BERMUDA

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

BR 72 / 2011

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SCHEDULES

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

Citation

1 These Rules may be cited as the Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011.

[Title and Paragraph 1 amended by BR 90 / 2012 paras. 2 and 3 respectively effective 1 January 2013]

Interpretation

2 In these Rules, unless the context otherwise requires—

"Act" means the Insurance Act 1978;

"accident and health insurance" means an insurance that pays a benefit or benefits in the event of the person insured incurring an insured injury, illness or infirmity;

"annuity" means insurance that provides savings or income benefits during the lifetime of the person insured or some limited period thereafter;

"approved internal capital model" means an internal capital model approved under paragraph 5;

"available statutory capital and surplus"*[revoked]*

"available statutory economic capital and surplus" means the amount shown in Line 40 of Form 4EBS as set out in these Rules;

"business continuity risk" includes a risk of an event that threatens or disrupts an insurer's continuous operations;

"business processes risk" includes a risk of errors arising from data entry, data processing, or application design;

"Class E BSCR model" means the Bermuda Solvency Capital Requirement model established in accordance with paragraph 4 and Schedule I which is applicable to all Class E insurers;

"compliance risk" includes a risk of legal or regulatory breaches or both;

"credit risk" includes the risk of loss arising from an insurer's inability to collect funds from debtors;

"critical illness insurance" means a form of accident and health insurance that pays a benefit if the person insured incurs a predefined major illness or injury;

"currency risk" means the risk of losses resulting from movements in foreign currency exchange risks;

"disability income insurance" means a form of accident and health insurance that pays a benefit for a fixed period of time during disability;

"distribution channel risk" includes a risk of disruption to an insurer's distribution channel arising from employment of inexperienced or incapable brokers or agents;

"EBS Valuation basis" means—

(a) in relation to a Class C insurer, the Economic Balance Sheet valuation principles to be complied with by a relevant Class C insurer in accordance with Part XXVI of Schedule XIII;

(b) in relation to a Class D or Class E insurer, the Economic Balance Sheet valuation principles to be complied with by a relevant Class D or Class E insurer in accordance with Schedule XXVI;

"ECR" means the enhanced capital requirement as defined in section 1(1) of the Act;

"encumbered assets" means assets held for security or as collateral against a liability or contingent liability of the insurer or other person or any other use restriction, excluding encumbered assets for policyholder obligations of the insurer;

"encumbered assets for policyholder obligations" means the total assets held for security or as collateral or otherwise restricted to meet the liabilities to the policyholders of the insurer in the event of a loss;

"expense risk" means the risk of loss, or of adverse change in the value of liabilities (and assets, where applicable) resulting from changes in the level, trend or volatility of the expenses incurred in servicing contracts of insurance;

"Form 4"*[revoked]*

"Form 4EBS" means Schedule XIV Class C, Class D and Class E Statutory Economic Balance Sheet set out in these Rules;

"fraud risk" includes a risk of misappropriation of assets, information theft, forgery or fraudulent claims;

"group disability insurance" means disability insurance that is issued to persons insured through a group arrangement such as through an employer or association;

"group health insurance" means health insurance that is issued to persons insured though a group arrangement such as through an employer or association;

"group life, health and disability insurance" means insurance that is issued to insureds through a group arrangement such as through an employer or association;

"group life insurance" means life insurance that is issued to persons insured through a group arrangement such as through an employer or association;

"group risk" means any risk of any kind, arising from membership of a group;

"human resources (or "HR") risk" includes a risk of employment of unethical staff, inexperienced or incapable staff, failure to train or retain experienced staff, and failure to adequately communicate with staff;

"information technology (or "IT") risk" includes a risk of unauthorized access to systems and data, data loss, utility disruptions, software and hardware failures, and inability to access information systems;

"insurance rate risk" means the risk of fluctuations or deterioration in the experience affecting the cost of benefits payable to policyholders or impacting upon the amounts held to provide for policyholder obligations;

"interest rate risk" means the risk that relates to asset or liability values being adversely affected by changes in interest rates;

"interest risk" *[Revoked by BR 18 / 2024 rule 2]*

"lapse risk" means the risk of loss, or of adverse change in the value of liabilities (and assets, where applicable), resulting from changes in the level or volatility of lapse rates, including but not limited to rates of policy lapse, termination, renewal and surrender;

"legal risk" means the risk arising from an insurer's failure to—

(a) comply with statutory or regulatory obligations;

(b) comply with its bye-laws; or

(c) comply with any contractual agreement;

"life insurance" means insurance of risks on the mortality (risk of death) of the life insured; and term insurance, whole life insurance, and universal life insurance are construed accordingly;

"liquidity risk" means—

(a) the risk that may arise when the realizable value of assets may be insufficient to meet an insurer's obligations to policyholders at a point in time; or

(b) an insurer's inability to meet such obligations except at excessive cost;

"longevity risk" means the risk of fluctuations or improvements in mortality that cause benefits to be paid for longer than expected;

"market risk" means the risk arising from fluctuations in values of, or income from, assets or in interest rates or exchange rates;

"morbidity risk" means the risk of fluctuations or deterioration of morbidity experience causing increased claims on accident and health insurance coverages;

"mortality risk" means the risk of fluctuations or deterioration of mortality experience causing increased claims on life insurance coverages;

"operational risk" means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk;

"outsourcing risk" includes a risk of miscommunication of responsibilities in relation to outsourcing, breach of outsource service agreements, or entering into inappropriate outsource service agreements;

"relevant year" in relation to an insurer, means its financial year;

"reputational risk" includes risk of adverse publicity regarding an insurer's business practices and associations;

"stop loss insurance risk" means the risk that arises when total claims experience deteriorates or is more volatile than expected, thereby increasing the likelihood and amount by which actual claims experience exceeds a predefined level;

"strategic risk" means the risk of an insurer's inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment;

"Tail Value-at-Risk (or "TVaR")" means the conditional average potential given that the loss outcome exceeds a given threshold;

"variable annuity guarantees" means insurance that provides a minimum investment performance guarantee on variable annuities.

[Paragraph 2 definitions "available statutory capital and surplus" and "Form 4" revoked and "available statutory economic capital and surplus", "currency risk" and "Form 4EBS" inserted by BR 58 / 2015 rule 2 effective 1 January 2016; "EBS Valuation basis" inserted by BR 70 / 2016 para. 2 effective 1 January 2017; Paragraph 2 amended, definition "EBS Valuation basis" revoked and replaced, definition "interest risk" revoked, and definitions "expense risk", "group disability insurance", "group health insurance", "group life insurance", "interest rate risk" and "lapse risk" inserted by BR 18 / 2024 rule 2 effective 31 March 2024]

ECR

3 (1) An insurer's ECR shall be calculated at the end of its relevant year by reference to the following—

(a) the Class C, Class D or Class E BSCR model; or

(b) an approved internal capital model,

provided that the ECR shall at all times be an amount equal to, or exceeding, the minimum margin of solvency (as provided in section 6 of the Act).

(2) The ECR applicable to an insurer shall be—

(a) the ECR as calculated at the end of its most recent relevant year; or

(b) the ECR calculated after an adjustment has been made by the Authority under section 6D of the Act and has not been otherwise suspended under section 44A(4) of the Act,

whichever is later.

(3) Every insurer shall maintain available statutory economic capital and surplus to an amount that is equal to or exceeds the value of the ECR.

(4) Available statutory economic capital and surplus is determined by calculating the total statutory capital and surplus reported on Form 4EBS, Line 40.

(5) Notwithstanding subparagraph (4), the ECR shall be phased in over a period of three years as follows—

(a) the applicable ECR for the financial year ending 2013 shall be 50% of the amount determined by Schedule I or an approved internal capital model;

(b) the applicable ECR for the financial year ending 2014 shall be 75% of the amount determined by Schedule I or an approved internal capital model; and

(c) the applicable ECR for the financial year ending 2015 and beyond shall be the full amount determined by Schedule I or an approved internal capital model.

(6) An insurer may apply to the Authority to make adjustments in accordance with the provisions of Schedule XXV.

[Paragraph 3 amended by BR 90 / 2012 para. 4 effective 1 January 2013; subparagraph (3) amended and subparagraph (4) revoked and replaced by BR 58 / 2015 rule 3 effective 1 January 2016; Paragraph 3 subparagraph (6) inserted by BR 18 / 2024 rule 3 effective 31 March 2024]

BSCR models

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

[Paragraph 4 revoked and replaced by BR 90 / 2012 para. 5 effective 1 January 2013]

Approved internal capital model

5 (1) An insurer may apply to the Authority for approval of an internal capital model to be used in substitution of the Class C, Class D or Class E BSCR model.

(2) Where the Authority is satisfied, having regard to subparagraph (3) that it is appropriate to do so, it may approve the internal capital model and may make its approval subject to conditions.

(3) In considering an application for approval of an internal capital model the Authority shall have regard to the following matters—

(a) the appropriateness of the internal capital model for the determination of the insurer's capital requirement;

(b) the extent to which the internal capital model has been integrated into the insurer's risk management program; and

(c) the appropriateness of controls applicable to the creation and maintenance of the insurer's internal capital model.

(4) The Authority shall serve notice on an insurer of the following matters—

(a) its decision to approve the internal capital model; or

(b) its decision to not approve the internal capital model and the reason for its decision.

(5) An insurer served with a notice under subparagraph (4)(b) may, within a period of 28 days from the date of the notice, make written representations to the Authority; and where such representations have been made, the Authority shall take them into account in deciding whether to confirm its decision not to approve the insurer's internal capital model.

(6) The Authority may revoke the approval given under subparagraph (2) if satisfied that the insurer has breached a condition of the approval, or where the approved internal capital model is deemed by the Authority no longer appropriate for the determination of the ECR.

(7) The Authority shall serve notice on the insurer of its proposal to revoke its approval of the insurer's internal capital model and the reason for its proposal.

(8) An insurer served with a notice under subparagraph (7) may, within a period of 28 days from the date of the notice, make written representations to the Authority; and where such representations have been made, the Authority shall take them into account in deciding whether to revoke its approval.

[Paragraph 5(1) amended by BR 90 / 2012 para. 6 effective 1 January 2013]

Capital and solvency return

6 (1) Schedules II, IIA, IIB, IIC, IID, IIE, IIF, IVA, IVF, V, VI, VII, VIII, VIIIA, IX, XII, XIII, XIV, XV, XVI, XVII, XVIII, XIX, XIXA, XX, XXA, XXI, XXIA, XXII, XXIII, XXIV, XXV and XXVI have effect.

(2) Every Class D and Class E insurer shall make a capital and solvency return to the Authority in accordance with Schedules I, II, IIA, IIB, IIC, IID, IIE, IIF, IVA, IVF, V, VI, VII, VIII, VIIIA, IX, XII, XIV, XV, XVI, XVII, XVIII, XIX, XIXA, XX, XXA, XXI, XXIA, XXII, XXIII, XXIV, XXV and XXVI.

(2A) Every Class C insurer shall make a capital and solvency return in accordance with Schedules XIII, XIV and XV.

(3) A capital and solvency return shall comprise the following—

(a) an electronic version of the Class C, Class D and Class E BSCR models; and

(b) printed versions of the returns prescribed in Schedules II, IIA, IIB, IIC, IID, IIE, IIF, IVA, IVF, V, VI, VII, VIII, VIIIA, IX, XII, XIII, XVI, XVII, XVIII, XIX, XIXA, XX, XXA, XXI, XXIA, XXII, XXIII, XXIV, XXV and XXVI; and

(c) *[Revoked by BR 126 / 2019 rule 2]*

(3A) A Class C, Class D and a Class E insurer shall, at the time of furnishing its capital and solvency return in accordance with subparagraph (3), also file with the Authority an opinion of its approved actuary, which takes into account its technical provisions calculated in accordance with Line 27C of Form 4EBS and—

(a) in accordance with Schedule XV, for a Class D and E Insurer;

(b) in accordance with Part XV of Schedule XIII, for a Class C insurer.

(4) An insurer shall, on or before its filing date, furnish the Authority with its capital and solvency return.

(5) An insurer shall keep a copy of its capital and solvency return at its principal office for a period of five years, beginning with its filing date, and shall produce it to the Authority if so directed by the Authority on or before a date specified in the direction.

(6) In this paragraph, "filing date" has the meaning given in section 17(4) of the Act.

[Paragraph 6 amended by BR 90 / 2012 para. 7 effective 1 January 2013; subparagraphs (1), (2) and (3)(b) amended by BR 110 / 2013 para. 2 effective 1 January 2014; subparagraphs (1) and (2A) amended and subparagraph (3A) inserted by BR 58 / 2015 rule 4 effective 1 January 2016; subparagraphs (1),(2) and (3)(b) amended by BR 12 / 2016 rule 2 effective 15 March 2016; subparagraphs (1), (2) and (3)(b) amended by BR 70 / 2016 para. 3 effective 1 January 2017; subparagraphs (1), (2) and (3)(b) amended by BR 68 / 2018 rule 2 effective 1 January 2019; subparagraphs (1), (2) and (3) amended by BR 126 / 2019 rule 2 effective 1 January 2020; Paragraph 6 amended by BR 120 / 2022 rule 2 effective 1 July 2022; Paragraph 6 subparagraph (1) amended by BR 18 / 2024 rule 4 effective 31 March 2024]

Quarterly financial return

6A (1) Every Class D and Class E insurer, where such insurer is not a member of an insurance group for which the Authority is the group supervisor, shall prepare and file quarterly financial returns with the Authority on or before the last day in the months of May, August and November of every year.

(2) A Class D and Class E insurer's quarterly financial return shall comprise the following—

(a) quarterly unaudited financial statements in respect of its business for each financial quarter, such statements should be the most recently produced and must not reflect a financial position that exceeds two months; and

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

(i) details of material intra-group transactions that have materialised since the most recent quarterly or annual financial returns prepared and filed, as the case may be, with the Authority by the insurer including (where applicable)—

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

(B) counterparties involved, including where they are located;

(C) summary details of the transactions including purpose, terms and transaction costs;

(D) duration of the transaction; and

(E) performance triggers;

(ii) details surrounding all intra-group reinsurance and retrocession arrangements, and other intra-group risk transfer insurance arrangements that have materialised since the most recent quarterly or annual financial returns prepared and filed as the case may be, with the Authority by the insurer 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 insurance business arrangements;

(iii) details of the 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 unaffiliated counterparty, including where the counterparty is located;

(B) exposure values (face value or market value, if the latter is available); and

(C) transaction type;

(c) ECR ratio for the financial quarter;

(d) total quoted bonds and total unquoted bonds allocated by the BSCR rating for the financial quarter.

(3) Quarterly unaudited financial statements shall minimally include a balance sheet and income statement.

(4) The information required to be included in the quarterly unaudited financial statements shall be information calculated to fulfil (in addition to any other purposes for which these Rules may require) the following purposes—

(a) to give as early a warning as possible to any person examining the said statements (whether by way of notice of the observance or non-observance by the insurer of any ECR, or in any other way) of any financial or operational difficulties into which the insurer's business has fallen or might appear likely to fall; and

(b) to provide the basis on which the Authority or any other authority may in good time take action under the Act or any other statutory provision to exercise any statutory power available to it for the safeguarding of any element of the public interest involved in or affected by the insurers business.

(5) In the exercise of its powers under section 6C of the Act, and without prejudice to the generality of that section, the Authority may direct that a Class D or Class E insurer may be exempt from filing the information required to be filed or modify the requirements under subparagraph (1) where—

(a) the insurer is able to file with the Authority relevant information that is filed with the Group Supervisor of the group for which the insurer is a member that would satisfy the filing requirements under subparagraph (1) and with the timelines as directed under that subparagraph; or

(b) the Authority is able to obtain relevant information from the Group Supervisor of the group for which the insurer is a member pertaining to the information required to be filed under subparagraph (1) and within the timelines as directed under that subparagraph.

[Paragraph 6A inserted by BR 120 / 2022 rule 3 effective 1 July 2022]

Declaration of capital and solvency returns

7 Every capital and solvency return made by an insurer under paragraph 6 shall be accompanied with a declaration signed by two directors of the insurer and by the insurer's principal representative declaring that to the best of their knowledge and belief, the return fairly represents the financial condition of the insurer in all material respects.

Asset and liability statement

7A (1) Every Class C, Class D and Class E insurer, other than those that carry on domestic business, shall submit an asset and liability statement to the Authority on or before the filing date.

(2) The asset and liability statement in relation to—

(a) Class C insurers shall be filed in accordance with Part XXIB of Schedule XIII;

(b) Class D and Class E insurers shall be filed in accordance with Schedule XXIB.

(3) The insurer shall keep a copy of its asset and liability statement at its principal office for a period of five years, beginning with its filing date, and shall produce it to the Authority if so directed by the Authority on or before a date specified in the direction.

(4) In this paragraph, "filing date" has the meaning given in section 17(4) of the Act.

[Paragraph 7A inserted by BR 123 / 2025 rule 3 effective 1 January 2026]

Declaration regarding asset and liability statement

7B An asset and liability statement filed by a Class C, Class D or Class E insurer under paragraph 7A shall be signed by—

(a) its chief executive officer; and

(b) any senior executive responsible for actuarial or investment management, risk management, or internal audit or compliance function,

declaring that to the best of their knowledge and belief, the asset and liability statement reflects the assets and liabilities held by the Class C, Class D or Class E insurer in all material respects at the relevant date.

[Paragraph 7B inserted by BR 123 / 2025 rule 3 effective 1 January 2026]

Offences

8 Every person who knowingly or recklessly makes a false or misleading statement or return is guilty of an offence and is liable on summary conviction to a fine up to $50,000.

Commencement

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

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

[Paragraph 9 revoked and replaced by BR 90 / 2012 para. 8 effective 1 January 2013]

SCHEDULES

The Schedules to these Rules have been omitted.
They are available for inspection at the offices of the Bermuda Monetary Authority
or on the website www.bma.bm

[Schedules amended by BR 68 / 2018 rules 3, 4 and 5 effective 1 January 2019; Schedules II, IIA, IIB, IIC, IID, IIE, IIF, XIII, XVIII, XIX and XIXA amended, and XXIV inserted by BR 126 / 2019 rules 3 - 14 effective 1 January 2020; Schedule VI revoked and replaced by BR 40 / 2022 rule 2 effective 1 January 2022; Schedule XIII Part VI revoked and replaced by BR 40 / 2022 rule 3 effective 1 January 2022; Schedule IVF inserted by BR 120 / 2022 rule 4 effective 1 July 2022; Part IVF inserted by BR 120 / 2022 rule 5 effective 1 July 2022 ; Schedule I revoked and replaced by BR 18 / 2024 rule 5 effective 31 March 2024; Schedule VIIA and Schedule VIIB inserted by BR 18 / 2024 rule 6 effective 31 March 2024; Schedule VIII revoked and replaced by BR 18 / 2024 rule 7 effective 31 March 2024; Schedule XIII revoked and replaced by BR 18 / 2024 rule 8 effective 31 March 2024; Schedule XIV revoked and replaced by BR 18 / 2024 rule 9 effective 31 March 2024; Schedule XV revoked and replaced by BR 18 / 2024 rule 10 effective 31 March 2024; Schedule XX amended by BR 18 / 2024 rule 11 effective 31 March 2024; Schedule XXA amended by BR 18 / 2024 rule 12 effective 31 March 2024; Schedule XXI amended by BR 18 / 2024 rule 13 effective 31 March 2024; Schedule XXIA amended by BR 18 / 2024 rule 14 effective 31 March 2024; Schedule XXV and Schedule XXVI inserted by BR 18 / 2024 rule 15 effective 31 March 2024; Schedule XIII amended by BR 123 / 2025 rule 4 effective 1 January 2026; Schedule XXIB inserted by BR 123 / 2025 rule 5 effective 1 January 2026]

Made this 23rd day of December 2011

Chairman
The Bermuda Monetary Authority

[Amended by:

BR 90 / 2012
BR 110 / 2013
BR 94 / 2014
BR 58 / 2015
BR 12 / 2016
BR 70 / 2016
BR 116 / 2016
BR 68 / 2018
BR 126 / 2019
BR 40 / 2022
BR 120 / 2022
BR 18 / 2024
BR 123 / 2025]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

(Paragraph 4)

SCHEDULE I

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

1. The Class D and Class E BSCR shall be established, on an EBS Valuation basis, in accordance with the following formula—

$$BSCR = \sqrt{C_{fi}^2 + C_{eq}^2 + C_{LT\text{int}}^2 + C_{Curr}^2 + C_{Conc}^2 + C_{LTcred}^2 + (C_{LTmort} + C_{LTsl} + C_{LTr})^2 + C_{LTmorb}^2}$$

$$\text{cont'd } \sqrt{+C_{LTlong}^2 - .5 \times (C_{LTmort} + C_{LTsl} + C_{LTr}) \times C_{LTlong} + C_{LTVA}^2 + C_{LTother}^2} + C_{op} + C_{adj}$$

$$+\left[BSCR_{Corr} - \left(\sqrt{C_{fi}^2 + C_{eq}^2 + C_{LT\text{int}}^2 + C_{Curr}^2 + C_{Conc}^2 + C_{LTcred}^2 + (C_{LTmort} + C_{LTsl} + C_{LTr})^2 + C_{LTmorb}^2}\right.\right.$$

$$\left.\left.\text{cont'd } \sqrt{+C_{LTlong}^2 - .5 \times (C_{LTmort} + C_{LTsl} + C_{LTr}) \times C_{LTlong} + C_{LTVA}^2 + C_{LTother}^2} + C_{op} + C_{adj}\right)\right]$$

$$\boxed{\times \text{TransitionalFactor}}$$

Where-

C_{fi}	= fixed income investment risk charge as calculated in accordance with paragraph 2;
C_{eq}	= equity investment risk charge as calculated in accordance with paragraph 3;
$C_{LT\text{int}}$	= interest rate/liquidity risk charge as calculated in accordance with paragraph 4;
C_{Curr}	= currency risk charge as calculated in accordance with paragraph 5;
C_{Conc}	= concentration risk charge as calculated in accordance with paragraph 6;
C_{LTcred}	= credit risk charge as calculated in accordance with paragraph 7;
C_{LTmort}	= insurance risk - mortality charge as calculated in accordance with paragraph 8;
C_{LTsl}	= insurance risk - stop loss charge as calculated in accordance with paragraph 9;
C_{LTr}	= insurance risk - riders charge as calculated in accordance with paragraph 10;
C_{LTmorb}	= insurance risk - morbidity and disability charge as calculated in accordance with paragraph 11;
C_{LTlong}	= insurance risk - longevity charge as calculated in accordance with paragraph 12;
C_{LTVA}	= variable annuity guarantee risk charge as calculated in accordance with paragraph 13;
$C_{LTother}$	= other insurance risk charge as calculated in accordance with paragraph 14;
C_{op}	= operational risk charge as calculated in accordance with paragraph 15; and
C_{adj}	=charge for capital adjustment, calculated as the sum of (a) and (b) where: (a) Regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 16; and

(b) Capital adjustment for the loss-absorbing capacity of deferred taxes calculated as determined in accordance to paragraph 38;

$BSCR_{Corr}$ = as calculated in accordance with paragraph 17;

TransitionalFactor

(a) 10%, for the financial year beginning on or after 1St January 2019;
(b) 20%, for the financial year beginning on or after 1St January 2020;
(c) 30%, for the financial year beginning on or after 1St January 2021;
(d) 40% for the financial year beginning on or after 1st January 2022;
(e) 50% for the financial year beginning on or after 1st January 2023;
(f) 60% for the financial year beginning on or after 1st January 2024;
(g) 70% for the financial year beginning on or after 1st January 2025;
(h) 80% for the financial year beginning on or after 1st January 2026;
(i) 90% for the financial year beginning on or after 1st January 2027;
(j) 100% for the financial year beginning on or after 1st January 2028."

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

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

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

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

μ_r = additional diversification adjustment factor applied to cash and cash equivalent balances, or 1 for other asset classes.

Table 1 – Capital charge factors for $FIastclass_i$

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

Commercial Mortgage-Backed Securities/Asset-Backed Securities		
BSCR rating 1	Schedule II & IIA, Line 2, Column (5)	0.5%
BSCR rating 2	Schedule II & IIA, Line 3, Column (5)	1.0%
BSCR rating 3	Schedule II & IIA, Line 4, Column (5)	1.8%
BSCR rating 4	Schedule II & IIA, Line 5, Column (5)	3.5%
BSCR rating 5	Schedule II & IIA, Line 6, Column (5)	10.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (5)	20.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (5)	30.0%
BSCR rating 8	Schedule II & IIA, Line 9, Column (5)	35.0%
Bond Mutual Funds		
BSCR rating 0	Schedule II & IIA, Line 1, Column (7)	0.0%
BSCR rating 1	Schedule II & IIA, Line 2, Column (7)	0.4%
BSCR rating 2	Schedule II & IIA, Line 3, Column (7)	0.8%
BSCR rating 3	Schedule II & IIA, Line 4, Column (7)	1.5%
BSCR rating 4	Schedule II & IIA, Line 5, Column (7)	3.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (7)	8.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (7)	15.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (7)	26.3%
BSCR rating 8	Schedule II & IIA, Line 9, Column (7)	35.0%
Mortgage Loans		
Insured/guaranteed mortgages	Schedule II & IIA, Line 22, Column (1)	0.3%
Other commercial and farm mortgages	Schedule II & IIA, Line 23, Column (1)	5.0%
Other residential mortgages	Schedule II & IIA, Line 24, Column (1)	1.5%
Mortgages not in good standing	Schedule II & IIA, Line 25, Column (1)	25.0%
Other Fixed Income Investments		
Other loans	Form 1EBS, Line 8	5.0%
Cash and cash equivalents		
BSCR rating 0	Schedule XIX, Column A	0.0%
BSCR rating 1	Schedule XIX, Column A	0.1%
BSCR rating 2	Schedule XIX, Column A	0.2%
BSCR rating 3	Schedule XIX, Column A	0.3%
BSCR rating 4	Schedule XIX, Column A	0.5%
BSCR rating 5	Schedule XIX, Column A	1.5%
BSCR rating 6	Schedule XIX, Column A	4.0%
BSCR rating 7	Schedule XIX, Column A	6.0%
BSCR rating 8	Schedule XIX, Column A	9.0%
Less: Diversification adjustment	Schedule XIX, Column A	to a maximum of 40.0%

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

(a) all assets comprising of bonds and debentures, loans, and other miscellaneous investments that are subject to capital charges within the fixed income investment risk charge shall be included;

(b) all non-affiliated quoted and unquoted bonds and debentures shall be included in the fixed income investment charge;

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

(d) the capital requirements relating to cash and cash equivalents shall be reduced by a diversification adjustment of up to a maximum of 40%;

(e) the diversification adjustment in paragraph (d) is determined as 40% multiplied by 1 minus the ratio of the largest cash and cash equivalent balance held with a single counterparty to the total of all cash and cash equivalent balance; and

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

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

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

χ_i = the capital charge 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 charge factors for $Eqastclass_i$

Type of equity investments $Eqastclass_i$	**Statement Source** These Rules	**Capital Factor** χ_i
Common stocks		
Non-affiliated (quoted) common stock	Schedule II & IIA, Line 19, Column (1)	14.4%
Non-affiliated (unquoted) common stock	Schedule II & IIA, Line 20, Column (1)	14.4%
Equity mutual funds	Schedule II & IIA, Line 21, Column (5)	14.4%
Preferred stocks		
BSCR rating 1	Schedule II & IIA, Line 11, Column (3)	0.6%
BSCR rating 2	Schedule II & IIA, Line 12, Column (3)	1.2%
BSCR rating 3	Schedule II & IIA, Line 13, Column (3)	2.0%
BSCR rating 4	Schedule II & IIA, Line 14, Column (3)	4.0%
BSCR rating 5	Schedule II & IIA, Line 15, Column (3)	11.0%
BSCR rating 6	Schedule II & IIA, Line 16, Column (3)	25.0%
BSCR rating 7	Schedule II & IIA, Line 17, Column (3)	35.0%
BSCR rating 8	Schedule II & IIA, Line 18, Column (3)	35.0%
Other equity investments		
Company-occupied real estate less: encumbrances	Form 1EBS, Line 7(a)	10.0%
Real estate investments less: encumbrances	Form 1EBS, Line 7(b)	20.0%
Other equity investments	Form 1EBS, Lines 2(e), 3(e) and Schedule IIA, Line 21, Column (7)	20.0%
Other tangible assets – net of segregated accounts companies	Form 1EBS, Lines 13(k), 14(d) & 36(f) Less Line 13(b),13(c) and 13(h)	20.0%
Investments in affiliates		

Unregulated entities that conduct ancillary Services	Form 1EBS, Line 4(a)	5.0%
Unregulated non- financial operating entities	Form 1EBS, Line 4(b)	20.0%
Unregulated financial operating entities	Form 1EBS, Line 4(c)	55.0%
Regulated insurance financial operating entities	Form 1EBS, Line 4(e)	20.0%

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

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

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

(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; and

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

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

$$C_{LT\text{int}} = \left(duration1 \times rateshock \times reserveshare \times assets \times (100\% - ALMCredit)\right)$$
$$+ \left(duration2 \times rateshock \times (1 - reserveshare) \times assets\right)$$ 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 weighted average of the difference in asset duration and liability duration;
(c) The statement source for the weighted average of the difference in asset duration and liability duration is Schedule V paragraph (f) of these Rules;

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

$rateshock$ = assumed interest rate adjustment prescribed in Table 3;

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

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

$AMLCredit$ = the total factor determined in accordance with Table 4.

