlying securities rating classification (AAA & AA, A, etc.) on an aggregate basis. Funds held means the amounts included in Form 4, line 12(c).
- f) details of intra-group transactions shall include—
 - (i) details of material intra-group transactions between the insurer and other members of the group for which it belongs, including (where applicable)—
 - b. exposure value (face value or market value, if the latter is available);
 - c. counterparties involved including where they are located;
 - d. summary details of the transactions – including purpose, terms and transaction costs;
 - e. duration of the transaction; and
 - f. 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.

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 (2b) and (3b);
- (b) include the following information according to security type—
 - i. amount reflected in the Statutory Balance Sheet balance on lines (2b) and (3b);
 - ii. amount contributing to (reflected in) the Statutory Balance Sheet balance on lines (2b) and (3b);
 - 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)
						Net Amount at Risk		
		Bermuda Statutory Reserve	Reported DAC (if any)	Best Estimate Reserve	Best Estimate Reserve (Subject to zero floor)	Adjustable Product or treaty	Non-Adjustable Product or Treaty	Total
		(000)	(000)	(000)	(000)	(000)	(000)	(000)
1	Mortality (term assurance, whole life, universal life)							
2	Critical Illness (including accelerated CI products)							
3	Longevity (payout annuities, contingent annuities, pension blocks)							

4	Deferred Annuities (including indexed linked products with no guarantees)					
5	Disability Income: Active Lives – including waiver of premium and Long Term Care					Net Annual Premium
	Length of Premium Guarantee					Benefit Period less than or equal to two years
	(a) less than or equal to 1 year					Benefit Period greater than two years
	(b) one to five years					Total
	(c) greater than 5 years					
	Total					
6	Disability Income: Active Lives – other accident and sickness					
7	Disability Income: Claims in payment – including waiver of premium and LTC					
8	Disability Income: Claims in payment –					

	other accident and sickness					
9	Group Life					
10	Group Disability					
11	Group Health					Adjustable Product Treaty
12	Stop Loss					
13	Other product riders not included above					
14	Total Reserves (excluding Variable Annuities)					

		Duration (years)
15	Weighted average of the difference between assets duration and liabilities duration (weighted by reported reserves)	
		% Reserves
16	Reserves with known difference in duration / Total Reserves	

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]
	('000)	('000)	('000)	('000)
1 Guaranteed Minimum Accumulation Benefit: <5 years to maturity	XXX	XXX	XXX	XXX
2 Guaranteed Minimum Accumulation Benefit: >=5 years to maturity	XXX	XXX	XXX	XXX
3 Guaranteed Minimum Death Benefit: Return of Premium, Ratchet and Reset ^{2.}	XXX	XXX	XXX	XXX
4 Guaranteed Minimum Death Benefit: Enhanced Benefits (Roll up) ^{2.}	XXX	XXX	XXX	XXX
5 Guaranteed Minimum Income Benefit	XXX	XXX	XXX	XXX
6 Guaranteed Minimum Withdrawal Benefit	XXX	XXX	XXX	XXX
7 Guaranteed Enhanced Earnings Benefit	XXX	XXX	XXX	XXX
Total (Variable Annuities)	XXX	XXX	XXX	XXX

INSTRUCTIONS AFFECTING SCHEDULE VIII

Notes

- 1 Factors should be applied to Net Amount at Risk (NAR) defined as:

GMAB	Total claims payable if all contracts mature immediately
GMDB	Total claims amount payable upon immediate death of all policyholders
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)
GMWB	Total claims payable if 100% of the guaranteed withdrawal benefit base in excess of the current account value is withdrawn immediately
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 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.

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 13: 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 13A: 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 13B: 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 13
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 Schedule 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 13

- o Total capital pre-diversification between risk categories is derived by aggregating all the risk categories.
- o Total capital after diversification between risk categories shall be derived by deducting the diversification benefit (calculated by an insurer) from the “Total capital pre-diversification between risk categories”.
- o Where a question/section is not applicable to an insurer or the options provided do not fully reflect the insurer’s position, the insurer shall include a brief description in the comment fields.

Table 13A

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)

- ☐ 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 13A

- 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 13B

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 1); 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 1 Total statutory capital and surplus(Form 8, STMT LINE 3 with adjustments)	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 higher 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 (vii) 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
<u>Tier 1 – ancillary capital</u>		
(a)	Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1 (c)(i))	XXX
<u>Total Tier 1 available capital</u>		<u>XXX</u>

Tier 2 -basic capital

(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
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Tier 3- ancillary capital

(a)	Short-term subordinated debt (Form 8, STMT LINE 1 (c) (i))	XXX
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(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 1

Table 1 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 1 in accordance with the provisions of Eligible Capital Rules.

Table 2

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 2

The insurer to include every capital instrument contributing to the amount reported in Form 8, STMT LINE 1c of the Insurance Accounts Regulations 1980 in Table 2 in accordance with the provisions of the Eligible Capital Rules.