Table 3 – Interest rate adjustment for *bonds*

Type of investments *bonds*	**Statement Source** These Rules	**Estimated duration**	**200 basis point interest rate increase** $marketdecline$
Total bonds and debentures	Schedule II and Schedule IIA, Column 9, Line 10	$duration$	2.0%

Preferred stock	Schedule II and Schedule IIA, Column 3, Line 21	*duration*	2.0%
Mortgage loans	Schedule II and Schedule IIA, Column 1, Line 26	*duration*	2.0%

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

(a) all assets comprising of total 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 total bonds and debentures and preferred stock shall be included in the interest rate/liquidity risk charge;

(c) total 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; and

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

Table 4 - 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%

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

$$C_{Curr} = \sum_i \chi_i \times (Currproxybscr_i + Currliab_i - Currast_i)$$ where -

χ_i = 25% where ($Currast_i$ - $Currliab_i$ - $Currproxybscr_i$)<0
0% otherwise

$Currency_i$ = refers to a currency used by the insurer

$GrossCurrast_i$ = value of assets corresponding to $Currency_i$ as reported on Form 1EBS Line 15

$Currast_i$	= value of assets corresponding to $Currency_i$ as reported on Form 1EBS Line 15 adjusted to allow for currency hedging arrangements
$GrossCurrliab_i$	= value of liabilities corresponding to $Currency_i$ as reported on Form 1EBS Line 39 .
$Currliab_i$	= value of liabilities corresponding to $Currency_i$ as reported on Form 1EBS Line 39 adjusted to allow for currency hedging arrangements
$Currproxybscr_i$	= refers to the product of $GrossCurrliab_i$ and BSCR Proxy factor
BSCR Proxy factor	= greater of: i. the Enhanced Capital Requirement divided by Form 1EBS Line 39 Total Liabilities for the preceding year; ii. the average of the above ratio for the preceding 3 years. where there are no prior submissions available, the BSCR proxy factor is the above ratio that would be obtained from the current submission without taking into account the currency risk charge.

Table 5 – Capital charge factors for Currency Risk

Currency	$GrossCurrast_i$	$Currast_i$	$GrossCurrliab_i$	$Currliab_i$	$Currproxybscr_i$
Currency 1	Schedule XX, Column A, Line 1	Schedule XX, Column B, Line 1	Schedule XX, Column C, Line 1	Schedule XX, Column D, Line 1	$GrossCurrliab_i$ x BSCR Proxy Factor
Currency 2	Schedule XX, Column A, Line 2	Schedule XX, Column B, Line 2	Schedule XX, Column C, Line 2	Schedule XX, Column D, Line 2	$GrossCurrliab_2$ x BSCR Proxy Factor
Currency 3	Schedule XX, Column A, Line 3	Schedule XX, Column B, Line 3	Schedule XX, Column C, Line 3	Schedule XX, Column D, Line 3	$GrossCurrliab_3$ x BSCR Proxy Factor
Currency n	Schedule XX, Column A, Line n	Schedule XX, Column B, Line n	Schedule XX, Column C, Line n	Schedule XX, Column D, Line n	$GrossCurrliab_n$ x BSCR Proxy Factor

INSTRUCTIONS AFFECTING TABLE 5: Capital charge factors for Currency Risk

(a) where the insurer uses currency hedging arrangements to manage its currency risk, then $Currast_i$ and $Currliab_i$ may reflect the impact of those arrangements on $GrossCurrast_i$ and $GrossCurrliab_i$ of a 25% adverse movement in foreign exchange currency rates, otherwise the amounts $GrossCurrast_i$ and $GrossCurrliab_i$ shall apply;

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

.

(c) "currency hedging arrangements" means derivative or other risk mitigation arrangements designed to reduce losses due to foreign currency exchange movements, and which meet the Authority's requirements to be classed as such;

(d) insurers are to report currencies representing at least 95% of their economic balance sheet liabilities; and

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

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

$$C_{Conc} = \sum_i \chi_i \times Concastclass_i$$

where -

χ_i = the capital charge factors prescribed in Table 6 for each type $Concastclass_i$ of and

$Concastclass_i$ = value of corresponding asset in Asset Class

Table 6 – Capital charge factors for $Concastclass_i$

Asset Class	**Statement Source** These Rules	**Capital Factor** χ_i
Cash and Cash Equivalents		
BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.1%
BSCR rating 2	Schedule XXI, Column D	0.2%
BSCR rating 3	Schedule XXI, Column D	0.3%
BSCR rating 4	Schedule XXI, Column D	0.5%
BSCR rating 5	Schedule XXI, Column D	1.5%
BSCR rating 6	Schedule XXI, Column D	4.0%
BSCR rating 7	Schedule XXI, Column D	6.0%
BSCR rating 8	Schedule XXI, Column D	9.0%
Corporate & Sovereign Bonds		
BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.4%
BSCR rating 2	Schedule XXI, Column D	0.8%
BSCR rating 3	Schedule XXI, Column D	1.5%
BSCR rating 4	Schedule XXI, Column D	3.0%
BSCR rating 5	Schedule XXI, Column D	8.0%
BSCR rating 6	Schedule XXI, Column D	15.0%
BSCR rating 7	Schedule XXI, Column D	26.3%
BSCR rating 8	Schedule XXI, Column D	35.0%
Residential Mortgage-Backed Securities		
BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.6%
BSCR rating 2	Schedule XXI, Column D	1.2%
BSCR rating 3	Schedule XXI, Column D	2.0%
BSCR rating 4	Schedule XXI, Column D	4.0%
BSCR rating 5	Schedule XXI, Column D	11.0%
BSCR rating 6	Schedule XXI, Column D	25.0%
BSCR rating 7	Schedule XXI, Column D	35.0%
BSCR rating 8	Schedule XXI, Column D	35.0%
Commercial Mortgage-Backed Securities/Asset Backed Securities		
BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.5%
BSCR rating 2	Schedule XXI, Column D	1.0%

BSCR rating 3	Schedule XXI, Column D	1.8%
BSCR rating 4	Schedule XXI, Column D	3.5%
BSCR rating 5	Schedule XXI, Column D	10.0%
BSCR rating 6	Schedule XXI, Column D	20.0%
BSCR rating 7	Schedule XXI, Column D	30.0%
BSCR rating 8	Schedule XXI, Column D	35.0%
Bond Mutual Funds		
BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.4%
BSCR rating 2	Schedule XXI, Column D	0.8%
BSCR rating 3	Schedule XXI, Column D	1.5%
BSCR rating 4	Schedule XXI, Column D	3.0%
BSCR rating 5	Schedule XXI, Column D	8.0%
BSCR rating 6	Schedule XXI, Column D	15.0%
BSCR rating 7	Schedule XXI, Column D	26.3%
BSCR rating 8	Schedule XXI, Column D	35.0%
Preferred Shares		
BSCR rating 1	Schedule XXI, Column D	0.6%
BSCR rating 2	Schedule XXI, Column D	1.2%
BSCR rating 3	Schedule XXI, Column D	2.0%
BSCR rating 4	Schedule XXI, Column D	4.0%
BSCR rating 5	Schedule XXI, Column D	11.0%
BSCR rating 6	Schedule XXI, Column D	25.0%
BSCR rating 7	Schedule XXI, Column D	35.0%
BSCR rating 8	Schedule XXI, Column D	35.0%
Mortgage Loans		
Insured/Guaranteed Mortgages	Schedule XXI, Column D	0.3%
Other Commercial and Farm Mortgages	Schedule XXI, Column D	5.0%
Other Residential Mortgages	Schedule XXI, Column D	1.5%
Mortgages Not In Good Standing	Schedule XXI, Column D	25.0%
Other Asset Classes		
Quoted and Unquoted Common Stock and Mutual Funds	Schedule XXI, Column D	14.4%
Other Quoted and Unquoted Investments	Schedule XXI, Column D	20.0%
Investment in Affiliates – Unregulated entities that conduct ancillary services	Schedule XXI, Column D	5.0%
Investment in Affiliates – Unregulated non-financial operating entities	Schedule XXI, Column D	20.0%
Investment in Affiliates – Unregulated financial operating entities	Schedule XXI, Column D	55.0%
Investment in Affiliates – Regulated non-insurance financial operating entities	Schedule XXI, Column D	55.0%
Investment in Affiliates – Regulated insurance financial operating entities	Schedule XXI, Column D	20.0%
Advances to Affiliates –	Schedule XXI, Column D	5.0%
Policy Loans	Schedule XXI, Column D	0.0%
Real Estate: Occupied by company	Schedule XXI, Column D	10.0%

Real Estate: Other properties	Schedule XXI, Column D	20.0%
Collateral Loans	Schedule XXI, Column D	5.0%

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

(a) $Concastclass_i$ shall only apply to the insurers 10 largest counterparty exposures based on the aggregate of all instruments included in Table 6 related to that counterparty

(b) a counterparty shall include all related/connected counterparties defined as:

(i) Control relationship: if the counterparty, directly or indirectly, has control over the other(s); or

(ii) Economic interdependence: if one of the counterparties were to experience financial problems, in particular funding or repayment difficulties, the other(s) as a result, would also be likely to encounter funding or repayment difficulties; and

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

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

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

δ_i = the credit risk capital charge factor for type of $debtor_i$ as prescribed in Table 7; and

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

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

Table 7 – Capital charge factors for $debtor_i$

Type of debtor $debtor_i$	**Statement Source** These Rules	**Capital Factor** δ_i
Accounts and Premiums Receivable		
In course of collection	Form 1EBS, Line 10(a)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 1EBS, Line 10(c) and instruction (c) below	10.0%
All Other Receivables		
Accrued investment income	Form 1EBS, Line 9	2.5%
Advances to affiliates	Form 1EBS, Line 4(g)	5.0%
Policy loans	Form 1EBS, Line 6	0.0%
Particulars of reinsurance balances		
BSCR rating 0	Schedule XVIII paragraph (d)	0.0%
BSCR rating 1	Schedule XVIII paragraph (d)	0.7%
BSCR rating 2	Schedule XVIII paragraph (d)	1.5%

BSCR rating 3	Schedule XVIII paragraph (d)	3.5%
BSCR rating 4	Schedule XVIII paragraph (d)	7.0%
BSCR rating 5	Schedule XVIII paragraph (d)	12.0%
BSCR rating 6	Schedule XVIII paragraph (d)	20.0%
BSCR rating 7	Schedule XVIII paragraph (d)	17.0%
BSCR rating 8	Schedule XVIII paragraph (d)	35.0%
Less: Diversification adjustment	Schedule XVIII paragraph (d)	40.0%

INSTRUCTIONS AFFECTING TABLE 7: Capital charge factors for $debtor_i$

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

(ii) 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;

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

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

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

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

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

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

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

$$C_{LTmort} = \left[\sum_i \alpha 1_i \times NAAR1_i\right] + \left[\sum_i \alpha 2_i \times NAAR2_i\right]$$ Where

$\alpha 1_i$ = capital factor for adjustable life insurance business as prescribed in Table 8;

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

$\alpha 2_i$ = capital factor for non-adjustable business as prescribed in Table 8; and

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

Table 8 – Capital charge factors for $NAAR1_i$ or $NAAR2_i$

Net Amount at Risk	**Capital Factor**	**Capital Factor**
$NAAR1_i$ **or** $NAAR2_i$	$\alpha 1_i$	$\alpha 2_i$

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

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

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

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

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

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

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

(a) = 7.00% x BSCR adjusted reserves for disability income claims in payment on waiver of premium and long-term care as prescribed in Schedule VII, Column (7), Line 9 of these Rules

Plus

(b) = 10% x BSCR adjusted reserves for disability income claims in payment on other accident and sickness products as prescribed in Schedule VII, Column (7), Line 10 of these Rules;

Plus

(c) $= \left[\sum_i \alpha_i \times NAP_i \right]$

Where –

α_i = capital charge factor as prescribed in Table 9; and

NAP_i = the Net Annual Premium for disability income business – active lives as described in Table 9;

Table 9 – Capital charge 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, Column (9), Line 7(a)	9.0%
Benefit period less than or equal to two years, premium guarantee of more than 1 year but less than or equal to 5 years	Schedule VII, Column (9), Line 7(b)	15.0%
Benefit period less than or equal to two years, premium guarantee of more than 5 years	Schedule VII, Column (9), Line 7(c)	22.5%

Benefit period greater than two years, premium guarantee less than or equal to 1 year	Schedule VII, Column (10), Line 7(a)	12.0%
Benefit period greater than two years, premium guarantee of more than 1 year but less than or equal to 5 years	Schedule VII, Column (10), Line 7(b)	20.0%
Benefit period greater than two years, premium guarantee of more than 5 years	Schedule VII, Column (10), Line 7(c)	30.0%

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

$$= \left[\sum_i \alpha 1_i \times NAAR1_i\right] + \left[\sum_i \alpha 2_i \times NAAR2_i\right]$$

Where –

$\alpha 1_i$ = capital factor as prescribed in Table 10;

(e) $NAAR1_i$ = the Net Amount at Risk of all adjustable critical illness insurance business in force as in Schedule VII, Column (9), Line 2;

$\alpha 2_i$ = capital factor as prescribed in Table 10;

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable critical illness insurance business in force as in Schedule VII, Column (10), Line 2.

Table 10 – Capital charge factors for $NAAR1_i$ or $NAAR2_i$

Net Amount at Risk $NAAR1_i$ **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

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

$$C_{LTlong} = \sum_i \alpha_i \times BAR_i$$ Where:

α_i = capital charge factor as prescribed in Table 11; and

BAR_i = the BSCR adjusted reserves for longevity risk as described in Table 11.

Table 11 – Capital charge factors for BAR_i

BSCR adjusted reserves	**Statement Source**	**Capital Factor**

BAR_i	These Rules	α_i
Longevity (*immediate pay-out annuities, contingent annuities, pension block*s) – Attained age of annuitant:		
0-55 years	Schedule VII, Column (7), Line 3(a)	2.0%
56-65 years	Schedule VII, Column (7), Line 3(b)	3.0%
66-70 years	Schedule VII, Column (7), Line 3(c)	4.0%
71-80 years	Schedule VII, Column (7), Line 3(d)	5.0%
81+ years	Schedule VII, Column (7), Line 3(e)	6.0%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs) – Age at which annuity benefits commence:		
0-55 years	Schedule VII, Column (7), Line 4(a)	2.0%
56-60 years	Schedule VII, Column (7), Line 4(b)	3.0%
61-65 years	Schedule VII, Column (7), Line 4(c)	4.0%
66-70 years	Schedule VII, Column (7), Line 4(d)	5.0%
71-75 years	Schedule VII, Column (7), Line 4(e)	6.0%
76+ years	Schedule VII, Column (7), Line 4(f)	7.0%

INSTRUCTIONS AFFECTING TABLE 11: Capital charge factors for BAR_i

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

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

$$C_{LTVA} = \text{either } \left(\sum_i TotalBSReq_i - TotalBAR - TotalGMB_{adj} \right) \text{ or } (IMCReq_{LTVA})$$

Wherein:

(i) $TotalBSReq_i$ = higher of (a) $\left(\alpha 1_i \times GV1_i + \alpha 2_i \times GV2_i + \alpha 3_i \times GV3_i\right)$ and (b) $\left(\alpha 4_i \times NAR1_i + \alpha 5_i \times NAR2_i + \alpha 6_i \times NAR3_i\right)$;

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

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

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

(v) $\left(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i\right)$ have the statement source identified in Table 12; and

(vi) $\left(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i\right)$ are the capital factors as prescribed in Table 13.

Table 12 – Capital charge factors for $(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i)$

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, column (5)	Schedule VIII, lines 1, column (6)	Schedule VIII, lines 1, column (7)
Guaranteed minimum death benefit: Enhanced benefits (roll up)	Schedule VIII, Lines 2 and 17, column (2)	Schedule VIII, Lines 2 and 17, column (3)	Schedule VIII, Lines 2 and 17, column (4)	Schedule VIII, Lines 2, column (5)	Schedule VIII, Lines 2, column (6)	Schedule VIII, Lines 2, column (7)
Guaranteed minimum income benefit	Schedule VIII, Lines 3 and 18, column (2)	Schedule VIII, Lines 3 and 18, column (3)	Schedule VIII, Lines 3 and 18, column (4)	Schedule VIII, Lines 3, column (5)	Schedule VIII, Lines 3, column (6)	Schedule VIII, Lines 3, column (7)
Guaranteed minimum withdrawal benefit	Schedule VIII, Lines 4 and 19, column (2)	Schedule VIII, Lines 4 and 19, column (3)	Schedule VIII, Lines 4 and 19, column (4)	Schedule VIII, Lines 4, column (5)	Schedule VIII, Lines 4, column (6)	Schedule VIII, Lines 4, column (7)
Guaranteed enhanced earnings benefit	Schedule VIII, Lines 5 and 20, column (2)	Schedule VIII, Lines 5 and 20, column (3)	Schedule VIII, Lines 5 and 20, column (4)	Schedule VIII, Lines 5, column (5)	Schedule VIII, Lines 5, column (6)	Schedule VIII, Lines 5, column (7)
Guaranteed minimum accumulation benefit with 1 year or less to maturity	Schedule VIII, Lines 6 and 21, column (2)	Schedule VIII, Lines 6 and 21, column (3)	Schedule VIII, Lines 6 and 21, column (4)	Schedule VIII, Lines 6, column (5)	Schedule VIII, Lines 6, column (6)	Schedule VIII, Lines 6, column (7)
Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity	Schedule VIII, Lines 7 and 22, column (2)	Schedule VIII, Lines 7 and 22, column (3)	Schedule VIII, Lines 7 and 22, column (4)	Schedule VIII, Lines 7, column (5)	Schedule VIII, Lines 7, column (6)	Schedule VIII, Lines 7, column (7)
Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity	Schedule VIII, Lines 8 and 23, column (2)	Schedule VIII, Lines 8 and 23, column (3)	Schedule VIII, Lines 8 and 23, column (4)	Schedule VIII, Lines 8, column (5)	Schedule VIII, Lines 8, column (6)	Schedule VIII, Lines 8, column (7)
Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity	Schedule VIII, Lines 9 and 24, column (2)	Schedule VIII, Lines 9 and 24, column (3)	Schedule VIII, Lines 9 and 24, column (4)	Schedule VIII, Lines 9, column (5)	Schedule VIII, Lines 9, column (6)	Schedule VIII, Lines 9, column (7)
Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity	Schedule VIII, Lines 10 and 25, column (2)	Schedule VIII, Lines 10 and 25, column (3)	Schedule VIII, Lines 10 and 25, column (4)	Schedule VIII, Lines 10, column (5)	Schedule VIII, Lines 10, column (6)	Schedule VIII, Lines 10, column (7)
Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity	Schedule VIII, Lines 11 and 26, column (2)	Schedule VIII, Lines 11 and 26, column (3)	Schedule VIII, Lines 11 and 26, column (4)	Schedule VIII, Lines 11, column (5)	Schedule VIII, Lines 11, column (6)	Schedule VIII, Lines 11, column (7)
Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity	Schedule VIII, Lines 12 and 27, column (2)	Schedule VIII, Lines 12 and 27, column (3)	Schedule VIII, Lines 12 and 27, column (4)	Schedule VIII, Lines 12, column	Schedule VIII, Lines 12, column	Schedule VIII, Lines 12, column (7)

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

Table 13 – Capital charge factors for $(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i)$

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

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

$$C_{LToth} = \sum_i \alpha_i \times BAR_i ;$$

Where:

α_i = capital charge factor as prescribed in Table 14; and

BAR_i = the BSCR adjusted reserves as described in Table 14.

Table 14 – Capital charge factors for BAR_i

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

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

$C_{op} = \rho \times ACov$ where –

ρ = an amount between 1% and 10% as determined by the Authority in accordance with Table 15; and

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

Table 15 – Operational Risk Charge for ρ

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

INSTRUCTIONS AFFECTING TABLE 15

In this table, "overall score" means an amount equal to the sum of the aggregate score derived from each of tables 15A, 15B, 15C, 15D, 15E, and 15F.

TABLE 15A – Corporate Governance Score Table

Criterion	Implemented	Score
Board sets risk policies, practices and tolerance limits for all material foreseeable operational risks at least annually and ensures they are communicated to relevant business units		200
Board monitors adherence to operational risk tolerance limits more regularly than annually		200
Board receives, at least annually, reports on the effectiveness of material operational risk internal controls as well as management's plans to address related weaknesses		200
Board ensures that systems and/or procedures 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 15A

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

TABLE 15B –Risk Management Function ('RMF') Score Table

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

Comments

INSTRUCTIONS AFFECTING TABLE 15B

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 15C –Risk Identification Processes ('RIP') Score Table

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

Comments

INSTRUCTIONS AFFECTING TABLE 15C

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

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

(c) where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

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TABLE 15D - Risk Measurement Processes ('RMP') Score Table

Progression		**Criterion**	**Operational Risk Areas**							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	50	RMP are ad hoc								
2	100	RMP have been implemented but not standardised across the organization								
3	150	RMP have been implemented, well documented and understood by relevant staff, and standardised across the organization								
4	200	In addition to Stage 3, RMP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
		Total	XX	XX	XX	XX	XX	XX	XX	**XX**

Comments

INSTRUCTIONS AFFECTING TABLE 15D

(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 each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

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TABLE 15E - Risk Response Processes ('RRP') Score Table

Progression		**Criterion**	**Operational Risk Areas**							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	50	RRP are ad hoc								
2	100	RRP have been implemented but not standardised across the organization								
3	150	RRP have been implemented, well documented and understood by relevant staff, and standardised across the organization								
4	200	In addition to Stage 3, RRP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
		Total	XX	XX	XX	XX	XX	XX	XX	**XX**

Comments

INSTRUCTIONS AFFECTING TABLE 15E

(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 each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

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.

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TABLE 15F - Risk Monitoring and Reporting Processes ('RMRP') Score Table

Progression		**Criterion**	**Operational Risk Areas**							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	50	RMRP are ad hoc								
2	100	RMRP have been implemented but not standardised across the organization								
3	150	RMRP have been implemented, well documented and understood by relevant staff, and standardised across the organization								
4	200	In addition to Stage 3, RMRP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
		Total	XX	XX	XX	XX	XX	XX	XX	**XX**

Comments

INSTRUCTIONS AFFECTING TABLE 15F

(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 each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage

16. The regulatory capital requirement for regulated non-insurance financial operating entities shall be determined in accordance with Schedule XVI - "Schedule of Regulated Non-Insurance Financial Operating Entities". This amount shall be equal to the sum of the insurer's proportionate share of each entity's regulatory capital requirement in accordance with the applicable solvency laws of the jurisdiction where the entity is licensed or registered. The operational risk charge calculation shall be established in accordance with the following formula

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

$$BSCR_{Corr} = \text{Basic BSCR} + C_{operational} + C_{regulatoryadj} + C_{otheradj} + C_{AdjTP} \; ;$$

Where –

$Basic\ BSCR$ = Basic BSCR risk module charge as calculated in accordance with paragraph 18;

$C_{operational}$ = operational risk charge as calculated in accordance with paragraph 35;

$C_{regulatoryadj}$ = regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 36;

C_{AdjTP} = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 37; and

$C_{otheradj}$ = adjustment for loss absorbing capacity of deferred taxes as calculated in accordance with paragraph 38.

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

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

Where —

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

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

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

C_{Market}, C_{LT}, C_{Credit};

C_{Market} = market risk module charge as calculated in accordance with paragraph 19;

C_{LT} = Long-Term risk module charge as calculated in accordance with paragraph 20; and

C_{Credit} = credit risk module charge as calculated in accordance with paragraph 27.

Table A – Basic BSCR Correlation Matrix

$CorrBBSCR_{i,j}$	C_{Market}	C_{Credit}	C_{LT}
C_{Market}	1		
C_{Credit}	0.25	1	
C_{LT}	0.125	0.25	1

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

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

Where —

$CorrMarket_{i,j}$ = the correlation factors of the market risk module in accordance with Table B; where A = 0 if interest rate / liquidity risk charge is calculated using the shock-based approach in accordance with paragraph 24 and the risk charge is being determined based on the interest rate up shock, and A = 0.25 otherwise;

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

C_i and C_j = risk charge i and risk charge j which are replaced by the following: $C_{fixedIncome}$, C_{equity}, C_{interest}, C_{currency}, $C_{\text{concentration}}$;

$C_{fixedIncome}$ = fixed income investment risk charge as calculated in accordance with paragraph 21;

C_{equity} = equity investment risk charge as calculated in accordance with paragraph 22;

C_{interest} = interest rate / liquidity risk charge as calculated in accordance with paragraph 24;

C_{currency} = currency risk charge as calculated in accordance with paragraph 25; and

$C_{\text{concentration}}$ = concentration risk charge as calculated in accordance with paragraph 26.

Table B – Market Risk Module Correlation Matrix

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

20. The risk module charge calculation for long-term business shall be determined in accordance with the following formula-

$$C_{LT} = LT_TransitionalFactor \times C_{LT,New} + (1 - LT_TransitionalFactor) \times C_{LT,Old};$$

Where-

$C_{LT,Old}$ = the long-term risk module charge calculated in accordance with paragraph 20A;

$C_{LT,New}$ = the long-term risk module charge calculated in accordance with paragraph 20B;

LT_TransitionalFactor = the transitional factor that increases, from 10% for the financial year beginning on or after 1st January 2024, in equal 10 percentage point increments for each subsequent financial year until it reaches 100% for the financial year ending on or after 1st January 2033, and stays at 100% for all financial years thereafter.
When projecting future Long-Term Insurance Risk charges for the purposes of the Risk Margin calculation, insurers may keep the *LT_TransitionalFactor* fixed at its actual value as of the applicable valuation date ie., without reflecting further run-off of the transitional within the Risk Margin projection.

20A. The $C_{LT,Old}$ charge calculation shall be determined in accordance with the following formula-

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

Where-

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

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

C_i and C_j = risk charge i and risk charge j which are replaced by the following:
$C_{LTmortality}$, $C_{LTstoploss}$, $C_{LTrider}$, $C_{LTmorbidity}$, $C_{LTlongevity}$,
$C_{LTVariableAnnuity}$, $C_{LTotherrisk}$;

$C_{LTmortality}$ = insurance risk – mortality charge for long-term business as calculated in accordance with paragraph 28;

$C_{LTstoploss}$ = insurance risk – stop loss charge for long-term business as calculated in accordance with paragraph 29;

$C_{LTrider}$ = insurance risk – riders charge for long-term business as calculated in accordance with paragraph 30;

$C_{LTmorbidity}$ = insurance risk – morbidity and disability charge for long-term business as calculated in accordance with paragraph 31;

$C_{LTlongevity}$ = insurance risk – longevity charge for long-term business as calculated in accordance with paragraph 32;

$C_{LTVariableAnnuity}$ = variable annuity guarantee risk charge for long-term business as calculated in accordance with paragraph 33; and

$C_{LTotherrisk}$ = other insurance risk charge for long-term business as calculated in accordance with paragraph 34.

Table D – Long-Term Risk Module Correlation Matrix

$CorrLT_{i,j}$	$C_{LTmortality}$	$C_{LTstoploss}$	$C_{LTrider}$	$C_{LTmorbidity}$	$C_{LTlongevity}$	$C_{LTVariableAnnuity}$	$C_{LTotherrisk}$
$C_{LTmortality}$	1						
$C_{LTstoploss}$	0.75	1					
$C_{LTrider}$	0.75	0.75	1				
$C_{LTmorbidity}$	0.25	0	0	1			

$C_{LTlongevity}$	-0.5	-0.5	-0.5	0	1		
$C_{LTVariableAnnuity}$	0	0	0	0	0	1	
$C_{LTotherrisk}$	0.125	0.25	0.25	0.25	0.25	0.25	1

20B. The $C_{LT,New}$ charge calculation shall be determined in accordance with the following formula-

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

Where-

$CorrLT_{i,j}$ = the correlation factors of the long-term risk module correlation matrix in accordance with table E;

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

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

$C_{LTmortality}$, $C_{LTstoploss}$, $C_{LTrider}$, $C_{LTmorbidity}$, $C_{LTlongevity}$,

$C_{LTVariableAnnuity}$, $C_{LTlapse}$, $C_{LTexpense}$;

$C_{LTmortality}$ = insurance risk – mortality charge for long-term business as calculated in accordance with paragraph 28;

$C_{LTstoploss}$ = insurance risk – stop loss charge for long-term business as calculated in accordance with paragraph 29;

$C_{LTrider}$ = insurance risk – riders charge for long-term business as calculated in accordance with paragraph 30;

$C_{LTmorbidity}$ = insurance risk – morbidity and disability charge for long-term business as calculated in accordance with paragraph 31;

$C_{LTlongevity}$ = insurance risk – longevity charge for long-term business as calculated in accordance with paragraph 32;

$C_{LTVariableAnnuity}$ = variable annuity guarantee risk charge for long-term business as calculated in accordance with paragraph 33;

$C_{LTlapse}$ = lapse risk charge for long-term business as calculated in accordance with paragraph 34A; and

$C_{LTexpense}$ = expense risk charge for long-term business as calculated in accordance with paragraph 34B.

Table E – Long-Term Risk Module Correlation Matrix

$CorrLT_{i,j}$	$C_{LTmortality}$	$C_{LTstoploss}$	$C_{LTrider}$	$C_{LTmorbidity}$	$C_{LTlongevity}$	$C_{LTVariableAnnuity}$	C_{LTlaps}	$C_{LTexpens}$
$C_{LTmortality}$	1							
$C_{LTstoploss}$	0.75	1						
$C_{LTrider}$	0.75	0.75	1					
$C_{LTmorbidity}$	0.25	0.00	0.00	1				
$C_{LTlongevity}$	-0.50	-0.50	-0.50	0.00	1			
$C_{LTVariableAnnuity}$	0.00	0.00	0.00	0.00	0.00	1		

$C_{LTlapse}$	0.00	0.00	0.00	0.00	0.25	0.00	1	
$C_{LTexpense}$	0.25	0.5	0.5	0.5	0.25	0.5	0.5	1

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

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

Where—

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

$FIastclass_i$ = value of investment in corresponding asset $class_i$; and

μ_r = additional diversification adjustment factor applied to cash and cash equivalent balances, or 1 for other asset classes; and

Credit Derivatives = the spread risk charge for credit derivatives calculated as per the following formula:

Credit Derivatives = greater of:

i) $CreditDerivatives_{ShockUp}$;

ii) $CreditDerivatives_{ShockDown}$; and

iii) 0.

$CreditDerivatives_{ShockUp}$ = the spread risk charge for credit derivatives resulting from an upward credit spread shock calculated as per the following formula:

$CreditDerivatives_{ShockUp} = \sum_i \left[\left(LCD_i^{BShock} - LCD_i^{AShock}(\chi_i)\right) + \left(SCD_i^{BShock} - SCD_i^{AShock}(\chi_i)\right)\right]$

$CreditDerivatives_{ShockDown}$ = the spread risk charge for credit derivatives resulting from an downward credit spread shock calculated as per the following formula:

$CreditDerivatives_{ShockDown} = \sum_i \left[\left(LCD_i^{BShock} - LCD_i^{AShock}(\chi_i)\right) + \left(SCD_i^{BShock} - SCD_i^{AShock}(\chi_i)\right)\right]$

LCD_i^{BShock} = refers to the valuation of long exposures for credit derivatives before applying the instantaneous shock χ_i as per table 1B

$LCD_i^{AShock}(\chi_i)$ = refers to the valuation of long exposures for credit derivatives after applying instantaneous shock χ_i as per table 1B

SCD_i^{BShock} = refers to the valuation of short exposures for credit derivatives before applying the instantaneous shock χ_i as per table 1B

$SCD_i^{AShock}(\chi_i)$ = refers to the valuation of short exposures for credit derivatives after applying the instantaneous shock χ_i as per table 1B

Table 1A – Capital charge factors for $FIastclass_i$

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

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

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

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

(a) all assets comprising of bonds and debentures, loans, and other miscellaneous investments that are subject to capital charges within the fixed income investment risk charge shall be included;

(b) all non-affiliated quoted and unquoted bonds and debentures shall be included in the fixed income investment charge;

(c) all bonds and debentures, loans, and other miscellaneous investments shall include amounts reported for economic balance sheet reporting purposes and include fixed income risk exposures as determined by application of the "look-through" approach calculated in accordance with the criteria prescribed by the Authority for the following items:

- (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
- (ii) segregated accounts assets and liabilities;
- (iii) deposit asset and liabilities;
- (iv) assets and liabilities held by ceding insurers or under retrocession;
- (v) other sundry assets and liabilities; and
- (vi) derivatives.

(d) The capital requirements relating to cash and cash equivalents shall be reduced by a diversification adjustment of up to a maximum of 40%; and

(e) the diversification adjustment in paragraph (d) is determined as 40% multiplied by 1 minus the ratio of the largest cash and cash equivalent balance held with a single counterparty to the total of all cash and cash equivalent balance.

Table 1B – Spread risk shocks for credit derivatives

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

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

(a) Amounts are to be reported on an EBS Valuation basis.

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

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

Where—

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

$C_{equity}^{grandfathered}$ = the equity risk charge calculated according to paragraph 3 for equity exposures that are grandfathered according to paragraph 23A;

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

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

C_i and C_j = risk charge i and risk charge j which are replaced by the following: C_{Type1}, C_{Type2}, C_{Type3}, C_{Type4};

C_{Type1} = *Type1* equity risk charge as calculated in accordance with paragraph 23 for non-grandfathered equity exposures determined according to paragraph 23A;

C_{Type2} = *Type2* equity risk charge as calculated in accordance with paragraph 23 for non-grandfathered equity exposures determined according to paragraph 23A;

C_{Type3} = *Type3* equity risk charge as calculated in accordance with paragraph 23 for non-grandfathered equity exposures determined according to paragraph 23A;

C_{Type4} = *Type4* equity risk charge as calculated in accordance with paragraph 23 for non-grandfathered equity exposures determined according to paragraph 23A;

Table 2A – Equity Risk Charge Correlation Matrix

$CorrEq_{i,j}$	C_{Type1}	C_{Type2}	C_{Type3}	C_{Type4}
C_{Type1}	1			
C_{Type2}	0.75	1		
C_{Type3}	0.75	0.75	1	
C_{Type4}	0.5	0.5	0.5	1

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

$$C_{Type1} = \max\left\{\sum_{i\in Type1}\left[\begin{array}{c}\max\left(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i),0\right) + \left(SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)\right) + \cdots \\ + \max\left(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i),0\right) - \left(BELiabilities_i^{BShock} - BELiabilities_i^{AShock}(\chi_i)\right)\end{array}\right], 0\right\}$$

$$C_{Type2} = \max\left\{\sum_{i\in Type2}\left[\begin{array}{c}\max\left(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i),0\right) + \left(SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)\right) + \cdots \\ + \max\left(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i),0\right) - \left(BELiabilities_i^{BShock} - BELiabilities_i^{AShock}(\chi_i)\right)\end{array}\right], 0\right\}$$

$$C_{Type3} = \max\left\{\sum_{i\in Type3}\left[\begin{array}{c}\max\left(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i),0\right) + \left(SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)\right) + \cdots \\ + \max\left(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i),0\right) - \left(BELiabilities_i^{BShock} - BELiabilities_i^{AShock}(\chi_i)\right)\end{array}\right], 0\right\}$$

$$C_{Type4} = \max\left\{\sum_{i\in Type4}\left[\begin{array}{c}\max\left(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i),0\right) + \left(SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)\right) + \cdots \\ + \max\left(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i),0\right) - \left(BELiabilities_i^{BShock} - BELiabilities_i^{AShock}(\chi_i)\right)\end{array}\right], 0\right\}$$

Where—

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

Table 2B – Shock for classes of equity

	Assets			Liabilities	Shock Factor
	Long Exposures	Short Exposures			
Equity investments Equity class, *i*		**Qualifying as Assets held for risk-mitigation purposes**	**Not Qualifying as Assets held for risk-mitigation purposes**	**Without Management Action**	χ_i
Type 1 Equity Holdings					
Strategic Holdings – Listed	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 15 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 15	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 15 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 15	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 15 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 15	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 15 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 15	20.0%
Duration Based	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 16 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 16	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 16 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 16	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 16 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 16	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 16 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 16	20.0%
Listed Equity Securities in Developed Markets	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 17 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 17	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 17 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 17	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 17 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 17	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 17 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 17	35%
Preferred Stocks, Rating 1	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 18 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 18	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 18 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 18	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 18 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 18	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 18 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 18	0.6%
Preferred Stocks, Rating 2	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 19 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 19	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 19 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 19	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 19 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 19	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 19 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 19	1.2%
Preferred Stocks, Rating 3	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 20 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 20	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 20 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 20	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 20 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 20	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 20 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 20	2.0%
Preferred Stocks, Rating 4	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 21 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 21	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 21 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 21	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 21 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 21	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 21 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 21	4.0%
Preferred Stocks, Rating 5	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 22 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 22	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 22 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 22	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 22 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 22	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 22 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 22	11.0%
Preferred Stocks, Rating 6	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 23 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 23	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 23 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 23	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 23 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 23	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 23 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 23	25.0%
Preferred Stocks, Rating 7	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 24 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 24	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 24 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 24	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 24 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 24	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 24 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 24	35.0%

Preferred Stocks, Rating 8	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 25 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 25	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 25 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 25	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 25 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 25	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 25 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 25	35.0%
Equity Derivatives on Type 1 Equities	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 26 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 26	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 26 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 26	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 26 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 26	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 26 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 26	35.0%
Subtotal Type 1 Equity Holdings					
Type 2 Equity Holdings					
Strategic Holdings – Unlisted	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 27 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 27	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 27 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 27	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 27 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 27	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 27 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 27	20.0%
Other Equities	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 28 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 28	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 28 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 28	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 28 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 28	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 28 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 28	45.0%
Letters of Credit	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 29 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 29	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 29 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 29	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 29 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 29	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 29 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 29	20.0%
Intangible assets	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 30 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 30	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 30 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 30	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 30 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 30	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 30 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 30	20.0%
Pension Benefit Surplus	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 31 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 31	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 31 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 31	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 31 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 31	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 31 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 31	20.0%
Equity Derivatives on Type 2 Equities	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 32 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 32	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 32 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 32	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 32 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 32	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 32 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 32	45.0%
Subtotal Type 2 Equity Holdings					
Type 3 Equity Holdings					
Infrastructure	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 33 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 33	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 33 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 33	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 33 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 33	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 33 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 33	25.0%
Derivatives on Infrastructure	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 34 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 34	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 34 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 34	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 34 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 34	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 34 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 34	25.0%
Subtotal Type 3 Equity Holdings					

Type 4 Equity Holdings					
Equity Real Estate 1	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 35 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 35	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 35 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 35	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 35 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 35	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 35 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 35	10.0%
Equity Real Estate 2	Schedule IIB, IIC, IID, IIE, & IIF, Column (1), Line 36 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 36	Schedule IIB, IIC, IID, IIE, & IIF, Column (3), Line 36 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 36	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 36 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 36	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 36 Less Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 36	20.0%
Subtotal Type 4 Equity Holdings					
Total Equity Risk before Diversification					

Aggregation of Risks

Correlation Matrix	Type 1	Type 2	Type 3	Type 4
Type 1	1			
Type 2	0.75	1		
Type 3	0.75	0.75	1	
Type 4	0.50	0.50	0.50	1

Total Type 1 Risk without Management Actions
Total Type 2 Risk without Management Actions
Total Type 3 Risk without Management Actions
Total Type 4 Risk without Management Actions
Total Equity Risk after Diversification

INSTRUCTIONS AFFECTING TABLE 2B: Shocks for $Eqastclass_i$

(a) all assets (except regulated non-insurance financial operating entities) and liabilities (except the risk margin) whose value is subject to equity risk shocks are to be reported on a basis consistent with that used for the purposes of economic balance sheet reporting. Such assets and liabilities shall include equity risk exposures determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for the following items:

(i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
(ii) segregated accounts assets and liabilities;
(iii) deposit asset and liabilities;
(iv) assets and liabilities held by ceding insurers or under retrocession;
(v) other sundry assets and liabilities; and
(vi) derivatives.

(b) for asset types referred to in paragraph (a) (i) to (vi) where the "look through" approach cannot be applied, the residual balance shall be included in "Equity Securities – Other Investments";

(c) short exposures qualifying as assets held for risk-mitigation purposes and short exposures not qualifying as assets held for risk-mitigation purposes, shall both be determined in accordance with criteria prescribed by the Authority; and

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

23A. The equity investments that are eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 are determined as follows:

i. The average value of equities as percentage of total assets over the prior three financial year ends before January 1st 2019 (i.e., over the financial years ending 2016 to 2018) is calculated.
   a. Similarly, for each class of equities in accordance with Table 2B, the average amounts as a percentage of total equities shall be determined over the same prior three years, i.e. the allocations for each equity class.

ii. The total amount of equities eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 at each year end is determined by multiplying the amount of legacy reserves by the equity percentage of paragraph i., where
   a. "Legacy reserves" are defined as the long term best estimate labilities, at the applicable point in time (financial year-end), for insurance business carried on as at December 31st 2018.
   b. The total amount of equities eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 at each year end shall not be greater than the amount of the legacy reserves.

iii. The equity investments eligible to being used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 per equity class are calculated by multiplying the total amount in paragraph ii. by the equity class allocation in paragraph i.

iv. Future applicable reserves shall be capped at the initial reserve. The amount of equities eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 can therefore never be greater than the initial amount.

v. Equities that are eligible to be used being used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 may be traded or replaced within a specific equity class and still receive the aforementioned treatment.

24. The interest rate/liquidity risk charge calculation may be calculated in accordance with paragraph 4 or the formula below. Where an insurer decides to utilise the formula below, it will only be allowed to revert back and utilise the calculations prescribed in paragraph 4 where it has received the written approval of the Authority pursuant to an application made in accordance with section 6D of the Act.

$$C_{Interest} = \max\{\max(Shock_{IR,Down}, Shock_{IR,Up}) - OffSet_{ScenarioBased}, 0\};$$

Where—

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

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

$$\omega = Down, Up$$

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

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

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

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

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

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

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

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

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

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

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

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

Currency	$MVA^{CCY,Q}_{Before}$ - $MVA^{CCY,Q}_{After}$	$MVA^{CCY,NQ}_{Before}$ - $MVA^{CCY,NQ}_{After}$	MVL^{CCY}_{Before} - MVL^{CCY}_{After}	Shock Vector $\chi(CCY, Down)$
Interest Rate Down – Derivative Exposure				
United States Dollars	Schedule XXIII, Column F Line 1 Less Schedule XXIII Column G, Line 1	Schedule XXIII, Column H Line 1 Less Schedule XXIII Column I, Line 1	Schedule XXIII, Column J Line 1 Less Schedule XXIII Column K, Line 1	*
Euro	Schedule XXIII, Column F Line 2 Less Schedule XXIII Column G, Line 2	Schedule XXIII, Column H Line 2 Less Schedule XXIII Column I, Line 2	Schedule XXIII, Column J Line 2 Less Schedule XXIII Column K, Line 2	*
United Kingdom Pounds	Schedule XXIII, Column F Line 3 Less Schedule XXIII Column G, Line 3	Schedule XXIII, Column H Line 3 Less Schedule XXIII Column I, Line 3	Schedule XXIII, Column J Line 3 Less Schedule XXIII Column K, Line 3	*
Japan Yen	Schedule XXIII, Column F Line 4 Less Schedule XXIII Column G, Line 4	Schedule XXIII, Column H Line 4 Less Schedule XXIII Column I, Line 4	Schedule XXIII, Column J Line 4 Less Schedule XXIII Column K, Line 4	*
Canada Dollars	Schedule XXIII, Column F Line 5 Less Schedule XXIII Column G, Line 5	Schedule XXIII, Column H Line 5 Less Schedule XXIII Column I, Line 5	Schedule XXIII, Column J Line 5 Less Schedule XXIII Column K, Line 5	*
Swiss Francs	Schedule XXIII, Column F Line 6 Less Schedule XXIII Column G, Line 6	Schedule XXIII, Column H Line 6 Less Schedule XXIII Column I, Line 6	Schedule XXIII, Column J Line 6 Less Schedule XXIII Column K, Line 6	*
Australia Dollars	Schedule XXIII, Column F Line 7 Less Schedule XXIII Column G, Line 7	Schedule XXIII, Column H Line 7 Less Schedule XXIII Column I, Line 7	Schedule XXIII, Column J Line 7 Less Schedule XXIII Column K, Line 7	*
New Zealand Dollars	Schedule XXIII, Column F Line 8 Less Schedule XXIII Column G, Line 8	Schedule XXIII, Column H Line 8 Less Schedule XXIII Column I, Line 8	Schedule XXIII, Column J Line 8 Less Schedule XXIII Column K, Line 8	*
Other currency 1	Schedule XXIII, Column F Line 9 Less Schedule XXIII Column G, Line 9	Schedule XXIII, Column H Line 9 Less Schedule XXIII Column I, Line 9	Schedule XXIII, Column J Line 9 Less Schedule XXIII Column K, Line 9	*
Other currency 2	Schedule XXIII, Column F Line 10 Less Schedule XXIII Column G, Line 10	Schedule XXIII, Column H Line 10 Less Schedule XXIII Column I, Line 10	Schedule XXIII, Column J Line 10 Less Schedule XXIII Column K, Line 10	*
Other currency 3	Schedule XXIII, Column F Line 11 Less Schedule XXIII Column G, Line 11	Schedule XXIII, Column H Line 11 Less Schedule XXIII Column I, Line 11	Schedule XXIII, Column J Line 11 Less Schedule XXIII Column K, Line 11	*
Other currency 4	Schedule XXIII, Column F Line 12 Less Schedule XXIII Column G, Line 12	Schedule XXIII, Column H Line 12 Less Schedule XXIII Column I, Line 12	Schedule XXIII, Column J Line 12 Less Schedule XXIII Column K, Line 12	*
Other currency 5	Schedule XXIII, Column F Line 13 Less Schedule XXIII Column G, Line 13	Schedule XXIII, Column H Line 13 Less Schedule XXIII Column I, Line 13	Schedule XXIII, Column J Line 13 Less Schedule XXIII Column K, Line 13	*
Other currency 6	Schedule XXIII, Column F Line 14 Less Schedule XXIII Column G, Line 14	Schedule XXIII, Column H Line 14 Less Schedule XXIII Column I, Line 14	Schedule XXIII, Column J Line 14 Less Schedule XXIII Column K, Line 14	*
Other currency 7	Schedule XXIII, Column F Line 15 Less Schedule XXIII Column G, Line 15	Schedule XXIII, Column H Line 15 Less Schedule XXIII Column I, Line 15	Schedule XXIII, Column J Line 15 Less Schedule XXIII Column K, Line 15	*
Other currency 8	Schedule XXIII, Column F Line 16 Less Schedule XXIII Column G, Line 16	Schedule XXIII, Column H Line 16 Less Schedule XXIII Column I, Line 16	Schedule XXIII, Column J Line 16 Less Schedule XXIII Column K, Line 16	*
Other currency 9	Schedule XXIII, Column F Line 17 Less Schedule XXIII Column G, Line 17	Schedule XXIII, Column H Line 17 Less Schedule XXIII Column I, Line 17	Schedule XXIII, Column J Line 17 Less Schedule XXIII Column K, Line 17	*
Other currency 10	Schedule XXIII, Column F Line 18 Less Schedule XXIII Column G, Line 18	Schedule XXIII, Column H Line 18 Less Schedule XXIII Column I, Line 18	Schedule XXIII, Column J Line 18 Less Schedule XXIII Column K, Line 18	*

Currency	$MVA^{CCY}_{Before} - MVA^{CCY}_{After}$	$MVL^{CCY}_{Before} - MVL^{CCY}_{After}$	Shock Vector $\chi(CCY, Up)$
Interest Rate Up – Exposures without Derivatives			
United States Dollars	Schedule XXIII, Column A Line 20 Less Schedule XXIII Column B, Line 20	Schedule XXIII, Column C Line 20 Less Schedule XXIII Column D, Line 20	*
Euro	Schedule XXIII, Column A Line 21 Less Schedule XXIII Column B, Line 21	Schedule XXIII, Column C Line 21 Less Schedule XXIII Column D, Line 21	*
United Kingdom Pounds	Schedule XXIII, Column A Line 22 Less Schedule XXIII Column B, Line 22	Schedule XXIII, Column C Line 22 Less Schedule XXIII Column D, Line 22	*
Japan Yen	Schedule XXIII, Column A Line 23 Less Schedule XXIII Column B, Line 23	Schedule XXIII, Column C Line 23 Less Schedule XXIII Column D, Line 23	*
Canada Dollars	Schedule XXIII, Column A Line 24 Less Schedule XXIII Column B, Line 24	Schedule XXIII, Column C Line 24 Less Schedule XXIII Column D, Line 24	*
Swiss Francs	Schedule XXIII, Column A Line 25 Less Schedule XXIII Column B, Line 25	Schedule XXIII, Column C Line 25 Less Schedule XXIII Column D, Line 25	*
Australia Dollars	Schedule XXIII, Column A Line 26 Less Schedule XXIII Column B, Line 26	Schedule XXIII, Column C Line 26 Less Schedule XXIII Column D, Line 26	*
New Zealand Dollars	Schedule XXIII, Column A Line 27 Less Schedule XXIII Column B, Line 27	Schedule XXIII, Column C Line 27 Less Schedule XXIII Column D, Line 27	*
Other currency 1	Schedule XXIII, Column A Line 28 Less Schedule XXIII Column B, Line 28	Schedule XXIII, Column C Line 28 Less Schedule XXIII Column D, Line 28	*
Other currency 2	Schedule XXIII, Column A Line 29 Less Schedule XXIII Column B, Line 29	Schedule XXIII, Column C Line 29 Less Schedule XXIII Column D, Line 29	*
Other currency 3	Schedule XXIII, Column A Line 30 Less Schedule XXIII Column B, Line 30	Schedule XXIII, Column C Line 30 Less Schedule XXIII Column D, Line 30	*
Other currency 4	Schedule XXIII, Column A Line 31 Less Schedule XXIII Column B, Line 31	Schedule XXIII, Column C Line 31 Less Schedule XXIII Column D, Line 31	*
Other currency 5	Schedule XXIII, Column A Line 32 Less Schedule XXIII Column B, Line 32	Schedule XXIII, Column C Line 32 Less Schedule XXIII Column D, Line 32	*
Other currency 6	Schedule XXIII, Column A Line 33 Less Schedule XXIII Column B, Line 33	Schedule XXIII, Column C Line 33 Less Schedule XXIII Column D, Line 33	*
Other currency 7	Schedule XXIII, Column A Line 34 Less Schedule XXIII Column B, Line 34	Schedule XXIII, Column C Line 34 Less Schedule XXIII Column D, Line 34	*
Other currency 8	Schedule XXIII, Column A Line 35 Less Schedule XXIII Column B, Line 35	Schedule XXIII, Column C Line 35 Less Schedule XXIII Column D, Line 35	*
Other currency 9	Schedule XXIII, Column A Line 36 Less Schedule XXIII Column B, Line 36	Schedule XXIII, Column C Line 36 Less Schedule XXIII Column D, Line 36	*
Other currency 10	Schedule XXIII, Column A Line 37 Less Schedule XXIII Column B, Line 37	Schedule XXIII, Column C Line 37 Less Schedule XXIII Column D, Line 37	*

Currency	$MVA_{Before}^{CCY,Q} - MVA_{After}^{CCY,Q}$	$MVA_{Before}^{CCY,NQ} - MVA_{After}^{CCY,NQ}$	$MVL_{Before}^{CCY} - MVL_{After}^{CCY}$	Shock Vector $\chi(CCY, Up)$
Interest Rate Up – Derivative Exposure				
United States Dollars	Schedule XXIII, Column F Line 20 Less Schedule XXIII Column G, Line 20	Schedule XXIII, Column H Line 20 Less Schedule XXIII Column I, Line 20	Schedule XXIII, Column J Line 20 Less Schedule XXIII Column K, Line 20	*
Euro	Schedule XXIII, Column F Line 21 Less Schedule XXIII Column G, Line 21	Schedule XXIII, Column H Line 21 Less Schedule XXIII Column I, Line 21	Schedule XXIII, Column J Line 21 Less Schedule XXIII Column K, Line 21	*
United Kingdom Pounds	Schedule XXIII, Column F Line 22 Less Schedule XXIII Column G, Line 22	Schedule XXIII, Column H Line 22 Less Schedule XXIII Column I, Line 22	Schedule XXIII, Column J Line 22 Less Schedule XXIII Column K, Line 22	*
Japan Yen	Schedule XXIII, Column F Line 23 Less Schedule XXIII Column G, Line 23	Schedule XXIII, Column H Line 23 Less Schedule XXIII Column I, Line 23	Schedule XXIII, Column J Line 23 Less Schedule XXIII Column K, Line 23	*
Canada Dollars	Schedule XXIII, Column F Line 24 Less Schedule XXIII Column G, Line 24	Schedule XXIII, Column H Line 24 Less Schedule XXIII Column I, Line 24	Schedule XXIII, Column J Line 24 Less Schedule XXIII Column K, Line 24	*
Swiss Francs	Schedule XXIII, Column F Line 25 Less Schedule XXIII Column G, Line 25	Schedule XXIII, Column H Line 25 Less Schedule XXIII Column I, Line 25	Schedule XXIII, Column J Line 25 Less Schedule XXIII Column K, Line 25	*
Australia Dollars	Schedule XXIII, Column F Line 26 Less Schedule XXIII Column G, Line 26	Schedule XXIII, Column H Line 26 Less Schedule XXIII Column I, Line 26	Schedule XXIII, Column J Line 26 Less Schedule XXIII Column K, Line 26	*
New Zealand Dollars	Schedule XXIII, Column F Line 27 Less Schedule XXIII Column G, Line 27	Schedule XXIII, Column H Line 27 Less Schedule XXIII Column I, Line 27	Schedule XXIII, Column J Line 27 Less Schedule XXIII Column K, Line 27	*
Other currency 1	Schedule XXIII, Column F Line 28 Less Schedule XXIII Column G, Line 28	Schedule XXIII, Column H Line 28 Less Schedule XXIII Column I, Line 28	Schedule XXIII, Column J Line 28 Less Schedule XXIII Column K, Line 28	*
Other currency 2	Schedule XXIII, Column F Line 29 Less Schedule XXIII Column G, Line 29	Schedule XXIII, Column H Line 29 Less Schedule XXIII Column I, Line 29	Schedule XXIII, Column J Line 29 Less Schedule XXIII Column K, Line 29	*
Other currency 3	Schedule XXIII, Column F Line 30 Less Schedule XXIII Column G, Line 30	Schedule XXIII, Column H Line 30 Less Schedule XXIII Column I, Line 30	Schedule XXIII, Column J Line 30 Less Schedule XXIII Column K, Line 30	*
Other currency 4	Schedule XXIII, Column F Line 31 Less Schedule XXIII Column G, Line 31	Schedule XXIII, Column H Line 31 Less Schedule XXIII Column I, Line 31	Schedule XXIII, Column J Line 31 Less Schedule XXIII Column K, Line 31	*
Other currency 5	Schedule XXIII, Column F Line 32 Less Schedule XXIII Column G, Line 32	Schedule XXIII, Column H Line 32 Less Schedule XXIII Column I, Line 32	Schedule XXIII, Column J Line 32 Less Schedule XXIII Column K, Line 32	*
Other currency 6	Schedule XXIII, Column F Line 33 Less Schedule XXIII Column G, Line 33	Schedule XXIII, Column H Line 33 Less Schedule XXIII Column I, Line 33	Schedule XXIII, Column J Line 33 Less Schedule XXIII Column K, Line 33	*
Other currency 7	Schedule XXIII, Column F Line 34 Less Schedule XXIII Column G, Line 34	Schedule XXIII, Column H Line 34 Less Schedule XXIII Column I, Line 34	Schedule XXIII, Column J Line 34 Less Schedule XXIII Column K, Line 34	*
Other currency 8	Schedule XXIII, Column F Line 35 Less Schedule XXIII Column G, Line 35	Schedule XXIII, Column H Line 35 Less Schedule XXIII Column I, Line 35	Schedule XXIII, Column J Line 35 Less Schedule XXIII Column K, Line 35	*
Other currency 9	Schedule XXIII, Column F Line 36 Less Schedule XXIII Column G, Line 36	Schedule XXIII, Column H Line 36 Less Schedule XXIII Column I, Line 36	Schedule XXIII, Column J Line 36 Less Schedule XXIII Column K, Line 36	*
Other currency 10	Schedule XXIII, Column F Line 37 Less Schedule XXIII Column G, Line 37	Schedule XXIII, Column H Line 37 Less Schedule XXIII Column I, Line 37	Schedule XXIII, Column J Line 37 Less Schedule XXIII Column K, Line 37	*

* Shall be prescribed by the Authority.

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

(a) all assets sensitive to interest rates shall be included in the table, including but not limited to fixed income assets, hybrid instruments, deposits, loans (including mortgage and policyholder loans), reinsurance balance receivables and exposures as determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for the following items:
- (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
- (ii) segregated accounts assets;
- (iii) deposit asset;
- (iv) other sundry;
- (v) derivatives;
- (vi) funds held by ceding insurers.

(b) all liabilities sensitive to interest rates shall be included in the table, including but not limited to best estimate of insurance liabilities, other liabilities (except risk margin) and liability exposures determined by application of the "look-through" approach calculated in accordance with the criteria prescribed by the Authority for the following items:
- (i) segregated accounts liabilities;
- (ii) deposit liabilities;
- (iii) other sundry liabilities;
- (iv) derivatives;
- (v) funds held under retrocession.

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

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

$$C_{Currency} = \sum_i \max\left\{\begin{bmatrix} \left(MVA_{i,Before} - MVA_{i,After}(\chi_i)\right) + \left(MVDL^{Q}_{i,Before} - MVDL^{Q}_{i,After}(\chi_i)\right) + \cdots \\ + \left(MVDS^{Q}_{i,Before} - MVDS^{Q}_{i,After}(\chi_i)\right) + \max\left(MVDL^{NQ}_{i,Before} - MVDL^{NQ}_{i,After}(\chi_i), 0\right) + \cdots \\ + \max\left(MVDS^{NQ}_{i,Before} - MVDS^{NQ}_{i,After}(\chi_i), 0\right) - \left(MVL_{i,Before} - MVL_{i,After}(\chi_i)\right) + \cdots \\ + Currproxybscr_i \times \chi_i \end{bmatrix}, 0\right\}$$

Where—

χ_i = the instantaneous shocks prescribed in Table 4A for each type of currency where ($MVA_{i,Before} + MVDL^{Q}_{i,Before} + MVDS^{Q}_{i,Before} + MVDL^{NQ}_{i,Before} + MVDS^{NQ}_{i,Before} - MVL_{i,Before} - Currproxybscr_i$)<0 and 0 otherwise;

$Currency_i$ = refers to currency type that has been converted to the functional currency as reported in Form 1EBS

$MVA_{i,Before}$ = refers to the market value of assets excluding currency-sensitive derivatives prescribed by the Authority by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVA_{i,After}$ = refers to the revaluation of assets excluding currency-sensitive derivatives after shocking by $\chi(\text{CCY})$ where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVDL^{Q}_{i,Before}$ = refers to the market value of long positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVDL^{Q}_{i,After}$ = refers to the revaluation of long positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(\text{CCY})$ where (CCY) refers to currency type, and χ refers to

the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVDS^{Q}_{i,Before}$ = refers to the market value of short positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVDS^{Q}_{i,After}$ = refers to the revaluation of short positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(CCY)$ where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVDL^{NQ}_{i,Before}$ = refers to the market value of long positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVDL^{NQ}_{i,After}$ = refers to the revaluation of long positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(CCY)$ where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVDS^{NQ}_{i,Before}$ = refers to the market value of short positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVDS^{NQ}_{i,After}$ = refers to the revaluation of short positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(CCY)$ where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVL_{i,Before}$ = refers to the market value of the best estimate of insurance liabilities and other liabilities by currency type that has been converted to the functional currency as reported in Form 1EBS;

$MVL_{i,After}$ = refers to the revaluation of the best estimate of insurance liabilities and other liabilities after shocking by $\chi(CCY)$ where (CCY) refers to currency type and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$Currproxybscr_i$ = refers to the product of $MVL_{i,Before}$ and BSCR Proxy factor;

BSCR Proxy factor = greater of paragraphs (a) and (b) below:

(a) the ECR divided by Form 1EBS Line 39 Total Liabilities for the preceding year and

(b) the average of the above ratio for the preceding three years.

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

Table 4A – Shocks for Currency Risk

Currency	$MVA_{i,Before}$ - $MVA_{i,After}$	Long Exposure		Short Exposure		$MVL_{i,Before}$- $MVL_{i,After}$	Shock	
		$MVDL^{Q}_{i,Before}$ - $MVDL^{Q}_{i,After}$	$MVDL^{NQ}_{i,Before}$ - $MVDL^{NQ}_{i,After}$	$MVDS^{Q}_{i,Before}$ - $MVDS^{Q}_{i,After}$	$MVDS^{NQ}_{i,Before}$ - $MVDS^{NQ}_{i,After}$		If reporting currency χ_i	Other wise χ_i
United States Dollar	Schedule XXA, Column A, Line 1 Less Schedule XXA, Column G, Line 1	Schedule XXA, Column B, Line 1 Less Schedule XXA, Column H, Line 1	Schedule XXA, Column C, Line 1 Less Schedule XXA, Column I, Line 1	Schedule XXA, Column D, Line 1 Less Schedule XXA, Column J, Line 1	Schedule XXA, Column E, Line 1 Less Schedule XXA, Column K, Line 1	Schedule XXA, Column F, Line 1 Less Schedule XXA, Column L, Line 1	0%	A
Bermuda Dollar	Schedule XXA, Column A, Line 2 Less Schedule XXA, Column G, Line 2	Schedule XXA, Column B, Line 2 Less Schedule XXA, Column H, Line 2	Schedule XXA, Column C, Line 2 Less Schedule XXA, Column I, Line 2	Schedule XXA, Column D, Line 2 Less Schedule XXA, Column J, Line 2	Schedule XXA, Column E, Line 2 Less Schedule XXA, Column K, Line 2	Schedule XXA, Column F, Line 2 Less Schedule XXA, Column L, Line 2	0%	B
Qatari Riyal	Schedule XXA, Column A, Line 3 Less Schedule XXA, Column G, Line 3	Schedule XXA, Column B, Line 3 Less Schedule XXA, Column H, Line 3	Schedule XXA, Column C, Line 3 Less Schedule XXA, Column I, Line 3	Schedule XXA, Column D, Line 3 Less Schedule XXA, Column J, Line 3	Schedule XXA, Column E, Line 3 Less Schedule XXA, Column K, Line 3	Schedule XXA, Column F, Line 3 Less Schedule XXA, Column L, Line 3	0%	C
Hong Kong Dollar	Schedule XXA, Column A, Line 4 Less Schedule XXA, Column G, Line 4	Schedule XXA, Column B, Line 4 Less Schedule XXA, Column H, Line 4	Schedule XXA, Column C, Line 4 Less Schedule XXA, Column I, Line 4	Schedule XXA, Column D, Line 4 Less Schedule XXA, Column J, Line 4	Schedule XXA, Column E, Line 4 Less Schedule XXA, Column K, Line 4	Schedule XXA, Column F, Line 4 Less Schedule XXA, Column L, Line 4	0%	D
Euro	Schedule XXA, Column A, Line 5 Less Schedule XXA, Column G, Line 5	Schedule XXA, Column B, Line 5 Less Schedule XXA, Column H, Line 5	Schedule XXA, Column C, Line 5 Less Schedule XXA, Column I, Line 5	Schedule XXA, Column D, Line 5 Less Schedule XXA, Column J, Line 5	Schedule XXA, Column E, Line 5 Less Schedule XXA, Column K, Line 5	Schedule XXA, Column F, Line 5 Less Schedule XXA, Column L, Line 5	0%	E
Danish Krone	Schedule XXA, Column A, Line 6 Less Schedule XXA, Column G, Line 6	Schedule XXA, Column B, Line 6 Less Schedule XXA, Column H, Line 6	Schedule XXA, Column C, Line 6 Less Schedule XXA, Column I, Line 6	Schedule XXA, Column D, Line 6 Less Schedule XXA, Column J, Line 6	Schedule XXA, Column E, Line 6 Less Schedule XXA, Column K, Line 6	Schedule XXA, Column F, Line 6 Less Schedule XXA, Column L, Line 6	0%	F
Bulgarian Lev	Schedule XXA, Column A, Line 7 Less Schedule XXA, Column G, Line 7	Schedule XXA, Column B, Line 7 Less Schedule XXA, Column H, Line 7	Schedule XXA, Column C, Line 7 Less Schedule XXA, Column I, Line 7	Schedule XXA, Column D, Line 7 Less Schedule XXA, Column J, Line 7	Schedule XXA, Column E, Line 7 Less Schedule XXA, Column K, Line 7	Schedule XXA, Column F, Line 7 Less Schedule XXA, Column L, Line 7	0%	G
West African CFA Franc	Schedule XXA, Column A, Line 8 Less Schedule XXA, Column G, Line 8	Schedule XXA, Column B, Line 8 Less Schedule XXA, Column H, Line 8	Schedule XXA, Column C, Line 8 Less Schedule XXA, Column I, Line 8	Schedule XXA, Column D, Line 8 Less Schedule XXA, Column J, Line 8	Schedule XXA, Column E, Line 8 Less Schedule XXA, Column K, Line 8	Schedule XXA, Column F, Line 8 Less Schedule XXA, Column L, Line 8	0%	H
Central African CFA Franc	Schedule XXA, Column A, Line 9 Less Schedule XXA, Column G, Line 9	Schedule XXA, Column B, Line 9 Less Schedule XXA, Column H, Line 9	Schedule XXA, Column C, Line 9 Less Schedule XXA, Column I, Line 9	Schedule XXA, Column D, Line 9 Less Schedule XXA, Column J, Line 9	Schedule XXA, Column E, Line 9 Less Schedule XXA, Column K, Line 9	Schedule XXA, Column F, Line 9 Less Schedule XXA, Column L, Line 9	0%	I
Comorian Franc	Schedule XXA, Column A, Line 10 Less Schedule XXA, Column G, Line 10	Schedule XXA, Column B, Line 10 Less Schedule XXA, Column H, Line 10	Schedule XXA, Column C, Line 10 Less Schedule XXA, Column I, Line 10	Schedule XXA, Column D, Line 10 Less Schedule XXA, Column J, Line 10	Schedule XXA, Column E, Line 10 Less Schedule XXA, Column K, Line 10	Schedule XXA, Column F, Line 10 Less Schedule XXA, Column L, Line 10	0%	J
United Kingdom Pound	Schedule XXA, Column A, Line 11 Less Schedule XXA, Column G, Line 11	Schedule XXA, Column B, Line 11 Less Schedule XXA, Column H, Line 11	Schedule XXA, Column C, Line 11 Less Schedule XXA, Column I, Line 11	Schedule XXA, Column D, Line 11 Less Schedule XXA, Column J, Line 11	Schedule XXA, Column E, Line 11 Less Schedule XXA, Column K, Line 11	Schedule XXA, Column F, Line 11 Less Schedule XXA, Column L, Line 11	0%	25.00%
Canada Dollar	Schedule XXA, Column A, Line 12 Less Schedule XXA, Column G, Line 12	Schedule XXA, Column B, Line 12 Less Schedule XXA, Column H, Line 12	Schedule XXA, Column C, Line 12 Less Schedule XXA, Column I, Line 12	Schedule XXA, Column D, Line 12 Less Schedule XXA, Column J, Line 12	Schedule XXA, Column E, Line 12 Less Schedule XXA, Column K, Line 12	Schedule XXA, Column F, Line 12 Less Schedule XXA, Column L, Line 12	0%	25.00%

Japan Yen	Schedule XXA, Column A, Line 13 Less Schedule XXA, Column G, Line 13	Schedule XXA, Column B, Line 13 Less Schedule XXA, Column H, Line 13	Schedule XXA, Column C, Line 13 Less Schedule XXA, Column I, Line 13	Schedule XXA, Column D, Line 13 Less Schedule XXA, Column J, Line 13	Schedule XXA, Column E, Line 13 Less Schedule XXA, Column K, Line 13	Schedule XXA, Column F, Line 13 Less Schedule XXA, Column L, Line 13	0%	25.00%
Other currency 1	Schedule XXA, Column A, Line 14 Less Schedule XXA, Column G, Line 14	Schedule XXA, Column B, Line 14 Less Schedule XXA, Column H, Line 14	Schedule XXA, Column C, Line 14 Less Schedule XXA, Column I, Line 14	Schedule XXA, Column D, Line 14 Less Schedule XXA, Column J, Line 14	Schedule XXA, Column E, Line 14 Less Schedule XXA, Column K, Line 14	Schedule XXA, Column F, Line 14 Less Schedule XXA, Column L, Line 14	0%	25.00%
Other currency 2	Schedule XXA, Column A, Line 15 Less Schedule XXA, Column G, Line 15	Schedule XXA, Column B, Line 15 Less Schedule XXA, Column H, Line 15	Schedule XXA, Column C, Line 15 Less Schedule XXA, Column I, Line 15	Schedule XXA, Column D, Line 15 Less Schedule XXA, Column J, Line 15	Schedule XXA, Column E, Line 15 Less Schedule XXA, Column K, Line 15	Schedule XXA, Column F, Line 15 Less Schedule XXA, Column L, Line 15	0%	25.00%
Other currency 3	Schedule XXA, Column A, Line 16 Less Schedule XXA, Column G, Line 16	Schedule XXA, Column B, Line 16 Less Schedule XXA, Column H, Line 16	Schedule XXA, Column C, Line 16 Less Schedule XXA, Column I, Line 16	Schedule XXA, Column D, Line 16 Less Schedule XXA, Column J, Line 16	Schedule XXA, Column E, Line 16 Less Schedule XXA, Column K, Line 16	Schedule XXA, Column F, Line 16 Less Schedule XXA, Column L, Line 16	0%	25.00%
Other currency 4	Schedule XXA, Column A, Line 17 Less Schedule XXA, Column G, Line 17	Schedule XXA, Column B, Line 17 Less Schedule XXA, Column H, Line 17	Schedule XXA, Column C, Line 17 Less Schedule XXA, Column I, Line 17	Schedule XXA, Column D, Line 17 Less Schedule XXA, Column J, Line 17	Schedule XXA, Column E, Line 17 Less Schedule XXA, Column K, Line 17	Schedule XXA, Column F, Line 17 Less Schedule XXA, Column L, Line 17	0%	25.00%
Other currency 5	Schedule XXA, Column A, Line 18 Less Schedule XXA, Column G, Line 18	Schedule XXA, Column B, Line 18 Less Schedule XXA, Column H, Line 18	Schedule XXA, Column C, Line 18 Less Schedule XXA, Column I, Line 18	Schedule XXA, Column D, Line 18 Less Schedule XXA, Column J, Line 18	Schedule XXA, Column E, Line 18 Less Schedule XXA, Column K, Line 18	Schedule XXA, Column F, Line 18 Less Schedule XXA, Column L, Line 18	0%	25.00%
Other currency 6	Schedule XXA, Column A, Line 19 Less Schedule XXA, Column G, Line 19	Schedule XXA, Column B, Line 19 Less Schedule XXA, Column H, Line 19	Schedule XXA, Column C, Line 19 Less Schedule XXA, Column I, Line 19	Schedule XXA, Column D, Line 19 Less Schedule XXA, Column J, Line 19	Schedule XXA, Column E, Line 19 Less Schedule XXA, Column K, Line 19	Schedule XXA, Column F, Line 19 Less Schedule XXA, Column L, Line 19	0%	25.00%
Other currency 7	Schedule XXA, Column A, Line 20 Less Schedule XXA, Column G, Line 20	Schedule XXA, Column B, Line 20 Less Schedule XXA, Column H, Line 20	Schedule XXA, Column C, Line 20 Less Schedule XXA, Column I, Line 20	Schedule XXA, Column D, Line 20 Less Schedule XXA, Column J, Line 20	Schedule XXA, Column E, Line 20 Less Schedule XXA, Column K, Line 20	Schedule XXA, Column F, Line 20 Less Schedule XXA, Column L, Line 20	0%	25.00%
Other currency 8	Schedule XXA, Column A, Line 21 Less Schedule XXA, Column G, Line 21	Schedule XXA, Column B, Line 21 Less Schedule XXA, Column H, Line 21	Schedule XXA, Column C, Line 21 Less Schedule XXA, Column I, Line 21	Schedule XXA, Column D, Line 21 Less Schedule XXA, Column J, Line 21	Schedule XXA, Column E, Line 21 Less Schedule XXA, Column K, Line 21	Schedule XXA, Column F, Line 21 Less Schedule XXA, Column L, Line 21	0%	25.00%
Other currency 9	Schedule XXA, Column A, Line 22 Less Schedule XXA, Column G, Line 22	Schedule XXA, Column B, Line 22 Less Schedule XXA, Column H, Line 22	Schedule XXA, Column C, Line 22 Less Schedule XXA, Column I, Line 22	Schedule XXA, Column D, Line 22 Less Schedule XXA, Column J, Line 22	Schedule XXA, Column E, Line 22 Less Schedule XXA, Column K, Line 22	Schedule XXA, Column F, Line 22 Less Schedule XXA, Column L, Line 22	0%	25.00%
Other currency 10	Schedule XXA, Column A, Line 23 Less Schedule XXA, Column G, Line 23	Schedule XXA, Column B, Line 23 Less Schedule XXA, Column H, Line 23	Schedule XXA, Column C, Line 23 Less Schedule XXA, Column I, Line 23	Schedule XXA, Column D, Line 23 Less Schedule XXA, Column J, Line 23	Schedule XXA, Column E, Line 23 Less Schedule XXA, Column K, Line 23	Schedule XXA, Column F, Line 23 Less Schedule XXA, Column L, Line 23	0%	25.00%

INSTRUCTIONS AFFECTING TABLE 4A: Shocks for Currency Risk

(a) The initials "A" to "J" on the column labeled "Shock Otherwise χ_i" shall be replaced by the following shock values:

- "A" by:
  - "0%" if the reporting currency is the Bermuda Dollar or,
  - "5.00%" if the reporting currency is the Qatari Riyal or,
  - "1.00%" if the reporting currency is the Hong Kong Dollar or,
  - "25%" otherwise.
- "B" by:
  - "0%" if the reporting currency is the United States Dollar or,
  - "25%" otherwise.
- "C" by:
  - "5.00%" if the reporting currency is the United States Dollar or,
  - "25%" otherwise.
- "D" by:
  - "1.00%" if reporting currency is the United States Dollar or,
  - "25%" otherwise.
- "E" by:
  - "0.39%" if the reporting currency is the Danish Krone or,
  - "1.81%" if the reporting currency is the Bulgarian Lev or,
  - "2.18%" if the reporting currency is the West African CFA Franc or,
  - "1.96%" if the reporting currency is the Central African CFA Franc or,
  - "2.00%" if the reporting currency is the Comorian Franc or,
  - "25%" otherwise.
- "F" by:
  - "0.39%" if reporting currency is the Euro or,
  - "25%" otherwise.
- "G" by:
  - "1.81%" if reporting currency is the Euro or,
  - "25%" otherwise.
- "H" by:
  - "2.18%" if reporting currency is the Euro or,
  - "25%" otherwise.
- "I" by:
  - "1.96%" if reporting currency is the Euro or,
  - "25%" otherwise.
- "J" by:
  - "2.00%" if reporting currency is the Euro or,
  - "25%" otherwise.

(b) all assets and liabilities (except the risk margin) whose value is subject to currency risk shocks shall be reported on a basis consistent with that used for purposes of economic balance sheet reporting. These assets and liabilities shall include currency risk exposures determined by application of the "look-through approach" calculated in accordance with criteria prescribed by the Authority for the following items:

(i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
(ii) segregated accounts assets and liabilities;
(iii) deposit asset and liabilities;
(iv) assets and liabilities held by ceding insurers or under retrocession;
(v) other sundry assets and liabilities; and
(vi) derivatives.

(c) where the reporting currency is the United States Dollar, the capital factor χ_i charge shall be reduced to:

i. 0.00% for the Bermuda Dollar;
ii. 5.00% for the Qatari Riyal;
iii. 1.00% for the Hong Kong Dollar.

(d) where the reporting currency is the Bermuda Dollar the capital factor χ_i charge shall be reduced to 0.00% for the United States Dollar.

(e) where the reporting currency is the Qatari Riyal the capital factor χ_i charge shall be reduced to 5.00% for the United States Dollar.

(f) where the reporting currency is the Hong Kong Dollar the capital factor χ_i charge shall be reduced to 1.00% for the United States Dollar.

(g) where the reporting currency is Euros, the capital factor χ_i shall be reduced to:

i. 0.39% for the Danish Krone;
ii. 1.81% for the Bulgarian Lev;
iii. 2.18% for the West African CFA Franc;
iv. 1.96% for the Central African CFA Franc;
v. 2.00% for the Comorian Franc.

(h) where the reporting currency is the Danish Krone the capital factor χ_i charge shall be reduced to 0.39% for the Euro.

(i) where the reporting currency is the Bulgarian Lev the capital factor χ_i charge shall be reduced to 1.81% for the Euro.

(j) where the reporting currency is the West African CFA Franc the capital factor χ_i charge shall be reduced to 2.18% for the Euro.

(k) where the reporting currency is the Central African CFA Franc the capital factor χ_i charge shall be reduced to 1.96% for the Euro.

(l) where the reporting currency is the Comorian Franc the capital factor χ_i charge shall be reduced to 2.00% for the Euro.

(m) insurers are to report currencies representing at least 95% of their economic balance sheet liabilities; and

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

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

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

Where—

χ_i = the capital charge factors prescribed in Table 5A for each type of $Concastclass_i$; or in Table 5 for each type of $Concastclass_i$ for equity exposures that are grandfathered according to paragraph 23A and

$Concastclass_i$ = the value of the corresponding asset prescribed in Table 5A, for each type of Asset Class; or the value of the corresponding asset prescribed in Table 5 for each type of Asset Class for equity exposures that are grandfathered according to paragraph 23A.

Table 5A – Capital charge factors for $Concastclass_i$

Asset Class	**Statement Source** These Rules	**Capital Factor** χ_i
Cash and Cash Equivalents		
BSCR rating 0	Schedule XXIA, Column H	0.0%
BSCR rating 1	Schedule XXIA, Column H	0.1%
BSCR rating 2	Schedule XXIA, Column H	0.2%
BSCR rating 3	Schedule XXIA, Column H	0.3%
BSCR rating 4	Schedule XXIA, Column H	0.5%
BSCR rating 5	Schedule XXIA, Column H	1.5%
BSCR rating 6	Schedule XXIA, Column H	4.0%
BSCR rating 7	Schedule XXIA, Column H	6.0%
BSCR rating 8	Schedule XXIA, Column H	9.0%
Corporate & Sovereign Bonds		
BSCR rating 0	Schedule XXIA, Column H	0.0%
BSCR rating 1	Schedule XXIA, Column H	0.4%
BSCR rating 2	Schedule XXIA, Column H	0.8%
BSCR rating 3	Schedule XXIA, Column H	1.5%
BSCR rating 4	Schedule XXIA, Column H	3.0%
BSCR rating 5	Schedule XXIA, Column H	8.0%
BSCR rating 6	Schedule XXIA, Column H	15.0%
BSCR rating 7	Schedule XXIA, Column H	26.3%
BSCR rating 8	Schedule XXIA, Column H	35.0%
Residential Mortgage-Backed Securities		
BSCR rating 0	Schedule XXIA, Column H	0.0%
BSCR rating 1	Schedule XXIA, Column H	0.6%
BSCR rating 2	Schedule XXIA, Column H	1.2%
BSCR rating 3	Schedule XXIA, Column H	2.0%
BSCR rating 4	Schedule XXIA, Column H	4.0%
BSCR rating 5	Schedule XXIA, Column H	11.0%
BSCR rating 6	Schedule XXIA, Column H	25.0%
BSCR rating 7	Schedule XXIA, Column H	35.0%
BSCR rating 8	Schedule XXIA, Column H	35.0%
Commercial Mortgage-Backed Securities/Asset Backed Securities		
BSCR rating 0	Schedule XXIA, Column H	0.0%
BSCR rating 1	Schedule XXIA, Column H	0.5%
BSCR rating 2	Schedule XXIA, Column H	1.0%
BSCR rating 3	Schedule XXIA, Column H	1.8%
BSCR rating 4	Schedule XXIA, Column H	3.5%
BSCR rating 5	Schedule XXIA, Column H	10.0%
BSCR rating 6	Schedule XXIA, Column H	20.0%
BSCR rating 7	Schedule XXIA, Column H	30.0%
BSCR rating 8	Schedule XXIA, Column H	35.0%
Bond Mutual Funds		
BSCR rating 0	Schedule XXIA, Column H	0.0%
BSCR rating 1	Schedule XXIA, Column H	0.4%
BSCR rating 2	Schedule XXIA, Column H	0.8%
BSCR rating 3	Schedule XXIA, Column H	1.5%
BSCR rating 4	Schedule XXIA, Column H	3.0%
BSCR rating 5	Schedule XXIA, Column H	8.0%
BSCR rating 6	Schedule XXIA, Column H	15.0%
BSCR rating 7	Schedule XXIA, Column H	26.3%
BSCR rating 8	Schedule XXIA, Column H	35.0%
Preferred Shares		

BSCR rating 1	Schedule XXIA, Column H	0.6%
BSCR rating 2	Schedule XXIA, Column H	1.2%
BSCR rating 3	Schedule XXIA, Column H	2.0%
BSCR rating 4	Schedule XXIA, Column H	4.0%
BSCR rating 5	Schedule XXIA, Column H	11.0%
BSCR rating 6	Schedule XXIA, Column H	25.0%
BSCR rating 7	Schedule XXIA, Column H	35.0%
BSCR rating 8	Schedule XXIA, Column H	35.0%
Mortgage Loans		
Insured/Guaranteed Mortgages	Schedule XXIA, Column H	0.3%
Other Commercial and Farm Mortgages	Schedule XXIA, Column H	5.0%
Other Residential Mortgages	Schedule XXIA, Column H	1.5%
Mortgages Not In Good Standing	Schedule XXIA, Column H	25%
Other Asset Classes		
Infrastructure	Schedule XXIA, Column H	25.0%
Listed Equity Securities in Developed Markets	Schedule XXIA, Column H	35.0%
Other Equities	Schedule XXIA, Column H	45.0%
Strategic Holdings	Schedule XXIA, Column H	20.0%
Duration Based	Schedule XXIA, Column H	20.0%
Letters of Credit	Schedule XXIA, Column H	20.0%
Advances to Affiliates	Schedule XXIA, Column H	5.0%
Policy Loans	Schedule XXIA, Column H	0.0%
Equity Real Estate 1	Schedule XXIA, Column H	10.0%
Equity Real Estate 2	Schedule XXIA, Column H	20.0%
Collateral Loans	Schedule XXIA, Column H	5.0%

INSTRUCTIONS AFFECTING TABLE 5A: Capital factor charge for $Concastclass_i$

(a) $Concastclass_i$ shall only apply to an insurers' ten largest counterparty exposures based on the aggregate of all assets set out in the in Table 5A relating to that counterparty;

(b) for the purposes of Table 5A, a counterparty exposure shall be reported on the valuation of individually underlying assets i.e. determined by application of the "look through" approach in accordance with criteria prescribed by the Authority for all amounts reported on the balance sheet;

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

(i) Controller relationship: if a counterparty, directly or indirectly, has control of (as a result of its majority shareholding in or effective management) which it is a subsidiary company; or

(ii) Economic interdependence: if one of the counterparties were to experience financial difficulties which directly or indirectly affect the ability of any or all of the remaining counterparties to perform their financial obligations (for example where a counterparty becomes unable to fund or repay certain financial contractual obligations, and as a result, other counterparties, are likely to be unable to fund or repay certain obligations imposed on them);

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

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

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

Where–

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

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

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

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

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

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

β_i = collateral factor as prescribed in Table 6B;

α_i = capital factor for the BSCR rating *i* as prescribed in Table 6B;

$MVCollateral_i$ = market value of collateral of over-the-counter derivatives with positive market values and BSCR rating *i*.

Table 6A – Capital charge factors for $debtor_i$

Type of debtor $debtor_i$	**Statement Source** These Rules	**Capital Factor** δ_i
Accounts and Premiums Receivable		
In course of collection	Form 1EBS, Line 10(a)	5.0%
Deferred - Not Yet Due	Form 1SFS, Line 10 (b)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 1EBS, Line 10(c) and instruction (c) below	10.0%
All Other Receivables		
Accrued investment income	Form 1EBS, Line 9	2.5%
Advances to affiliates	Form 1EBS, Line 4(g)	5.0%
Policy loans	Form 1EBS, Line 6	0.0%
Balances receivable on sale of investments	Form 1EBS, Line 13(f)	2.5%
Particulars of reinsurance balances		
BSCR rating 0	Schedule XVIII paragraph (d)	0.0%
BSCR rating 1	Schedule XVIII paragraph (d)	0.7%
BSCR rating 2	Schedule XVIII paragraph (d)	1.5%
BSCR rating 3	Schedule XVIII paragraph (d)	3.5%
BSCR rating 4	Schedule XVIII paragraph (d)	7.0%
BSCR rating 5	Schedule XVIII paragraph (d)	12.0%
BSCR rating 6	Schedule XVIII paragraph (d)	20.0%
BSCR rating 7	Schedule XVIII paragraph (d)	17.0%
BSCR rating 8	Schedule XVIII paragraph (d)	35.0%
Less: Diversification adjustment	Schedule XVIII paragraph (d)	40.0%

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

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

(b) all accounts and premiums receivable, reinsurance balances receivables, all other receivables, and reinsurance recoverable balances shall be reported on a basis consistent with that used for purposes of statutory financial reporting;

(c) "collateralized balances" for the purposes of this paragraph shall mean assets pledged in favour of the insurer relating to accounts and premiums receivable; under Table 6A – Capital charge factors for $debtor_i$;

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

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

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

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

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

Table 6B – Capital charge factors for Default Risk for over-the-counter Derivatives

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

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

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

Where–

$\alpha 1_i$ = capital charge factor for adjustable life insurance business as prescribed in Table 7A;

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

$\alpha 2_i$ = capital charge factor for non-adjustable business as prescribed in Table 7A; and

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

Table 7A – Capital charge factors for $NAAR1_i$ or $NAAR2_i$ or

Net Amount at Risk	Capital Factor	Capital Factor

$NAAR1_i$ **or** $NAAR2_i$	$\alpha 1_i$	$\alpha 2_i$
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

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

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

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

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

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

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

(a) = 7.00% x BSCR adjusted reserves for disability income claims in payment on waiver of premium and long-term care as prescribed in Schedule VII, Column (7), Line 9 of these Rules
plus

(b) = 10% x BSCR adjusted reserves for disability income claims in payment on other accident and sickness products as prescribed in Schedule VII, Column (7), Line 10 of these Rules;
plus

(c) $= \left[\sum_i \alpha_i \times NAP_i \right]$

Where –

α_i = capital charge factor as prescribed in Table 8A; and

NAP_i = the Net Annual Premium for disability income business – active lives as described in Table 8A;

Table 8A – Capital charge 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, Column (9), Line 7(a)	9.0%
Benefit period less than or equal to two years, premium guarantee of more than 1 year but less than or equal to 5 years	Schedule VII, Column (9), Line 7(b)	15.0%
Benefit period less than or equal to two years, premium guarantee of more than 5 years	Schedule VII, Column (9), Line 7(c)	22.5%
Benefit period greater than two years, premium guarantee less than or equal to 1 year	Schedule VII, Column (10), Line 7(a)	12.0%
Benefit period greater than two years, premium guarantee of more than 1 year but less than or equal to 5 years	Schedule VII, Column (10), Line 7(b)	20.0%

Benefit period greater than two years, premium guarantee of more than 5 years	Schedule VII, Column (10), Line 7(c)	30.0%

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

(e) $$= \left[\sum_i \alpha 1_i \times NAAR1_i\right] + \left[\sum_i \alpha 2_i \times NAAR2_i\right]$$

Where –

$\alpha 1_i$ = capital charge factor as prescribed in Table 9A;

$NAAR1_i$ = the Net Amount at Risk of all adjustable critical illness insurance business in force as in Schedule VII, Column (9), Line 2;

$\alpha 2_i$ = capital charge factor as prescribed in Table 9A;

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable critical illness insurance business in force as in Schedule VII, Column (10), Line 2.

Table 9A – Capital charge factors for $NAAR1_i$ or $NAAR2_i$

Net Amount at Risk $NAAR1_i$ **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

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

$$C_{LTlong} = \sum_i \alpha_i \times BAR_i \quad ;$$

Where–

α_i = capital charge factor as prescribed in Table 10A; and

BAR_i = the BSCR adjusted reserves for longevity risk as described in Table 10A.

Table 10A – Capital charge 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 blocks*) – Attained age of annuitant:		
0-55 years	Schedule VII, Column (7), Line 3(a)	2.0%
56-65 years	Schedule VII, Column (7), Line 3(b)	3.0%
66-70 years	Schedule VII, Column (7), Line 3(c)	4.0%
71-80 years	Schedule VII, Column (7), Line 3(d)	5.0%
81+ years	Schedule VII, Column (7), Line 3(e)	6.0%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs) – Age at which annuity benefits commence:		
0-55 years	Schedule VII, Column (7), Line 4(a)	2.0%
56-60 years	Schedule VII, Column (7), Line 4(b)	3.0%
61-65 years	Schedule VII, Column (7), Line 4(c)	4.0%

66-70 years	Schedule VII, Column (7), Line 4(d)	5.0%
71-75 years	Schedule VII, Column (7), Line 4(e)	6.0%
76+ years	Schedule VII, Column (7), Line 4(f)	7.0%

INSTRUCTIONS AFFECTING TABLE 10A: Capital charge factors for BAR_i

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

33. The variable annuity guarantee risk charge calculation shall be established in accordance with the following formula –

$$C_{LTVA} = \text{either } \left(\sum_i TotalBSReq_i - TotalBAR - TotalGMB_{adj} \right) \text{ or } (IMCReq_{LTVA})$$

Wherein:

(i) $TotalBSReq_i$ = higher of (a) $\left(\alpha 1_i \times GV1_i + \alpha 2_i \times GV2_i + \alpha 3_i \times GV3_i\right)$ and (b) $\left(\alpha 4_i \times NAR1_i + \alpha 5_i \times NAR2_i + \alpha 6_i \times NAR3_i\right)$;

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

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

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

(v) $\left(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i\right)$ have the statement source identified in Table 11A; and

(vi) $\left(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i\right)$ are the capital factors as prescribed in Table 12A.

Table 11A – Capital charge factors for $(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i)$

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, column (5)	Schedule VIII, lines 1, column (6)	Schedule VIII, lines 1, column (7)
Guaranteed minimum death benefit: Enhanced benefits (roll up)	Schedule VIII, Lines 2 and 17, column (2)	Schedule VIII, Lines 2 and 17, column (3)	Schedule VIII, Lines 2 and 17, column (4)	Schedule VIII, Lines 2, column (5)	Schedule VIII, Lines 2, column (6)	Schedule VIII, Lines 2, column (7)
Guaranteed minimum income benefit	Schedule VIII, Lines 3 and 18, column (2)	Schedule VIII, Lines 3 and 18, column (3)	Schedule VIII, Lines 3 and 18, column (4)	Schedule VIII, Lines 3, column (5)	Schedule VIII, Lines 3, column (6)	Schedule VIII, Lines 3, column (7)
Guaranteed minimum withdrawal benefit	Schedule VIII, Lines 4 and 19, column (2)	Schedule VIII, Lines 4 and 19, column (3)	Schedule VIII, Lines 4 and 19, column (4)	Schedule VIII, Lines 4, column (5)	Schedule VIII, Lines 4, column (6)	Schedule VIII, Lines 4, column (7)
Guaranteed enhanced earnings benefit	Schedule VIII, Lines 5 and 20, column (2)	Schedule VIII, Lines 5 and 20, column (3)	Schedule VIII, Lines 5 and 20, column (4)	Schedule VIII, Lines 5, column (5)	Schedule VIII, Lines 5, column (6)	Schedule VIII, Lines 5, column (7)
Guaranteed minimum accumulation benefit with 1 year or less to maturity	Schedule VIII, Lines 6 and 21, column (2)	Schedule VIII, Lines 6 and 21, column (3)	Schedule VIII, Lines 6 and 21, column (4)	Schedule VIII, Lines 6, column (5)	Schedule VIII, Lines 6, column (6)	Schedule VIII, Lines 6, column (7)
Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity	Schedule VIII, Lines 7 and 22, column (2)	Schedule VIII, Lines 7 and 22, column (3)	Schedule VIII, Lines 7 and 22, column (4)	Schedule VIII, Lines 7, column (5)	Schedule VIII, Lines 7, column (6)	Schedule VIII, Lines 7, column (7)
Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity	Schedule VIII, Lines 8 and 23, column (2)	Schedule VIII, Lines 8 and 23, column (3)	Schedule VIII, Lines 8 and 23, column (4)	Schedule VIII, Lines 8, column (5)	Schedule VIII, Lines 8, column (6)	Schedule VIII, Lines 8, column (7)
Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity	Schedule VIII, Lines 9 and 24, column (2)	Schedule VIII, Lines 9 and 24, column (3)	Schedule VIII, Lines 9 and 24, column (4)	Schedule VIII, Lines 9, column (5)	Schedule VIII, Lines 9, column (6)	Schedule VIII, Lines 9, column (7)
Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity	Schedule VIII, Lines 10 and 25, column (2)	Schedule VIII, Lines 10 and 25, column (3)	Schedule VIII, Lines 10 and 25, column (4)	Schedule VIII, Lines 10, column (5)	Schedule VIII, Lines 10, column (6)	Schedule VIII, Lines 10, column (7)
Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity	Schedule VIII, Lines 11 and 26, column (2)	Schedule VIII, Lines 11 and 26, column (3)	Schedule VIII, Lines 11 and 26, column (4)	Schedule VIII, Lines 11, column (5)	Schedule VIII, Lines 11, column (6)	Schedule VIII, Lines 11, column (7)
Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity	Schedule VIII, Lines 12 and 27, column (2)	Schedule VIII, Lines 12 and 27, column (3)	Schedule VIII, Lines 12 and 27, column (4)	Schedule VIII, Lines 12, column (5)	Schedule VIII, Lines 12, column (6)	Schedule VIII, Lines 12, column (7)

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

Table 12A – Capital charge factors for $(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i)$

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

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

$$C_{LToth} = \sum_i \alpha_i \times BAR_i ;$$

Where–

α_i = capital charge factor as prescribed in Table 13A; and

BAR_i = the BSCR adjusted reserves as described in Table 13A.

Table 13A – Capital charge factors for BAR_i

BSCR adjusted reserves BAR_i	**Statement Source** These Rules	**Capital Factor** α_i
Mortality (term insurance, whole life, universal life)	Schedule VII, Column (7), Line 1	2.0%
Critical illness (including accelerated critical illness products)	Schedule VII, Column (7), Line 2	2.0%
Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs)	Schedule VII, Column (7), Line 3(f)	0.5%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs)	Schedule VII, Column (7), Line 4(g)	0.5%
Annuities certain only	Schedule VII, Column (7), Line 5	0.5%
Deferred accumulation annuities	Schedule VII, Column (7), Line 6	0.5%
Disability income: active lives – including waiver of premium and long-term care	Schedule VII, Column (7), Line 7(d)	2.0%
Disability income: active lives – other accident and sickness	Schedule VII, Column (7), Line 8	2.0%
Disability income: claims in payment – including waiver of premium and long-term care	Schedule VII, Column (7), Line 9	0.5%
Disability income: claims in payment – other accident and sickness	Schedule VII, Column (7), Line 10	0.5%
Group life	Schedule VII, Column (7), Line 11	0.5%
Group disability	Schedule VII, Column (7), Line 12	0.5%
Group health	Schedule VII, Column (7), Line 13	0.5%
Stop loss	Schedule VII, Column (7), Line 14	2.0%

Rider (other product riders not included above)	Schedule VII, Column (7), Line 15	2.0%

34A. The lapse risk charge for long-term business shall be determined as the maximum loss, resulting from the lapse up, lapse down and mass lapse stresses defined in subparagraph (c), in accordance with the following formula —

$$C_{LTlapse} = max\left(C_{LapseUp}, C_{LapseDown}, C_{MassLapse}\right)$$

Where —

$$C_{LapseUp} = C_{LapseUp}^{Europe\&UK} + C_{LapseUp}^{Japan} + C_{LapseUp}^{US\&Other}$$

$$C_{LapseDown} = C_{LapseDown}^{Europe\&UK} + C_{LapseDown}^{Japan} + C_{LapseDown}^{US\&Other}$$

$$C_{MassLapse} = C_{MassLapse}^{Europe\&UK} + C_{MassLapse}^{Japan} + C_{MassLapse}^{US\&Other}$$

and

$$C_i^j = \max\left(\left(MVA_{Bef,i}^j - MVL_{Bef,i}^j\right) - \left(MVA_{Aft,i}^j - MVL_{Aft,i}^j\right), 0\right)$$

for —

$$i = LapseUp, LapseDown$$
$$j = Europe\&UK, Japan, US\&Other$$

where —

$MVA_{Bef,i}^j$ = refers to the pre-stress valuation of assets i.e., valuation of assets on an EBS valuation basis before applying lapse stresses;

$MVA_{Aft,i}^j$ = refers to the post-stress valuation of assets i.e., revaluation of assets on EBS valuation basis after applying the lapse stresses prescribed in subparagraph (c), where applicable; if the lapse stresses do not affect the value of assets, i.e. there are no lapse-sensitive assets, then MVA_{Aft} = MVA_{Bef};

$MVL_{Bef,i}^j$ = refers to the pre-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis, i.e., best estimate of insurance liabilities and other liabilities before applying lapse stresses;

$MVL_{Aft,i}^j$ = refers to the post-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis, i.e., revaluation of best estimate of insurance liabilities and other liabilities after applying the lapse stresses prescribed in subparagraph (c);

and

$$C_{MassLapse}^{Europe\&UK} = \max\left(\left(MVA_{Bef,MassLapse}^{Europe\&UK} - MVL_{Bef,MassLapse}^{Europe\&UK}\right) - \left(MVA_{Aft,MassLapse}^{Europe\&UK,NoOffset} - MVL_{Aft,MassLapse}^{Europe\&UK,NoOffset}\right), 0\right)$$

$$C_{MassLapse}^{k} = \frac{C_{MassLapse}^{NoOffset,k} + C_{MassLapse}^{FullOffset,k}}{2}$$

$$C_{MassLapse}^{o,k} = \max\left(\left(MVA_{Bef,MassLapse}^{k} - MVL_{Bef,MassLapse}^{k}\right) - \left(MVA_{Aft,MassLapse}^{o,k} - MVL_{Aft,MassLapse}^{o,k}\right), 0\right)$$

for —

$$k = Japan, US\&Other$$
$$o = NoOffset, FullOffset$$

where —

$MVA^{l}_{Bef,MassLapse}$ = refers to the pre-stress valuation of assets i.e., valuation of assets on EBS valuation basis before applying mass lapse stresses, for region l = *Europe&UK, Japan, US&Other*;

$MVL^{l}_{Bef,MassLapse}$ = refers to the pre-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis as prescribed by the Authority, i.e., best estimate of insurance liabilities and other liabilities before applying mass lapse stresses, for region l = *Europe&UK, Japan, US&Other*;

$MVA^{Europe\&UK}_{Aft,MassLapse}$ = refers to the post-stress valuation of assets i.e., revaluation of assets on EBS valuation basis after applying the mass lapse stresses prescribed in subparagraph (c), for region *Europe&UK*; if the lapse stresses do not affect the value of assets, i.e. there are no lapse-sensitive assets, then MVA_{Aft} = MVA_{Bef};

$MVL^{Europe\&UK}_{Aft,MassLapse}$ = refers to the post-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis as prescribed by the Authority, i.e., revaluation of best estimate of insurance liabilities and other liabilities after applying the mass lapse stresses prescribed in subparagraph (c), for region *Europe&UK*;

$MVA^{o,k}_{Aft,MassLapse}$ = refers to the post-stress valuation of assets i.e., revaluation of assets on EBS valuation basis after applying the mass lapse stresses prescribed in subparagraph (c), for region k = *Japan, US&Other* and with o = *NoOffset, FullOffset*; if the lapse stresses do not affect the value of assets, i.e. there are no lapse-sensitive assets, then MVA_{Aft} = MVA_{Bef} ;

$MVL^{o,k}_{Aft,MassLapse}$ = refers to the post-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis as prescribed by the Authority, i.e., revaluation of best estimate of insurance liabilities and other liabilities after applying the mass lapse stresses prescribed in subparagraph (c), for region k = *Japan, US&Other* and with o = *NoOffset, FullOffset*;

NoOffset = calculation with 'no offset' means that the results of the mass lapse stress for any homogeneous risk groups for which the mass lapse is beneficial are floored at zero (i.e., gains from policies where lapsing is beneficial for the insurer are not allowed to offset losses from policies where lapsing is adverse for the insurer);

FullOffset = calculation with 'full offset' means that results of the mass lapse stress for different homogeneous risk groups are not floored to zero (i.e., gains from policies where lapsing is beneficial are allowed to offset losses from policies where lapsing is adverse)

(a) The valuation of assets and liabilities shall be performed on an EBS valuation basis. Upon application, those insurers using the scenario-based approach may elect to use a modification to keep the scenario-based approach discounting unchanged under certain lapse stresses as prescribed by the Authority, subject to prior approval from the Authority;

(b) When applying the prescribed lapse stresses and recalculating the post-stress values of assets and liabilities, insurers shall take into account all applicable legal or contractual rights of policyholders (policyholder options) that may alter the value of the future cash flows of the (re)insurance contracts entered into by the insurer. The relevant policyholder options shall include all legal or contractual rights to:

(i) fully or partially terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse;
(ii) fully or partially establish, renew, increase, extend or resume insurance cover.

(c) The lapse stresses to be applied in determining the lapse risk charges per region in accordance with the lapse risk charge equation under paragraph 34A are as follows:

(i) Europe&UK: means (re)insurance business originating from the European Economic Area (EEA) or the United Kingdom of Great Britain and Northern Ireland (UK). The Lapse Up, Lapse Down and Mass Lapse stresses shall be those as prescribed in the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended. For the purposes of this paragraph, any reference to any laws, rules and regulations shall also include successors to and functionally equivalent replacements of such laws, rules and regulations.

(ii) For (re)insurance business originating from all other regions (i.e., from regions Japan and US&Other):
(a) Lapse Up: A permanent stress increase in assumed lapse rates, for all policies in homogeneous risk groups adversely affected by such increases. The permanent stress increase shall be as prescribed in Table 13B; in all cases subject to an absolute maximum rate of 100%. For the purposes of the stress, increase in lapse rates means an increase in the policyholder option exercise rates defined in subparagraph (b).(i) and a decrease in the policyholder option exercise rates defined in subparagraph (b).(ii). The changes in option exercise rates shall only apply to those relevant options for which the change results in a loss. For each homogeneous risk group, the loss resulting from the stress shall be subject to a floor of zero.
(b) Lapse Down: A permanent stress decrease in assumed lapse rates, for all policies in homogeneous risk groups adversely affected by such decreases. The permanent stress decrease shall be as prescribed in Table 13B. For the purposes of the stress, decrease in lapse rates means a decrease in the policyholder option exercise rates defined in subparagraph (b).(i) and an increase in the policyholder option exercise rates defined in subparagraph (b).(ii). The changes in option exercise rates shall only apply to those relevant options for which the change results in a loss. For each homogeneous risk group, the loss resulting from the stress shall be subject to a floor of zero.
(c) Mass Lapse: An immediate discontinuance of insurance policies. The annual mass lapse stress magnitude shall be, for each insurance policy, equal to three times the applicable annual base lapse rate assumptions for that policy, but in no event shall be lower than the absolute floor prescribed in Table 13C applicable to that policy. The stressed mass lapse rate shall apply for the first 12 months within the projections used to determine the best estimate of insurance liabilities. The mass lapse charge shall be calculated both without offset (NoOffset) and with full offset (FullOffset), and the average of the two calculations shall be taken in accordance with the lapse risk charge equation under paragraph 34A (a '50% offset').

Table 13B – Lapse Up and Lapse Down stresses per Region

Region	**Stress Type**	**Statement Source** These Rules	**Stress**
Europe & UK	Lapse Up	Schedule VIIA, Line 1	As prescribed by the Authority
Europe & UK	Lapse Down	Schedule VIIA, Line 5	As prescribed by the Authority
Japan	Lapse Up	Schedule VIIA, Line 2	+20%
Japan	Lapse Down	Schedule VIIA, Line 6	-20%
All other regions	Lapse Up	Schedule VIIA, Line 3	+40%
All other regions	Lapse Down	Schedule VIIA, Line 7	-40%

Table 13C – Mass Lapse stresses per Region and Product Category

Region	**Policyholder Type**	**Statement Source** These Rules	**Product Category**	**Base Stresses**	**Stress Floor**
Europe & UK	All	Schedule VIIA, Line 9	All	As prescribed by the Authority	
All other regions	Non-Retail	Schedule VIIA, Lines 11, 20, 30 and 39	A.NR	3x	60%
All other regions	Non-Retail	Schedule VIIA, Lines 12, 21, 31 and 40	B.NR	3x	30%
All other regions	Non-Retail	Schedule VIIA, Lines 13, 22, 32 and 41	C.NR	3x	20%
All other regions	Non-Retail	Schedule VIIA, Lines 14, 23, 33 and 42	D.NR	3x	10%
All other regions	Retail	Schedule VIIA, Lines 15, 24, 34 and 43	A.R	3x	20%
All other regions	Retail	Schedule VIIA, Lines 16, 25, 35 and 44	B.R	3x	15%
All other regions	Retail	Schedule VIIA, Lines 17, 26, 36 and 45	C.R	3x	10%
All other regions	Retail	Schedule VIIA, Lines 18, 27, 37 and 46	D.R	3x	5%

Instructions affecting Table 13C

(a) for the purposes of this Schedule, 'retail' refers to contracts of insurance where the policyholder is an individual. 'Non-Retail' refers to contracts of insurance where the policyholder is not in individual (e.g., is an institution or a corporation);

(b) product categories B.NR, D.NR and C.R require approval from the Authority prior to application in conducting the mass lapse stress;

(c) Product Categories are defined as follows—

(i) Product Category 'A.NR' includes the following products—
(A) Guaranteed Investment Contracts (GICs) and Funding Agreements redeemable with no or insignificant penalties;
(B) All other institutional financial/investment/savings products;

(ii) Product Category 'B.NR' includes the following products—
Category 'A.NR' products with significant mitigating features. Approval shall be required from the Authority for this category and to apply the applicable floor;

(iii) Product Category 'C.NR' includes the following products—
(A) General Account Bank or Corporate Owned Life Insurance (BOLI/COLI).
(B) Separate Account COLI/BOLI;
(C) Retirement Variable Annuity (VA) (plan-level terminations);
(D) All other institutional protection products;

(iv) Product Category 'D.NR' includes the following products—
Category 'C.NR' products with significant mitigating features. Approval shall be required from the Authority prior to application; ;

(v) Product Category 'A.R' includes the following products—
(A) VA without guarantees or with guarantees and out of the money.
(B) Accumulation fixed index annuity (FIA) and fixed annuity (FA) products with guaranteed crediting rate or option budget less than 10-yr Treasury Rate – 200bps.
(C) All other financial, investment or savings products not specified elsewhere in this Schedule;

(vi) Product Category 'B.R' includes the following products—
(A) Accumulation FIA and FA products with risk profile in-between those under categories A and C.
(B) Universal Life (UL) (Indexed UL, Variable UL, UL);
(C) All whole life products;
(D) Term without Return of Premium (ROP) or with cash value ROP.
(E) Individual disability;
(F) All other protection products.

(vii) Product Category 'C.R' includes the following products—
(A) Accumulation FIA and FA with guaranteed crediting rate or option budget greater than 10-yr Treasury Rate + 200bps + with at least 3 years of surrender charge period remaining + material Guaranteed Withdrawal Life Benefit (GWLB);
(B) VA with material in the money GLWB/ Guaranteed Minimum Income Benefit (GMIB)/Guaranteed Minimum Accumulation Benefit (GMAB) ;
(C) Retail VAs with Guaranteed Minimum Death Benefit (GMDB) greater than account value.
(D) All products in Category B with at least 3 years of surrender charge period remaining excluding FIA, FA, savings, financial, investment products. Approval shall be required from the Authority prior to application; for all products proposed to be classified in category C.R;

(viii) Product Category 'D.R' includes the following products—
(A) UL with secondary guarantees (lifetime or greater than age 90).
(B) Long-Term Care (base) and combo(non-acceleration).
(C) Term with ROP at end of level term period (during level period).

34B. The expense risk charge for long-term business shall be calculated as the loss resulting from the prescribed expense stresses in accordance with the following formula—

$$C_{LTExpense} = \sum_{i} C_{Exp,i}$$

Where –

$$C_{Exp,i} = \max\left(\left(MVA_{Bef,i} - MVL_{Bef,i}\right) - \left(MVA_{Aft,i} - MVL_{Aft,i}\right), 0\right)$$

i	= refers to the regions in Table 13D, with the summation covering all the regions;
$MVA_{Bef,i}$	= refers to the pre-stress EBS valuation of assets i.e., EBS valuation of assets before applying prescribed expense stresses;
$MVA^{j}_{Aft,i}$	= refers to the post-stress EBS valuation of assets i.e., revaluation of assets on EBS basis after applying prescribed expense stresses; if the expense stresses do not affect the value of assets, i.e. there are no expense-sensitive assets, then $MVA_{Aft} = MVA_{Bef}$
$MVL^{j}_{Bef,i}$	= refers to the pre-stress valuation of insurance liabilities and other liabilities on EBS basis, i.e., best estimate of insurance liabilities and other liabilities before applying prescribed expense stresses;
$MVL^{j}_{Aft,i}$	= refers to the post-stress valuation of insurance liabilities and other liabilities on EBS basis, i.e., revaluation of best estimate of insurance liabilities and other liabilities after applying prescribed expense stresses.

Where—

the prescribed expense stresses consist of simultaneously applying the combination of the following stresses—

(i) a relative increase of **x** percent in best estimate expense assumptions; and

(ii) an absolute increase of **y** percentage points in the per annum expense inflation rate;

where **x** and **y** depend on the region as specified in Table 13D. The definitions of "Other developed markets" and "Other emerging markets" shall correspond to those of "Developed markets" and "Emerging markets", respectively, as prescribed by the Authority, after exclusion of regions listed in Table 13D

Table 13D – Expense stresses

Region	**Statement Source** These Rules	**x%** **(relative increase in future expenses)**	**y%** **(absolute increase in expense inflation rate, percentage points)**
EEA, UK and Switzerland	Schedule VIIB, Line 1	6%	1%
US, Bermuda and Canada	Schedule VIIB, Line 2	6%	1%
Japan	Schedule VIIB, Line 3	6%	1%
Other developed markets	Schedule VIIB, Line 4	8%	Year 1 – 10: 2%; Year 11 onwards: 1%
China, Other emerging markets	Schedule VIIB, Line 5	8%	Year 1 – 10: 3%; Year 11 – 20: 2%; Year 21 onwards: 1%

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

$$C_{Operational} = \rho \times \left(Basic\ BSCR + C_{AdjTP}\right);$$

Where —

ρ = an amount between 1% and 20% as determined by the Authority in accordance with Table 14G;

$Basic\ BSCR$ = Basic BSCR risk module charge as calculated in accordance with paragraph 18;

C_{AdjTP} = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 37

Table 14G – Operational Risk Charge for ρ

Overall Score	Applicable Operational Risk Charge ρ
<=4000	20.0%
>4000 <=5200	18.0%
>5200 <=6000	15.0%
>6000 <=6650	12.0%
>6650 <=7250	9.0%
>7250 <=7650	7.0%
>7650 <=7850	5.0%
>7850 <=8050	3.0%
>8050 <=8250	2.0%
>8250	1.0%

INSTRUCTIONS AFFECTING TABLE 14G

In this table, "overall score" means an amount equal to the sum of the aggregate score derived from each of tables 14H, 14I, 14J, 14K, 14L, and 14M.

TABLE 14H
Corporate Governance Score Table

Criterion	Implemented	Score
Board sets risk policies, practices and tolerance limits for all material foreseeable operational risks at least annually and ensures they are communicated to relevant business units		200
Board monitors adherence to operational risk tolerance limits more regularly than annually		200
Board receives, at least annually, reports on the effectiveness of material operational risk internal controls as well as senior 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 14H

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

TABLE 14I
Risk Management Function ('RMF') Score Table

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

Comments

INSTRUCTIONS AFFECTING TABLE 14I

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 14J
Risk Identification Processes ('RIP') Score Table

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

Comments

INSTRUCTIONS AFFECTING TABLE 14J

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

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

(c) where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

TABLE 14K
Risk Measurement Processes ('RMP') Score Table

Progression		**Criterion**	**Operational Risk Areas**							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	50	RMP are ad hoc								
2	100	RMP have been implemented but not standardised across the organization								
3	150	RMP have been documented, implemented, and relevant staff have been trained on and execute the RMP; and the RMP are standardised across the organization								
4	200	In addition to Stage 3, RMP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
		Total	XX	XX	XX	XX	XX	XX	XX	**XX**

Comments

INSTRUCTIONS AFFECTING TABLE 14K

(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 each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

TABLE 14L
Risk Response Processes ('RRP') Score Table

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

Comments

INSTRUCTIONS AFFECTING TABLE 14L

(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 each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

TABLE 14M
Risk Monitoring and Reporting Processes ('RMRP') Score Table

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

Comments

INSTRUCTIONS AFFECTING TABLE 14M

(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 each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and

(c) where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

36. The regulatory capital requirement for regulated non-insurance financial operating entities shall be determined in accordance with Schedule XVI - "Schedule of Regulated Non-Insurance Financial Operating Entities". This amount shall be equal to the sum of the insurer's proportionate share of each registered entity's regulatory capital requirement in accordance with the applicable solvency laws of the jurisdiction where the entity was licensed or registered.

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

$$C_{AdjTP} = -\max(\min(Basic\ BSCR - Basic\ nBSCR, FDB), 0);$$

Where,

$$\text{Basic BSCR} = \sqrt{\sum_{i,j} CorrBBSCR_{i,j} \times C_i \times C_j} \qquad \text{Basic nBSCR} = \sqrt{\sum_{i,j} CorrBBSCR_{i,j} \times nC_i \times nC_j}$$

$CorrBBSCR_{i,j}$ = the correlation factors of the Basic BSCR correlation matrix in accordance with Table A of Paragraph 18;

C_i = risk module charge i which are replaced by the following:

C_{Market}, C_{LT}, C_{Credit};

C_{Market} = market risk module charge as calculated in accordance with paragraph 19;

C_{LT} = Long-Term risk module charge as calculated in accordance with paragraph 20;

C_{Credit} = credit risk module charge as calculated in accordance with paragraph 27.

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

nC_{Market}, nC_{LT}, nC_{Credit};

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

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

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

Where —

$Basic\ BSCR$ = Basic BSCR risk module charge as calculated in accordance with paragraph 18;

$C_{operational}$ = operational risk charge as calculated in accordance with paragraph 35;

$C_{regulatoryadj}$ = regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 36;

C_{AdjTP} = = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 37

t = insurer's standard federal tax rate

$Limit$ = $PastLAC + CurrentLAC + FutureLAC$

$PastLAC$ = Loss Carryback Provision multiplied by t;

$CurrentLAC$ = Current Deferred Tax Liabilities minus Current Deferred Tax Assets;

$FutureLAC$ = Risk Margin as reported on Form 1EBS Line 18 multiplied by t;

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

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 4EBS, Lines 2(b) & 3(b))	
		20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)
1	BSCR rating 0										
2	BSCR rating 1										
3	BSCR rating 2										
4	BSCR rating 3										
5	BSCR rating 4										
6	BSCR rating 5										
7	BSCR rating 6										
8	BSCR rating 7										
9	BSCR rating 8										
10	Total										
Quoted and unquoted equities		Common stock (Form 4EBS, Lines 2(c)(i) & 3(c)(i))		Preferred stock (Form 4EBS, Lines 2(c)(ii) & 3(c)(ii))		Equity mutual funds (Form 4EBS, Lines 2(c)(iii) & 3(c)(iii))				Total (Form 4EBS, Lines 2(d) & 3(d))	
		20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)			20xx (000)	20xx (000)
11	BSCR rating 1										
12	BSCR rating 2										
13	BSCR rating 3										
14	BSCR rating 4										
15	BSCR rating 5										
16	BSCR rating 6										
17	BSCR rating 7										
18	BSCR rating 8										

19	Quoted equity funds								
20	Unquoted equity funds								
21	Total								

Mortgage loans		Mortgage loans (Form 4EBS, Line 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) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

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

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

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

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

(i) bond mutual funds shall be classified based on the underlying bond ratings as advised by the fund managers; equity mutual funds shall be classified in a similar manner as direct equity investments while money market funds shall be treated as cash and cash equivalents; and

(j) are to be reported on both an EBS Valuation and unconsolidated basis.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

SCHEDULE IIA **(Paragraph 6)**

Schedule of funds held by ceding reinsurers in segregated accounts/trusts 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 (		Other Investments		Total	
		20xx (000)	20xx (000)	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 cash equivalents		Cash and cash equivalents	
		20xx (000)	20xx (000)
27			
28			

INSTRUCTIONS AFFECTING SCHEDULE IIA:

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

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

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

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

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

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

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

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

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

(j) bond mutual funds shall be classified based on the underlying bond ratings as advised by the fund managers; equity mutual funds shall be classified in a similar manner as direct equity investments while money market funds shall be treated as cash and cash equivalents;

(k) other investments shall include investments not reported as bond and debentures, common stock, preferred stock or equity mutual funds; and

(l) amounts are to be reported both on an EBS Valuation and unconsolidated basis.

SCHEDULE IIB **(Paragraph 6)**

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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												
14	Total												
		ASSETS						LIABILITIES					
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions		Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes							

Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock
15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											
29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											

36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit Derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate
	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%
50	BSCR rating 2					-75%
51	BSCR rating 3					-75%
52	BSCR rating 4					-75%
53	BSCR rating 5					-75%
54	BSCR rating 6					-75%
55	BSCR rating 7					-75%
56	BSCR rating 8					-75%
57	Total Spread Down					

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization

	Counterparty Default Risk for over-the-counter Derivatives				
58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				

INSTRUCTIONS AFFECTING SCHEDULE IIB:

(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 long exposures, short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(c) preferred stocks are required to be classified by BSCR rating;

(d) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(e) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

(h) debt issued by government-owned or entities that are explicitly guaranteed by that government, (except government issued mortgage-backed securities), shall be assigned a BSCR rating of 0;

(i) “exposures” shall include those determined by the application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(j) “strategic holdings” refers to holdings in qualifying equity investments of a strategic nature which meet the criteria prescribed by the Authority for such holdings. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting criteria prescribed by the Authority, then such investments will be classified as “Type 1”. Investments that do not meet such criterion shall be classified as “Type 2”.

(k) “infrastructure” refers to holdings in qualifying equity infrastructure investments which meet criteria prescribed by the Authority for such investments that are non-strategic holdings.

(l) “listed equity securities in developed markets” refers to holdings in equity securities listed on designated stock exchanges or investments in certain funds prescribed by the Authority.

(m) "other equities" shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs "(j)" and "(l)" above; or not listed herein as an "Equity Holding" in this Schedule i.e., equities not listed on a designated stock exchange prescribed by the Authority, hedge funds, commodities and other alternative investments;

(n) best estimate insurance liabilities and other liabilities (excluding risk margin) whose value is subject to equity risk are to be included in Lines 15 to 36; and

(o) exposures qualifying as assets held for risk-mitigation purposes, and exposures not qualifying as assets held for risk-mitigation purposes; shall be determined in accordance with criteria prescribed by the Authority.

(p) [*revoked*]

SCHEDULE IIC **(Paragraph 6)**

Schedule of funds held by ceding insurers and funds held under retrocession 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												
14	Total												
		ASSETS						LIABILITIES					
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions		Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes							

Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock
15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											
29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											

36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate
	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%
50	BSCR rating 2					-75%
51	BSCR rating 3					-75%
52	BSCR rating 4					-75%
53	BSCR rating 5					-75%
54	BSCR rating 6					-75%
55	BSCR rating 7					-75%
56	BSCR rating 8					-75%
57	Total Spread Down					

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization	
	Counterparty Default Risk for over-the-counter Derivatives				
58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				
68	Cash and Cash Equivalents				
69	Total Funds Held				

INSTRUCTIONS AFFECTING SCHEDULE IIC:

(a) All funds held by ceding reinsurers (as reported in Form 4EBS, Line 12(c)) and funds held under retrocession (as reported in Form 4EBS, Line 34(c)) with identifiable assets and liabilities, such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, are required to 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 long exposures; short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes, in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(d) preferred stocks are required to be classified by BSCR rating;

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(f) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

(i) debt issued by government-owned or entities that are explicitly guaranteed by that government, (except government debt issued mortgage-backed securities), shall be assigned a BSCR rating of 0;

(j) exposures shall include those determined by application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(k) “strategic holdings” refers to holdings in qualifying equity investments of a strategic nature which meet criteria prescribed by the Authority for such holdings. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting criteria as prescribed by the Authority, then such investments shall be classified as “Type 1”. Investments that do not qualify shall be classified as “Type 2”.

(l) “infrastructure” refers to holdings in qualifying equity infrastructure investments in accordance which meet criteria prescribed by the Authority and which are non-strategic holdings.

(m) “listed equity securities in developed markets” refer to holdings in equity securities listed on designated stock exchanges or investments in certain funds both as prescribed by the Authority.

(n) "other equities" shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs "(k)" and "(m)" above or not listed herein as an "Equity Holding" in this Schedule i.e., equities not listed on a designated stock exchange as prescribed by the Authority, hedge funds, commodities and other alternative investments;

(o) Liabilities held under retrocession whose value is subject to equity risk are to be included in Lines 15 to 36; and

(p) exposures qualifying as assets held for risk-mitigation purposes and exposures not qualifying as assets held for risk-mitigation purposes shall be determined in accordance with criteria prescribed by the Authority.

(q) [*revoked*

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

SCHEDULE IID **(Paragraph 6)**

Schedule of segregated account companies assets and liabilities 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												
14	Total												
		ASSETS						LIABILITIES					
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions		Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes							
Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock		Before Shock	After Shock

15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											
29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											
36	Derivatives on Infrastructure											

37	Total Equity Holdings											
Credit derivatives		Long Exposures		Short Exposures								
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)						
	Spread Up Risk for Credit Derivatives											
38	BSCR rating 0					0						
39	BSCR rating 1					130						
40	BSCR rating 2					150						
41	BSCR rating 3					260						
42	BSCR rating 4					450						
43	BSCR rating 5					840						
44	BSCR rating 6					1620						
45	BSCR rating 7					1620						
46	BSCR rating 8					1620						
47	Total Spread Up											
		Long Exposures		Short Exposures								
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate						
	Spread Down Risk for Credit Derivatives											
48	BSCR rating 0					0						
49	BSCR rating 1					-75%						
50	BSCR rating 2					-75%						
51	BSCR rating 3					-75%						
52	BSCR rating 4					-75%						
53	BSCR rating 5					-75%						
54	BSCR rating 6					-75%						
55	BSCR rating 7					-75%						
56	BSCR rating 8					-75%						
57	Total Spread Down											
		Market Value of Derivatives with Positive Market Value		Market Value of Derivatives with Negative Market Value		Market Value of Collateral, Excluding any over-collateralization						
	Counterparty Default Risk for over-the-counter Derivatives											

58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				
68	Cash and Cash Equivalents				
69	Total Segregated Account Companies Assets				

INSTRUCTIONS AFFECTING SCHEDULE IID:

(a) All segregated account companies with identifiable assets (as reported in Form 4EBS, Lines 13(b), (c), (d)) and liabilities (as reported in Form 4EBS, Lines 36(c), (d), (e)), such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, shall be included here;

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

(c) equity investments, both quoted and unquoted, shall be categorized into long exposures, short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(d) preferred stock are required to be classified by BSCR rating;

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(f) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

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

(j) exposures shall include those determined by the application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(k) “strategic holdings” refers to holdings in qualifying equity investments of a strategic nature which meet criteria prescribed by the Authority. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting criteria prescribed by the Authority, then these investments will be classified as “Type 1”. Investments that do not qualify shall be classified as “Type 2”.

(l) “infrastructure” refers to amounts in qualifying equity infrastructure investments which meets the criteria prescribed by the Authority that are non-strategic holdings.

(m) “listed equity securities in developed markets” refers to amounts in equity securities listed on a designated stock exchange or in investments in certain funds both as prescribed by the Authority.

(n) "other equities" shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs "(k)" and "(m)" above or not listed herein as an "Equity Holding" in this Schedule i.e. equities not listed on a designated stock exchange as prescribed by the Authority, hedge funds, commodities and other alternative investments;

(o) liabilities held under segregated account companies whose value is subject to equity risk are to be included in Lines 15 to 36; and

(p) exposures qualifying as assets held for risk-mitigation purposes and exposures not qualified as assets held for risk-mitigation purposes shall be determined in accordance with criteria prescribed by the Authority.

(q) [*revoked*]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

SCHEDULE IIE **(Paragraph 6)**

Schedule of deposit assets and liabilities 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												
14	Total												

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

		ASSETS						LIABILITIES				
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions	Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes						
Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock
15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											
29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											

33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											
36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate
	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%
50	BSCR rating 2					-75%
51	BSCR rating 3					-75%
52	BSCR rating 4					-75%
53	BSCR rating 5					-75%
54	BSCR rating 6					-75%
55	BSCR rating 7					-75%

56	BSCR rating 8					-75%	
57	Total Spread Down						

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization	
	Counterparty Default Risk for over-the-counter Derivatives				
58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				
68	Cash and Cash Equivalents				
69	Total Deposit Assets				

INSTRUCTIONS AFFECTING SCHEDULE IIE:

(a) All deposit assets and liabilities with identifiable assets (as reported in Form 4EBS, Lines 13(e)) and liabilities (as reported in Form 4EBS, Lines 36 (f)), such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, are required to 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 long exposures, short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(d) preferred stocks are required to be classified by BSCR rating;

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(f) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

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

(j) “exposures” shall include those determined by application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(k) “strategic holdings” refers to holdings in qualifying equity investments of a strategic nature in accordance which meet criteria prescribed by the Authority. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting the criteria as prescribed by the Authority, then these investments shall be classified as “Type 1”. Investments that do not qualify shall be classified as “Type 2”.

(l) “infrastructure” refers to holdings in qualifying equity infrastructure investments which meet criteria prescribed by the Authority that are non-strategic holdings.

(m) “listed equity securities in developed markets” refers to holdings in equity securities listed on designated stock exchanges or investments in certain funds both as prescribed by the Authority.

(n) "other equities" shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs "(k)" and "(m)" above or not listed herein as an "Equity Holding" in this Schedule i.e., equities not listed on a designated stock exchange as prescribed by the Authority, hedge funds, commodities and other alternative investments;

(o) deposit liabilities whose value is subject to equity risk are to be included in Lines 15 to 36; and

(p) exposures qualifying as assets held for risk-mitigation purposes and exposures not qualifying as assets held for risk-mitigation purposes shall be determined in accordance with criteria prescribed by the Authority.

(q) [*revoked*]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

SCHEDULE IIF **(Paragraph 6)**

Schedule of other sundry assets and liabilities 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												
14	Total												
		ASSETS						LIABILITIES					
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions		Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes							

Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock
15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											
29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											

36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate
	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%
50	BSCR rating 2					-75%
51	BSCR rating 3					-75%
52	BSCR rating 4					-75%
53	BSCR rating 5					-75%
54	BSCR rating 6					-75%
55	BSCR rating 7					-75%
56	BSCR rating 8					-75%
57	Total Spread Down					

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization

	Counterparty Default Risk for over-the-counter Derivatives				
58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				
68	Cash and Cash Equivalents				
69	Total Sundry Assets				

INSTRUCTIONS AFFECTING SCHEDULE IIF:

(a) All other sundry assets and liabilities with identifiable assets (as reported in Form 4EBS, Lines 13(j)) and liabilities (as reported in Form 4EBS, Lines 36 (i)), such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, shall be included here;

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

(c) equity investments, both quoted and unquoted, shall be categorized into long exposures, short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(d) preferred stock are required to be classified by BSCR rating;

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(f) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

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

(j) exposures include those determined by application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(k) “strategic holdings” refers to holdings in qualifying equity investments of a strategic nature in accordance which meet criteria prescribed by the Authority. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting criteria as prescribed by the Authority, then such investments shall be classified as “Type 1”. Investments that do not qualify will be classified as “Type 2”.

(l) “infrastructure” refers to holdings in qualifying equity infrastructure investments which meet criteria prescribed by the Authority and which are non-strategic holdings.

(m) “listed equity securities in developed markets” refers to holdings in equity securities listed on a designated stock exchange or in investments in certain funds both as prescribed by the Authority.

(n) "other equities" shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs "(k)" and "(m)" above or not listed herein as an "Equity Holding" in this Schedule i.e., equities not listed on a designated stock exchange as prescribed by the Authority, hedge funds, commodities and other alternative investments;

(o) other liabilities whose value is subject to equity risk are to be included in Lines 15 to 36; and

(p) exposures qualifying as assets held for risk-mitigation purposes and exposures not qualifying as assets held for risk-mitigation purposes shall be determined in accordance with criteria prescribed by the Authority.

(q) [*revoked*]

SCHEDULE IVA **(Paragraph 6)**

SCHEDULE OF LONG-TERM BUSINESS PREMIUMS

All amounts expressed in ..... (currency used)

Schedule		**Gross Premiums Written**						**Net Premiums Written**					
Line no		**Form 2SFS, Line 12(c)**						**Form 2SFS, Line 14(d)**					
		Unrelated		**Related**		**Total**		**Adjustable/Benefit**		**Adjustable/Benefit**		**Total**	
								Period <=2 years		**Period >2 years**			
		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											XXX	XXX
	(i) <=1 year	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	(ii) >1 year but	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	(iii) >5 years	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
6.	Disability income Active lives for other accident and sickness	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
7.	Disability income: Claims in payment	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
8.	Disability income: Claims in payment for other accident & 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

INSTRUCTIONS AFFECTING SCHEDULE IVA

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

SCHEDULE IVF (Paragraph 6)
SCHEDULE OF EXPOSURE OF RISK
[blank] name of insurer
As at [blank] (day/month/year)
All amounts expressed in ..... (currency used)

1. All insurers shall provide the following information for the reporting period

		ALL	General Business							Long-Term Business							
	Location	Number of Subsidiaries	Gross Premium Written (GPW) - Property Catastrophe	GPW – Other Lines other than Property Catastrophe	Reinsurance Retroceded to Bermuda Cedants	Reinsurance Retroceded to Other Cedants	Net Premium Written	Gross Incurred Losses	Gross Reserves at Year-End	Gross Reserve – Mortality Risk	Gross Reserve – Longevity Risk	Gross Reserve – Deferred Accumulation Annuities	Gross Reserve – Disability	Gross Reserve – Group	Gross Reserve – Variable Annuities	Gross Reserve – Other Products	Claims and Benefits Paid
1	Austria	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2	Belgium	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3	Bulgaria	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4	Croatia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
5	Cyprus	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
6	Czech Republic	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7	Denmark	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8	Estonia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9	Finland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
10	France	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
11	Germany	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
12	Greece	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
13	Hungary	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
14	Ireland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
15	Italy	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
16	Latvia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
17	Lithuania	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
18	Luxembourg	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
19	Malta	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
20	Netherlands	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
21	Poland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
22	Portugal	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
23	Romania	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
24	Slovakia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
25	Slovenia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
26	Spain	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
27	Sweden	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
	Sub Total European Union	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**
28	Bermuda	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
29	United Kingdom	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
30	Switzerland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
31	United States of America	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
32	Canada	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
33	China	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
34	Japan	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
35	Hong Kong	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
36	Australia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
37	All Other Locations	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
38	**Total**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**

Instructions to Schedule IVF

(a) "Location" shall be the location of the risk being underwritten. If the location of the risk being underwritten is not available, then insurers are to allocate based on the location of the cedant;

(b) the "number of subsidiaries" refers to the number of subsidiaries licensed within the jurisdiction;

(c) "mortality" refers to –
- (i) mortality (term assurance, whole life, universal life);
- (ii) critical illness (including accelerated critical illness products);

(d) "longevity" refers to –
- (i) longevity immediate pay-out annuities, contingent annuities, pension blocks;
- (ii) longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs);
- (iii) annuities certain only;

(e) "deferred accumulation annuities" refers to –
- (i) deferred accumulation annuities;

(f) "disability" refers to –
- (i) disability income: active lives - including waiver of premium and long-term care;
- (ii) disability income: active lives - other accident and sickness;
- (iii) disability income: claims in payment - including waiver of premium and long-term care;
- (iv) disability income: claims in payment - other accident and sickness;

(g) "group" refers to –
- (i) group life;
- (ii) group disability;
- (iii) group health;

(h) "variable annuities" refers to –
- (i) variable annuities;

(i) "other products" refers to
- (i) stop loss;
- (ii) rider (other product riders not included above);

(j) all amounts shall be reported on a consolidated basis only.

SCHEDULE V (Paragraph 6)

SCHEDULE OF RISK MANAGEMENT

The schedule of risk management shall disclose the Class D and E insurer's risk management program as following matters-

(a) Governance and group structure;

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

(c) Revoked;

(d) Effective duration of assets;

(e) Effective duration of liabilities;

(f) Weighted average of the difference in the asset duration and liability duration;

(g) Description of the effective duration of assets and liabilities calculations and key assumptions;

(h) Reserves with known duration as a percentage of total reserves;

(i) Mutual fund disclosures;

(j) Summary of projected performance;

(k) Summary of product features and risks;

(l) Financial impact and description of stress and scenario tests;

(m) Investments and derivatives strategies and policy;

(n) Modified co-insurance arrangements;

(o) Deferred accumulation annuities disclosures;

(p) Reconciliation from GAAP financial statements to Form 4EBS;

(q) Revoked;

(r) Revoked;

(s) Revoked;

(t) details of deposit assets and liabilities; and

(u) details of segregated accounts.

INSTRUCTIONS AFFECTING SCHEDULE V:

Paragraphs (q), (r), and (s), are to be reported on both an EBS Valuation and unconsolidated basis. All other requirements are to be reported on an EBS Valuation basis only

(a) Governance and group structure must disclose (on a legal entity and group basis where applicable)-

(i) the structure of the board of directors including names, role, residence and work experience;

(ii) the structure of the management of the insurer including names, roles, work experience, employee arrangement (for example confirm whether employees are hired or outsourced etc.) and description of responsibilities of the chief and senior executive;

(iii) terms of reference of the board of directors of the insurer and its sub-committees;

(iv) the jurisdiction(s) where the board of directors of the insurer primarily deliberates on activities including but not limited to—

(A) setting the strategic direction of the insurer;

(B) determining the (re)insurer's risk appetite;

(C) choosing new lines of business, new products and market position;

(D) assessing solvency needs

(v) details of every service provider of the insurer including name, jurisdiction of incorporation, and details of the insurer's operations which are primarily being performed in relation to—

(A) underwriting (re)insurance policies;

(B) risk management decisions and activities;

(C) investment decisions;

(D) actuarial functions;

(E) compliance audit;

(F) internal audit;

(vi) number of employees resident in Bermuda (non-outsourced positions);

(vii) the jurisdiction(s) where the parent board primarily deliberates on matters including, but not limited to—

(A) setting strategic decision;

(B) determining the group's risk appetite;

(C) choice of corporate structure, including amalgamations,

(D) acquisitions and strategic alliances;

(E) choice of new lines of business, new products, marketplace positioning;

(F) assessing solvency needs;

(viii) the jurisdiction(s) where the parent board and chief and senior executives primarily reside;

(ix) the jurisdiction where the insurance group's central control functions reside (i.e. group finance, actuarial, and risk management);

(x) the insurance 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;

(xi) the names of (re)insurers within the insurance group that have the highest

(A) total asset value;

(B) total insurance reserve value; and

(C) total capital and surplus based on the group's most crent audited general purpose financial statements;

(xii) the total values for subparagraph (xi)(A), (B) and (C);

(xiii) the jurisdiction of incorporation of each reinsurer in subparagraph (xi);

(xiv) explanation of any events which have occurred or decisions made subsequent to the relevant year-end that would materially change, or have, materially changed the information in subparagraphs (iv) through (xiii) (e.g., amalgamation or acquisition or restructuring, etc.): provide a detailed response and explanation;

(xv) a copy of the latest group organizational chart.

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

(i) details of material intra-group transactions between the insurer and other members of the group, 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 exposures including:

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

(AA) counterparties involved, including where they are located;

(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, excluding 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) revoked;

(i) the name of reinsurer;

(ii) the BSCR rating;

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

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

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

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

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

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

(g) 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;

(h) 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;

(i) mutual fund disclosures shall include the name, type and amount of each mutual fund used by the insurer;

(j) the 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

(k) 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;

(l) the 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;

(m) 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;

(n) 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;

(o) 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);

(p) a reconciliation of amounts reported in total assets, total liabilities, net income and total statutory capital and surplus comprising of any adjustments applied to the GAAP financial statements to arrive at the Form 4EBS;

(q) revoked;

(r) revoked;

(s) revoked;

(t) In respect of business for which deposit accounting approaches have been followed: a description of business, total assets held in trust or other collateral, lines of business written, gross premiums written for the period, net premiums written for the period, limits (maximum exposure). For business that has limited exposure, provide the results at a 99.0% TVaR and for business with unlimited exposure, provide details of such business.

(u) in respect of segregated account business, details of each by net loss reserves by statutory lines of business: segregated account cell name, total assets, total liabilities, statutory capital and surplus, cash and investments, net loss reserves, reinsurance recoverable, statutory lines of business written, gross premium written, net premium written, currency, details if the insurance or re-insurance contract has limited recourse language, details of inter-relationship between segregated account cells (if any), details of the segregated account cell's access to the general account (if any) and details where a segregated account cell is in a deficit, insolvent or subject to litigation.

(Paragraph 6)

SCHEDULE VI
Schedule of assets

The schedule of assets shall–

(a) represent the amounts stated in the Form 1SFS – Lines 1 to 15 and Form 1EBS – Lines 1 to 15;

(b) include the following asset types–;
- (i) cash, certificates of deposit, short-term commercial paper, money market funds;
- (ii) sovereign bonds, municipals, supranationals (multilateral development banks and international organisations), corporate bonds, private placements, mutual funds, other-secured bonds, other-unsecured bonds, exchange-traded fund-sovereigns, mutual fund-sovereigns, exchange-traded fund-corporates,;
- (iii) residential mortgage-backed securities – agency, residential mortgage-backed securities non-agency, commercial mortgage-backed securities, collateralised loan obligations, collateralised debt obligations, auto loan asset-backed securities, student loan asset-backed securities, credit card receivables asset-backed securities;
- (iv) residential mortgages, other residential mortgages, commercial and farm mortgages, other commercial real estate loans, middle market loans, leveraged loans, other direct private lending, infrastructure loans, collateral loans, equity release reverse mortgages, other direct loans, mortgage loan fund-residential, mortgage loan fund-commercial, private credit fund;
- (v) listed preferred equity-direct, listed preferred equity-exchange traded fund, listed preferred equity-mutual fund, private preferred equity-direct, private preferred equity-fund;
- (vi) listed equity-direct, listed equity-exchange traded fund, listed equity-mutual fund, private equity-direct, private equity-fund;
- (vii) direct real estate-residential, direct real estate-commercial, direct real-estate-industrial, direct real estate-land, real estate funds-residential, real estate funds-commercial, real-estate funds-industrial, real estate funds-land, direct real estate-other, real estate funds-other;
- (viii) hedge funds, equity investments in infrastructure, commodities-direct, commodities-exchange traded funds, commodities-mutual funds,catastrophe bonds, other insurance-linked securities, advances to affiliates, investments in affiliates;
- (ix) listed options, futures, forwards, swaps, swaptions, over-the-counter options;
- (x) investment income due and accrued, accounts and premiums receivable, reinsurance balance receivable, sundry assets, letters of credit, guarantees and other instruments;

(c) include the following information according to asset type –
- (i) for assets listed in (b).(i) – (b).(x)-;
  1. the jurisdiction where the asset is held/stock exchange-traded;
  2. average rating of the asset type (if applicable);
  3. face value;
  4. fair value;
  5. average effective yield to maturity (if applicable); and
  6. average duration and convexity (if applicable).
- (ii) for assets listed in (b).(vii) i.e., real estate-;
  1. the jurisdiction where the asset is held/stock exchange-traded;
  2. average rating of the asset type (if applicable);
  3. face value; and
  4. fair value.
- (iii) For assets listed in (b).(ix). i.e., derivatives-;

1. the purpose of holding the derivative.
2. the position held in the derivative;
3. whether the derivative is centrally cleared;
4. fair value;
5. notional value; and
6. exposure.

(iv) the amounts are to be reported on both the EBS and unconsolidated basis.

(d) include the following information for the total asset portfolio - ;

(i) effective duration and the convexity of the asset portfolio.

(Paragraph 6)

SCHEDULE VIA

Schedule of funds held by ceding reinsurers

The Schedule of funds held by ceding reinsurers shall–

(a) represent the amounts stated in the Form 1SFS – Line 12 and Form 1EBS – Line 12;

(b) include the following asset types–;
- (i) cash, certificates of deposit, short-term commercial paper, money market funds;
- (ii) sovereign bonds, municipals, supranationals (multilateral development banks and international organisations), corporate bonds, private placements, mutual funds, other-secured bonds, other-unsecured bonds, exchange-traded fund-sovereigns, mutual fund-sovereigns, exchange-traded fund-corporates,;
- (iii) residential mortgage-backed securities – agency, residential mortgage-backed securities non-agency, commercial mortgage-backed securities, collateralised loan obligations, collateralised debt obligations, auto loan asset-backed securities, student loan asset-backed securities, credit card receivables asset-backed securities;
- (iv) residential mortgages, other residential mortgages, commercial and farm mortgages, other commercial real estate loans, middle market loans, leveraged loans, other direct private lending, infrastructure loans, collateral loans, equity release reverse mortgages, other direct loans, mortgage loan fund-residential, mortgage loan fund-commercial, private credit fund;
- (v) listed preferred equity-direct, listed preferred equity-exchange traded fund, listed preferred equity-mutual fund, private preferred equity-direct, private preferred equity-fund;
- (vi) listed equity-direct, listed equity-exchange traded fund, listed equity-mutual fund, private equity-direct, private equity-fund;
- (vii) direct real estate-residential, direct real estate-commercial, direct real-estate-industrial, direct real estate-land, real estate funds-residential, real estate funds-commercial, real-estate funds-industrial, real estate funds-land, direct real estate-other, real estate funds-other;
- (viii) hedge funds, equity investments in infrastructure, commodities-direct, commodities-exchange traded funds, commodities-mutual funds,catastrophe bonds, other insurance-linked securities, advances to affiliates, investments in affiliates;
- (ix) listed options, futures, forwards, swaps, swaptions, over-the-counter options;
- (x) investment income due and accrued, accounts and premiums receivable, reinsurance balance receivable, sundry assets, letters of credit, guarantees and other instruments;

(c) include the following information according to asset type –
- (i) for assets listed in (b).(i) – (b).(x)-;
  1. the jurisdiction where the asset is held/stock exchange-traded;
  2. average rating of the asset type (if applicable);
  3. face value;
  4. fair value;
  5. average effective yield to maturity (if applicable); and
  6. average duration and convexity (if applicable).
- (ii) for assets listed in (b).(vii) i.e., real estate-;
  1. the jurisdiction where the asset is held/stock exchange-traded;
  2. average rating of the asset type (if applicable);
  3. face value; and
  4. fair value.
- (iii) For assets listed in (b).(ix). i.e., derivatives-;
  1. the purpose of holding the derivative;
  2. the position held in the derivative;
  3. whether the derivative is centrally cleared;
  4. fair value;

5. notional value; and
6. exposure.

(iv) the amounts are to be reported on both EBS and unconsolidated basis.

(d) include the following information for the total asset portfolio - ;

effective duration and the convexity of the asset portfolio.

(Paragraph 6)

SCHEDULE VII

SCHEDULE OF LONG-TERM BUSINESS DATA AND RECONCILIATION

All amounts expressed in ..... (currency used)

		(1)	(7)	(9)	(10)	(11)
				Net Amount at Risk		
Line No	Description	Bermuda EBS Best Estimate Provision	BSCR Adjusted Reserve [Greater of Column (1) and 0	Adjustable Product/ Treaty (000)	Non-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) 55-65					
	(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) 55-60					
	(c) 61-65					
	(d) 66-70					
	(e) 71-75					
	(f) 75+					
	(g) Total					
5.	Deferred annuities					
6.	Deferred accumulation annuities					

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

7.	Disability income: active lives - including waiver of premium and long-term care					
	Length of premium guarantee:			Benefit Period <=2	Benefit Period >2	Total (000)
	(a) <=1 year					
	(b) >1 year but					
	(c) >5 years					
	(d) Total					
8.	Disability income: active lives - other accident and sickness					
9.	Disability income: claims in payment – including waiver of premium and long-term care					
10.	Disability income: claims in payment – other accident and sickness					
11.	Group life					
12.	Group disability					
13.	Group health					
14.	Stop loss					
15.	Rider (other product riders not included above)					
16.	Total (excluding variable annuities)					
17.	Total for variable annuities					
18.	Total with variable annuities					

Annual Premiums (000)

		(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Line No	Description	Bound But Not Incepted (BBNI) Premium	Best Estimate Provision In Respect to BBNI	Best Estimate Provision Using Transitional Arrangements	Equivalent of Column (14) if Transitional Arrangements were not used	Scenario Based approach Best Estimate For Technical Provisions	Equivalent of column (16) if the Scenario based approach were not used	Equivalent of column (16) if the Base Scenario were used	BBNI Premium	Best Estimate Provision In Respect to BBNI
		[Form 1EBS,note Line 27(d)-(i]	[Form 1EBS,note Line 27(d)-(ii]	[Form 1EBS,note Line 27(d)-(iii]	[Form 1EBS,note Line 27(d)-(iv]	[Form 1EBS,note Line 27(d)-(v]	[Form 1EBS,note Line 27(d)-(vi]	[Form 1EBS,note Line 27(d)-(vii]	[Form 1EBS,note Line 27B(d)-(i]	[Form 1EBS,note Line 27B(d)-(ii]
1.	Mortality (term assurance, whole									
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) 55-65									
	(c) 66-70									
	(d) 71-80									
	(e) 81+									
	(f) Total									
4.	Longevity (deferred pay- out annuities, future contingent									
	Age at which annuity benefits									
	(a) 0-55									
	(b) 55-60									
	(c) 61-65									
	(d) 66-70									
	(e) 71-75									
	(f) 75+									
	(g) Total									
5.	Deferred annuities									
6.	Deferred accumulation annuities									

7.	Disability income: active lives - including waiver of premium and									
	Length of premium guarantee:									
	(a) <=1 year									
	(b) >1 year but									
	(c) >5 years									
	(d) Total									
8.	Disability income: active lives - other accident and sickness									
9.	Disability income: claims in payment – including waiver of									
10.	Disability income: claims in payment – other accident and sickness									
11.	Group life									
12.	Group disability									
13.	Group health									
14.	Stop loss									
15.	Rider (other product riders not									
16.	Total (excluding variable annuities)									
17.	Total for variable annuities									
18.	Total with variable annuities									

INSTRUCTIONS AFFECTING SCHEDULE VII:

(a) Bermuda EBS best estimate provisions are to be calculated in accordance with Economic Balance Sheet valuation principles under Schedule XXVI;

(b) The amounts in columns (12) to (20) shall be the line of business breakdowns of the relevant amounts shown in the Notes to Form 1EBS as set out in Schedule XIV.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) RULES 2011

SCHEDULE VIIA **(Paragraph 6)**

SCHEDULE OF LAPSE RISK

All amounts expressed in ..... (currency used)

LAPSE UP STRESS

	Region	Assets		Liabilities	Liabilities without Management Actions		Liabilities with Management Actions	Stresses
		Pre-Stress	Post-Stress		Pre-Stress	Post-Stress	Post-Stress	
		(A)	(B)		(C)	(D)	(E)	
1	Europe & UK	XXX	XXX		XXX	XXX	XXX	*[Solvency II/UK]
2	Japan	XXX	XXX		XXX	XXX	XXX	+20%
3	US & Other regions	XXX	XXX		XXX	XXX	XXX	+ 40%
4	Lapse Up Total	XXX	XXX		XXX	XXX	XXX	

LAPSE DOWN STRESS

	Region	Assets		Liabilities	Liabilities without Management Actions		Liabilities with Management Actions	Stresses
		Pre-Stress	Post-Stress		Pre-Stress	Post-Stress	Post-Stress	
		(A)	(B)		(C)	(D)	(E)	
5	Europe & UK	XXX	XXX		XXX	XXX	XXX	*[Solvency II/UK]
6	Japan	XXX	XXX		XXX	XXX	XXX	+20%
7	US & Other regions	XXX	XXX		XXX	XXX	XXX	+ 40%
8	Lapse Down Total	XXX	XXX		XXX	XXX	XXX	

MASS LAPSE STRESS

Region	Assets		Liabilities	Liabilities without Management Actions	Liabilities with Management Actions	Stresses
	Pre-Stress	Post-Stress	Pre-Stress	Post-Stress	Post-Stress	
	(A)	(B)	(C)	(D)	(E)	

9	Europe & UK	XXX	XXX	XXX	XXX	XXX	*[Solvency II/UK]	
10	Europe & UK – Total	XXX	XXX	XXX	XXX	XXX		

		NO OFFSET						
		Assets		Liabilities	Liabilities without Management Actions	Liabilities with Management Actions	Base Stresses	Stress Floor (absolute)
		Pre-Stress	Post-Stress	Pre-Stress	Post-Stress	Post-Stress		
		(A)	(B)	(C)	(D)	(E)		
11	Japan – Non-Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	60%
12	Japan – Non-Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	30%
13	Japan – Non-Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
14	Japan – Non-Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
15	Japan – Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
16	Japan – Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	15%
17	Japan – Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
18	Japan – Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	5%
19	Japan – Total	XXX	XXX	XXX	XXX	XXX		
20	US & Other regions – Non-Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	60%
21	US & Other regions – Non-Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	30%
22	US & Other regions – Non-Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
23	US & Other regions –	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%

	Non-Retail – Category **D**								
24	US & Other regions – Retail – Category **A**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	20%
25	US & Other regions – Retail – Category **B**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	15%
26	US & Other regions – Retail – Category **C**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	10%
27	US & Other regions – Retail – Category **D**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	5%
28	US & Other regions – Total	XXX	XXX	XXX	XXX	XXX			
29	Mass Lapse – No Offset – Total	XXX	XXX	XXX	XXX	XXX			
		FULL OFFSET							
		Assets		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**		**Base Stresses**	**Stress Floor (absolute)**
		Pre-Stress	**Post-Stress**	**Pre-Stress**	**Post-Stress**	**Post-Stress**			
		(A)	**(B)**	**(C)**	**(D)**	**(E)**			
30	Japan – Non-Retail – Category **A**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	60%
31	Japan – Non-Retail – Category **B**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	30%
32	Japan – Non-Retail – Category **C**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	20%
33	Japan – Non-Retail – Category **D**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	10%
34	Japan – Retail – Category **A**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	20%
35	Japan – Retail – Category **B**	XXX	XXX	XXX	XXX	XXX		3x base lapse rates	15%

36	Japan – Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
37	Japan – Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	5%
38	Japan – Total	XXX	XXX	XXX	XXX	XXX		
39	US & Other regions – Non-Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	60%
40	US & Other regions – Non-Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	30%
41	US & Other regions – Non-Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
42	US & Other regions – Non-Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
43	US & Other regions – Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
44	US & Other regions – Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	15%
45	US & Other regions – Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
46	US & Other regions – Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	5%
47	US & Other regions – Total	XXX	XXX	XXX	XXX	XXX		
48	Mass Lapse – Full Offset – Total	XXX	XXX	XXX	XXX	XXX		

INSTRUCTIONS AFFECTING SCHEDULE VIIA:

(a) Bermuda EBS best estimate provisions are to be calculated in accordance with Economic Balance Sheet valuation principles under Schedule XXVI;

(b) The lapse stresses shall apply to all Long-Term business where any relevant policyholder options exist, regardless of the reporting line under Form 1EBS, including without limitation insurers that are members of the insurance group that are registered to operate segregated accounts in accordance with the Segregated Accounts Companies Act 2000

SCHEDULE VIIB **(Paragraph 6)**

SCHEDULE OF LONG-TERM EXPENSE RISK

All amounts expressed in ..... (currency used)

	EXPENSE STRESS							Stresses			
	Region	**Assets**		**Liabilities**	**Liabilities without Management Actions**		**Liabilities with Management Actions**	**Relative increase in future expenses**	**Absolute increase in expense inflation rate (percentage points)**		
		Pre-Stress	**Post-Stress**	**Pre-Stress**	**Post-Stress**		**Post-Stress**		**Projection Year**		
		(A)	**(B)**	**(C)**	**(D)**		**(E)**		**Years 1-10**	**Years 11-20**	**Years 21+**
1	EEA, UK and Switzerland	XXX	XXX	XXX	XXX		XXX	6%	1%	1%	1%
2	US, Bermuda and Canada	XXX	XXX	XXX	XXX		XXX	6%	1%	1%	1%
3	Japan	XXX	XXX	XXX	XXX		XXX	6%	1%	1%	1%
4	Other developed markets	XXX	XXX	XXX	XXX		XXX	8%	2%	1%	1%
5	China, Other emerging markets	XXX	XXX	XXX	XXX		XXX	8%	3%	2%	1%
6	Total	XXX	XXX	XXX	XXX		XXX				

INSTRUCTIONS AFFECTING SCHEDULE VIIB:

(a) Bermuda EBS best estimate provisions are to be calculated in accordance with Economic Balance Sheet valuation principles under Schedule XXVI;

(b) The expense stresses shall apply to all Long-Term business, regardless of the reporting line under Form 1EBS, including without limitation insurers that are members of the insurance group that are registered to operate segregated accounts in accordance with the Segregated Accounts Companies Act 2000.

SCHEDULE VIII **(Paragraph 6)**

SCHEDULE OF LONG-TERM VARIABLE ANNUITY GUARANTEES DATA AND RECONCILIATION

All amounts expressed in ..... (currency used)

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Guaranteed Value			Net Amount at Risk		
Line No.	Description	Bermuda EBS Best Estimate Provisions	Volatility 0%-10%	Volatility 10%- 15%	Volatility >15%	Volatility 0%-10%	Volatility 10%- 15%	Volatility >15%
		(000)	(000)	(000)	(000)	(000)	(000)	(000)
	In-the-money							
1.	GMDB: Return of premium, ratchet & 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							
16.	**Out-the-money**							
17.	GMDB: Return of premium, ratchet & reset							
18.	GMDB: Enhanced benefits (roll up)							
19.	GMIB							
20.	GMWB							
21.	GEEB							
	GMAB							
22.	Time to maturity – 0-1 year							
23.	Time to maturity – 1-2 years							
24.	Time to maturity – 2-3 years							
25.	Time to maturity – 3-4 years							
26.	Time to maturity – 4-5 years							
27.	Time to maturity – 5-6 years							
28.	Time to maturity – 6-7 years							
29.	Time to maturity – 7-8 years							

30.	Time to maturity – 8-9 years							
31.	Time to maturity – >9 years							
32.	Percentage of GMDB with multiple guarantees							

INSTRUCTIONS AFFECTING SCHEDULE VIII:

1. Factors should be applied to NAR defined as:

   (i) Guaranteed minimum accumulation benefit (GMAB) - Total claim payable if all contracts mature immediately

   (ii) Guaranteed minimum death benefit (GMDB) - Total claim amount payable upon immediate death of all policyholders

   (iii) 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)

   (iv) 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

   (v) Guaranteed enhanced earnings benefit (GEEB) - Total guaranteed enhanced payments upon immediate death of all policyholders

2. Where ratchets, resets and roll-ups exist, please use the roll-up category.

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; and

6. Bermuda EBS best estimate provisions are to be calculated in accordance with Economic Balance Sheet valuation principals under Schedule XXVI

SCHEDULE VIIIA **(Paragraph 6)**

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

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)
	Bermuda EBS Best Estimate Provisions	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 insurance group's internal capital model including—

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

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

Line No.	Section	**Provide a brief summary or description of the following details under each section:**
1.	Executive summary	Required capital amount and drivers of result; Key risks and associated risk mitigation techniques; and The modeling methods used.
2.	Overview of business	Type of business; and Key product features and specifications
3.	Key risk exposures	Qualitative description of key risk exposures, such as economic, mortality, surrender, annuitisation, withdrawal, expense and counterparty risks
4.	Description of model	The approach used to calculate total assets and required capital; Key model details, including: - Source of asset and liability data; - Aggregations used to generate model cells; - Allocation of assets to variable annuity blocks; - The reserve basis; - Timestep of model (e.g. monthly); - The rate used to accumulate and discount cash flows; and -The treatment of interim solvency (e.g. how are periods of negative cash flows followed by positive cash flows allowed for)
5.	Description of assumptions	Basis for economic scenarios, including underlying model and parameters; Information on the average return and volatility on the equity investment funds; For mortality and all policyholder behavior assumptions (e.g. premium payments, withdrawals, annuitizations, and lapses): - Source of data (e.g. company-specific experience); - Any margins for conservatism that were used; and - Any future mortality improvement; Approach to investment fund mapping; Insurer's crediting strategy; Expenses and commissions; Treatment of taxes; and Future management actions (other than hedging and reinsurance
6.	Reinsurance	Reinsurance (both assumed and ceded), including a list of counterparties; Nature of arrangements, including caps, floors and recapture provisions; The approach to modeling these arrangements; and Collateral requirements, if relevant.
7.	Hedging	Business covered; Hedge target; Hedged parameters (i.e. Greeks) managed/monitored by the insurer;

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

INSTRUCTIONS AFFECTING SCHEDULE VIIIA

Bermuda EBS best estimate provisions are to be calculated in accordance with Economic Balance Sheet valuation principals under Schedule XXVI.

SCHEDULE IX **(Paragraph 6)**

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

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

(a) Table 16: 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 16A: 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 16B: 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.

TABLE 16

CISSA Capital Summary

Risk categories	CISSA capital	Regulatory capital
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 rate and 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 between risk categories 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 it requires to achieve its strategic goals upon undertaking an assessment of all material (reasonably foreseeable) risks arising from its operations or operating environment; and

(b) Regulatory capital is determined by the BSCR or regulatory capital determined from an approved internal model for regulatory purposes at 99.0% TVaR.

ADDITIONAL INFORMATION

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

- target agency rating (e.g. "A-", "AA", etc.);
- market share;
- business expansion;
- nature of product(s) (e.g. risk characteristics);
- manage downgrade risk;
- regulatory capital requirements; and
- others. _____ (Please provide a description)

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. _____ (Please provide a description)

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. _____ (Please provide a description)

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

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

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

   If yes, provide details and amount of capital.

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

   If yes, provide details and amount of capital.

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

   If yes, provide:

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

INSTRUCTIONS AFFECTING TABLE 16:

(a) Total capital pre-diversification between risk categories is derived by aggregating all the risk;
(b) 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"; and
(c) 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.

TABLE 16A
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
- Others (provide description)

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 of directors, 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 16A:

( ) 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.
(a) 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.
(b) 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 16B

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 the insurance undertaking, at least annually. Minimally, the assessment should:

(a) Be an integral part of the insurer's risk management framework;
(b) 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
(c) Ensure an appropriate oversight process whereby material deficiencies are reported on a timely basis and suitable actions taken.

The insurer shall 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.

The insurer-specific report should minimally include:

1. Date the assessment was completed and the insurer-specific report last updated.
2. A description of the insurer's business and strategy.
3. The identification and assessment of all reasonably foreseeable material risks, including those specified in the Insurance Code of Conduct (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 risks 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. For each material risk identified under 3 above, the submission should minimally include:
    (a) Identification of the risk owner, qualifications and responsibilities.
    (b) The key performance indicators used to monitor compliance with the risk appetite.
    (c) The risk drivers (e.g. for catastrophe risk the drivers could be US earthquake, European windstorm, terrorism, etc.)
    (d) The primary model(s)/tool(s) used to calculate the CISSA capital for the risk, where applicable.
    (e) The primary sources of data used as inputs to the model(s)/tool(s).
    (f) The key assumptions used in the assessment of the risk.

(g) A description and quantitative impact of stress and scenario testing (if any) on capital including key assumptions.
(h) A description of measures taken to transfer or otherwise mitigate the risk.
(i) Quantification of the risk if the insurer is holding capital against it both pre and post diversification.
(j) An explanation of the primary reasons for any material deviations between the CISSA capital as it pertains to the risk (if holding capital against the risk) and the regulatory capital charge for the risk, if the deviation is greater than 15%.

12. Model(s)/tool(s) used to calculate the CISSA capital
The insurer should review and provide answers to the following questions on the model(s)/tool(s) used to calculate the CISSA capital

Governance
(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
(d) Is the model(s)/tool(s) subject to a regular cycle of validation; which includes the monitoring of performance, review of 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) remain suitable during changing conditions (e.g. changes in inflation, interest rate, etc.)? If no, provide comments.
Documentation
(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
(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
(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 the CISSA capital?

INSTRUCTIONS AFFECTING TABLE 16B:

The insurer shall select the appropriate response. Where an optional attachment is provided to disclose additional information, an insurer shall include references (e.g. page number, paragraph number) of where the information can be located within the attachment.

SCHEDULE XII **(Paragraph 6)**

Schedule of Eligible Capital

The schedule of eligible capital shall provide particulars of the following matters on an EBS Valuation basis:

(a) Tier 1, Tier 2 and Tier 3 eligible capital (Table 17); 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 17

Total available statutory economic capital and surplus (Form 4EBS, line 40 plus applicable adjustments)	XXX
Less: Encumbered assets not securing policyholder obligations (Notes to Form 4EBS, STMT LINE 15)	XXX
Less: relative liability or contingent liability (Form 4EBS) for which the encumbered assets are held	XXX
Subtotal:	XXX
Tier 1 – basic capital	
(a) Fully paid common shares (Form 8, STMT LINE 1(a)(i))	XXX
(b) Contributed surplus or share premium (Form 8, STMT LINE 1(b))	XXX
(c) Statutory economic surplus- End of Year (Form 4EBS, line 40 less Form 8, STMT LINE 1(d)]	XXX
(d) Capital adjustments	XXX
(e) Hybrid capital instruments: Perpetual or fixed term preference shares (Form 8, STMT LINE 1(a)(ii))	XXX
(f) Other:	XXX
(g) Less: Treasury shares (Form 8, STMT LINE 1(a)(iii))	XXX
(h) Less: Difference between encumbered assets for policyholder obligations and policyholder obligations, calculated as follows:	XXX

	Policyholder obligations (Column (A))	Encumbered (pledged) assets (Column (B))
(i) Contracts where pledged assets exceed the policyholder obligations	XXX	XXX
(ii) Contracts where pledged assets are equal to the policyholder obligations	XXX	XXX
(iii) Contracts where pledged assets are less than the policyholder obligations	XXX	XXX
(iv) Contracts where policyholder obligations are not collateralized	XXX	XXX
(v) Total	XXX	XXX

(vi) Excess encumbered assets i.e. contracts where pledged assets exceed the policyholder obligations (Column (B)(i) - Column (A)(i))	XXX
(vii) Capital requirement applicable to the encumbered assets under (i) above (equal to the contribution of the pledged assets to the ECR)	XXX
(viii) Capital requirement applicable to the policyholder obligations under (i) above (equal to the contribution of the policyholder obligations to the ECR)	XXX
(ix) Excess encumbered assets transferable to Tier 2 ((vi)-(vii)-(viii))	XXX
(x) Policyholder obligations that are fully collateralized (Column (A)(i)+ Column (A)(ii) + Column (B)(iii))	XXX
(xi) Total policyholder obligations (Column (A)(v))	XXX
(xii) Proportion of policyholder obligations that are not collateralized (1 – (x)/(xi))	XXX
(xiii) Excess encumbered assets transferred to Tier 2 ((ix) x (xii))	XXX
(i) Encumbered assets not securing policyholder obligations (Notes to Form 4EBS, STMT LINE 15)	XXX

Less: relative liability or contingent liability (Form 4EBS) for which the encumbered assets are held	
(j) **Less**: Restricted assets in excess of capital requirements, reported in CISSA, to the extent that these amounts are not included in the encumbered assets both for policyholder obligations and not for securing policyholder obligations	XXX
Tier 1 – ancillary capital	
(a) Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1(c)(i))	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: Briefly describe	XXX
(c) Add: Difference between encumbered assets for policyholder obligations and policyholder obligations deducted from Tier 1	XXX
Tier 2 -ancillary capital	
(a) Unpaid and callable common shares (Form 8, STMT LINE 1(c)(i))	XXX
(b) Qualifying unpaid and callable hybrid capital (Form 8, STMT LINE 1(c)(i))	XXX
(c) Qualifying unpaid and callable perpetual or fixed term preference shares (Form 8, STMT LINE 1(c)(i))	XXX
(d) Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1(c)(i))	XXX
(e) Approved letters of credit (Form 8, STMT LINE 1(c)(ii))	XXX
(f) Approved guarantees (Form 8, STMT LINE 1(c)(ii))	XXX
Total Tier 2 available capital	**XXX**
Tier 3 -basic capital	XXX
(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 17:

Table 17inputs 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 17 in accordance with the provisions of Eligible Capital Rules.

Table 17A

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 17A:

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 17A 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, on an EBS Valuation basis, in accordance with the following formula—

$$BSCR = \sqrt{C_{fi}^2 + C_{eq}^2 + C_{LT\text{int}}^2 + C_{Curr}^2 + C_{Conc}^2 + C_{LTcred}^2 + (C_{LTmort} + C_{LTsl} + C_{LTr})^2 + C_{LTmorb}^2}$$

$$\text{cont'd } \sqrt{+C_{LTlong}^2 - .5 \times (C_{LTmort} + C_{LTsl} + C_{LTr}) \times C_{LTlong} + C_{LTVA}^2 + C_{LTother}^2} + C_{op} + C_{adj}$$

$$+ \left[BSCR_{Corr} - \left(\sqrt{C_{fi}^2 + C_{eq}^2 + C_{LT\text{int}}^2 + C_{Curr}^2 + C_{Conc}^2 + C_{LTcred}^2 + (C_{LTmort} + C_{LTsl} + C_{LTr})^2 + C_{LTmorb}^2} \right.\right.$$

$$\left.\left. \text{cont'd } \sqrt{+C_{LTlong}^2 - .5 \times (C_{LTmort} + C_{LTsl} + C_{LTr}) \times C_{LTlong} + C_{LTVA}^2 + C_{LTother}^2} + C_{op} + C_{adj} \right) \right]$$

$$\boxed{\times \text{TransitionalFactor}}$$

Where-

C_{fi}	= fixed income investment risk charge as calculated in accordance with paragraph 2;
C_{eq}	= equity investment risk charge as calculated in accordance with paragraph 3;
$C_{LT\text{int}}$	= interest rate/liquidity risk charge as calculated in accordance with paragraph 4;
C_{Curr}	= currency risk charge as calculated in accordance with paragraph 5;
C_{Conc}	= concentration risk charge as calculated in accordance with paragraph 6;
C_{LTcred}	= credit risk charge as calculated in accordance with paragraph 7;
C_{LTmort}	= insurance risk - mortality charge as calculated in accordance with paragraph 8;
C_{LTsl}	= insurance risk - stop loss charge as calculated in accordance with paragraph 9;
C_{LTr}	= insurance risk - riders charge as calculated in accordance with paragraph 10;
C_{LTmorb}	= insurance risk - morbidity and disability charge as calculated in accordance with paragraph 11;
C_{LTlong}	= , insurance risk - longevity capital as calculated in accordance with paragraph 12;
C_{LTVA}	= variable annuity guarantee risk charge as calculated in accordance with paragraph 13;
$C_{LTother}$	= other insurance risk charge as calculated in accordance with paragraph 14;
C_{op}	= operational risk charge as calculated in accordance with paragraph 15; and
C_{adj}	=charge for capital adjustment, calculated as the sum of (a) and (b) where:

(a) Regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 16; and

(b) Capital adjustment for the loss-absorbing capacity of deferred taxes calculated as determined in accordance to paragraph 38;

$BSCR_{Corr}$ = as calculated in accordance with paragraph 17;

TransitionalFactor
(a) 10%**,** for the financial year beginning on or after 1St January 2019;
(b) 20%, for the financial year beginning on or after 1St January 2020;
(c) 30%, for the financial year beginning on or after 1St January 2021;
(d) 40% for the financial year beginning on or after 1st January 2022;
(e) 50% for the financial year beginning on or after 1st January 2023;
(f) 60% for the financial year beginning on or after 1st January 2024;
(g) 70% for the financial year beginning on or after 1st January 2025;
(h) 80% for the financial year beginning on or after 1st January 2026;
(i) 90% for the financial year beginning on or after 1st January 2027;
(j) 100% for the financial year beginning on or after 1st January 2028.

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

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

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

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

μ_r = additional diversification adjustment factor applied to cash and cash equivalent balances, or 1 for other asset classes.

Table 1 – Capital charge factors for $FIastclass_i$

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

Commercial Mortgage-Backed Securities/Asset-Backed Securities		
BSCR rating 1	Part II & IIA, Line 2, Column (5)	0.5%
BSCR rating 2	Part II & IIA, Line 3, Column (5)	1.0%
BSCR rating 3	Part II & IIA, Line 4, Column (5)	1.8%
BSCR rating 4	Part II & IIA, Line 5, Column (5)	3.5%
BSCR rating 5	Part II & IIA, Line 6, Column (5)	10.0%
BSCR rating 6	Part II & IIA, Line 7, Column (5)	20.0%
BSCR rating 7	Part II & IIA, Line 8, Column (5)	30.0%
BSCR rating 8	Part II & IIA, Line 9, Column (5)	35.0%
Bond Mutual Funds		
BSCR rating 0	Part II & IIA, Line 1, Column (7)	0.0%
BSCR rating 1	Part II & IIA, Line 2, Column (7)	0.4%
BSCR rating 2	Part II & IIA, Line 3, Column (7)	0.8%
BSCR rating 3	Part II & IIA, Line 4, Column (7)	1.5%
BSCR rating 4	Part II & IIA, Line 5, Column (7)	3.0%
BSCR rating 5	Part II & IIA, Line 6, Column (7)	8.0%
BSCR rating 6	Part II & IIA, Line 7, Column (7)	15.0%
BSCR rating 7	Part II & IIA, Line 8, Column (7)	26.3%
BSCR rating 8	Part II & IIA, Line 9, Column (7)	35.0%
Mortgage Loans		
Insured/guaranteed mortgages	Part II & IIA, Line 22, Column (1)	0.3%
Other commercial and farm mortgages	Part II & IIA, Line 23, Column (1)	5.0%
Other residential mortgages	Part II & IIA, Line 24, Column (1)	1.5%
Mortgages not in good standing	Part II & IIA, Line 25, Column (1)	25.0%
Other Fixed Income Investments		
Other loans	Form 1EBS, Line 8	5.0%
Cash and cash equivalents		
BSCR rating 0	Part XX, Column A	0.0%
BSCR rating 1	Part XX, Column A	0.1%
BSCR rating 2	Part XX, Column A	0.2%
BSCR rating 3	Part XX, Column A	0.3%
BSCR rating 4	Part XX, Column A	0.5%
BSCR rating 5	Part XX, Column A	1.5%
BSCR rating 6	Part XX, Column A	4.0%
BSCR rating 7	Part XX, Column A	6.0%
BSCR rating 8	Part XX, Column A	9.0%
Less: Diversification adjustment	Part XX, Column A	to a maximum of 40.0%

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

(a) all assets comprising of bonds and debentures, loans, and other miscellaneous investments that are subject to capital charges within the fixed income investment risk charge shall be included;

(b) all non-affiliated quoted and unquoted bonds and debentures shall be included in the fixed income investment charge;

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

(d) the capital requirements relating to cash and cash equivalents shall be reduced by a diversification adjustment of up to a maximum of 40%;

(e) the diversification adjustment in paragraph (d) is determined as 40% multiplied by 1 minus the ratio of the largest cash and cash equivalent balance held with a single counterparty to the total of all cash and cash equivalent balance; and

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

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

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

χ_i = the capital charge 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 charge factors for $Eqastclass_i$

Type of equity investments $Eqastclass_i$	**Statement Source** These Rules	**Capital Factor** χ_i
Common stocks		
Non-affiliated (quoted) common stock	Part II & IIA, Line 19, Column (1)	14.4%
Non-affiliated (unquoted) common stock	Part II & IIA, Line 20, Column (1)	14.4%
Equity mutual funds	Part II & IIA, Line 21, Column (5)	14.4%
Preferred stocks		
BSCR rating 1	Part II & IIA, Line 11, Column (3)	0.6%
BSCR rating 2	Part II & IIA, Line 12, Column (3)	1.2%
BSCR rating 3	Part II & IIA, Line 13, Column (3)	2.0%
BSCR rating 4	Part II & IIA, Line 14, Column (3)	4.0%
BSCR rating 5	Part II & IIA, Line 15, Column (3)	11.0%
BSCR rating 6	Part II & IIA, Line 16, Column (3)	25.0%
BSCR rating 7	Part II & IIA, Line 17, Column (3)	35.0%
BSCR rating 8	Part II & IIA, Line 18, Column (3)	35.0%
Other equity investments		
Company-occupied real estate less: encumbrances	Form 1EBS, Line 7(a)	10.0%
Real estate investments less: encumbrances	Form 1EBS, Line 7(b)	20.0%
Other equity investments	Form 1EBS, Lines 2(e), 3(e) & Part IIA, Line 21, Column (7)	20.0%
Other tangible assets – net of segregated accounts companies	Form 1EBS, Lines 13(k), 14(d) and 36(f) Less Lines 13(b), 13(c) and 13(h)	20.0%

Investments in affiliates		
Unregulated entities that conduct ancillary Services	Form 1EBS, Line 4(a)	5.0%
Unregulated non- financial operating entities	Form 1EBS, Line 4(b)	20.0%
Unregulated financial operating entities	Form 1EBS, Line 4(c)	55.0%
Regulated insurance financial operating entities	Form 1EBS, Line 4(e)	20.0%

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

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

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

(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; and

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

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

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

$duration1$ = applies for business where the duration of assets and liabilities is known. $duration1$ = the higher of
(a) 1; or
(b) the insurer's weighted average of the difference in asset duration and liability duration;
(c) The statement source for the weighted average of the difference in asset duration and liability duration is Part V paragraph (f) of these Rules;

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

$rateshock$ = assumed interest rate adjustment prescribed in Table 3;

$assets$ = quoted and unquoted value of total 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 (h) of these Rules; and

$AMLCredit$ = the total factor determined in accordance with Table 4.

Table 3 – Interest rate adjustment for *bonds*

Type of investments *bonds*	**Statement Source** These Rules	**Estimated duration**	**200 basis point interest rate increase** $marketdecline$
Total bonds and debentures	Schedule II and Schedule IIA, Column 9, Line 10	$duration$	2.0%

Preferred stock	Schedule II and Schedule IIA, Column 3, Line 21	*duration*	2.0%
Mortgage loans	Schedule II and Schedule IIA, Column 1, Line 26	*duration*	2.0%

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

(a) all assets comprising of total 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 total bonds and debentures and preferred stock shall be included in the interest rate/liquidity risk charge;

(c) total 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; and

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

Table 4 - 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%

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

$$C_{Curr} = \sum_i \chi_i \times (Currproxybscr_i + Currliab_i - Currast_i)$$ where -

$Currency_i$ = refers to a currency used by the insurer

$GrossCurrast_i$ = value of assets corresponding to $Currency_i$ as reported on Form 4EBS Line 15

$Currast_i$ = value of assets corresponding to $Currency_i$ as reported on Form 1EBS Line 15 adjusted to allow for currency hedging arrangements

$GrossCurrliab_i$ = value of liabilities corresponding to $Currency_i$ as reported on Form 1EBS Line 39 .

$Currliab_i$	= value of liabilities corresponding to $Currency_i$ as reported on Form 1EBS Line 39 adjusted to allow for currency hedging arrangements
$Currproxybscr_i$	= refers to the product of $GrossCurrliab_i$ and BSCR Proxy factor
$Currency_i$	= greater of: i. the Enhanced Capital Requirement divided by Form 1EBS Line 39 Total Liabilities for the preceding year; ii. the average of the above ratio for the preceding 3 years. where there are no prior submissions available, the BSCR proxy factor is the above ratio that would be obtained from the current submission without taking into account the currency risk charge.

Table 5 – Capital charge factors for Currency Risk

Currency	$GrossCurrast_i$	$Currast_i$	$GrossCurrliab_i$	$Currliab_i$	$Currproxybscr_i$
Currency 1	Part XXI, Column A, Line 1	Part XXI, Column B, Line 1	Part XXI, Column C, Line 1	Part XXI, Column D, Line 1	$GrossCurrliab_i$ x BSCR Proxy Factor
Currency 2	Part XXI, Column A, Line 2	Part XXI, Column B, Line 2	Part XXI, Column C, Line 2	Part XXI, Column D, Line 2	$GrossCurrliab_2$ x BSCR Proxy Factor
Currency 3	Part XXI, Column A, Line 3	Part XXI, Column B, Line 3	Part XXI, Column C, Line 3	Part XXI, Column D, Line 3	$GrossCurrliab_3$ x BSCR Proxy Factor
Currency n	Part XXI, Column A, Line n	Part XXI, Column B, Line n	Part XXI, Column C, Line n	Part XXI, Column D, Line n	$GrossCurrliab_n$ x BSCR Proxy Factor

INSTRUCTIONS AFFECTING TABLE 5: Capital charge factors for Currency Risk

(a) where the insurer uses currency hedging arrangements to manage its currency risk, then $Currast_i$ and $Currliab_i$ may reflect the impact of those arrangements on $GrossCurrast_i$ and $GrossCurrliab_i$ of a 25% adverse movement in foreign exchange currency rates, otherwise the amounts $GrossCurrast_i$ and $GrossCurrliab_i$ shall apply;

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

(c) "currency hedging arrangements" means derivative or other risk mitigation arrangements designed to reduce losses due to foreign currency exchange movements, and which meet the Authority's requirements to be classed as such;

(d) insurers are to report currencies representing at least 95% of their economic balance sheet liabilities; and

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

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

$$C_{Conc} = \sum_i \chi_i \times Concastclass_i$$

where -

χ_i = the capital charge factors prescribed in Table 6 for each type $Concastclass_i$ of and

$Concastclass_i$ = value of corresponding asset in Asset Class

Table 6 – Capital charge factors for $Concastclass_i$

Asset Class	**Statement Source** These Rules	**Capital Factor** χ_i
Cash and Cash Equivalents		
BSCR rating 0	Part XXII, Column D	0.0%
BSCR rating 1	Part XXII, Column D	0.1%
BSCR rating 2	Part XXII, Column D	0.2%
BSCR rating 3	Part XXII, Column D	0.3%
BSCR rating 4	Part XXII, Column D	0.5%
BSCR rating 5	Part XXII, Column D	1.5%
BSCR rating 6	Part XXII, Column D	4.0%
BSCR rating 7	Part XXII, Column D	6.0%
BSCR rating 8	Part XXII, Column D	9.0%
Corporate & Sovereign Bonds		
BSCR rating 0	Part XXII, Column D	0.0%
BSCR rating 1	Part XXII, Column D	0.4%
BSCR rating 2	Part XXII, Column D	0.8%
BSCR rating 3	Part XXII, Column D	1.5%
BSCR rating 4	Part XXII, Column D	3.0%
BSCR rating 5	Part XXII, Column D	8.0%
BSCR rating 6	Part XXII, Column D	15.0%
BSCR rating 7	Part XXII, Column D	26.3%
BSCR rating 8	Part XXII, Column D	35.0%
Residential Mortgage-Backed Securities		
BSCR rating 0	Part XXII, Column D	0.0%
BSCR rating 1	Part XXII, Column D	0.6%
BSCR rating 2	Part XXII, Column D	1.2%
BSCR rating 3	Part XXII, Column D	2.0%
BSCR rating 4	Part XXII, Column D	4.0%
BSCR rating 5	Part XXII, Column D	11.0%
BSCR rating 6	Part XXII, Column D	25.0%
BSCR rating 7	Part XXII, Column D	35.0%
BSCR rating 8	Part XXII, Column D	35.0%
Commercial Mortgage-Backed Securities/Asset Backed Securities		
BSCR rating 0	Part XXII, Column D	0.0%
BSCR rating 1	Part XXII, Column D	0.5%
BSCR rating 2	Part XXII, Column D	1.0%
BSCR rating 3	Part XXII, Column D	1.8%
BSCR rating 4	Part XXII, Column D	3.5%
BSCR rating 5	Part XXII, Column D	10.0%
BSCR rating 6	Part XXII, Column D	20.0%
BSCR rating 7	Part XXII, Column D	30.0%
BSCR rating 8	Part XXII, Column D	35.0%

Bond Mutual Funds		
BSCR rating 0	Part XXII, Column D	0.0%
BSCR rating 1	Part XXII, Column D	0.4%
BSCR rating 2	Part XXII, Column D	0.8%
BSCR rating 3	Part XXII, Column D	1.5%
BSCR rating 4	Part XXII, Column D	3.0%
BSCR rating 5	Part XXII, Column D	8.0%
BSCR rating 6	Part XXII, Column D	15.0%
BSCR rating 7	Part XXII, Column D	26.3%
BSCR rating 8	Part XXII, Column D	35.0%
Preferred Shares		
BSCR rating 1	Part XXII, Column D	0.6%
BSCR rating 2	Part XXII, Column D	1.2%
BSCR rating 3	Part XXII, Column D	2.0%
BSCR rating 4	Part XXII, Column D	4.0%
BSCR rating 5	Part XXII, Column D	11.0%
BSCR rating 6	Part XXII, Column D	25.0%
BSCR rating 7	Part XXII, Column D	35.0%
BSCR rating 8	Part XXII, Column D	35.0%
Mortgage Loans		
Insured/Guaranteed Mortgages	Part XXII, Column D	0.3%
Other Commercial and Farm Mortgages	Part XXII, Column D	5.0
Other Residential Mortgages	Part XXII, Column D	1.5
Mortgages Not In Good Standing	Part XXII, Column D	25.0
Other Asset Classes		
Quoted and Unquoted Common Stock and Mutual Funds	Part XXII, Column D	14.4%
Other Quoted and Unquoted Investments	Part XXII, Column D	20.0%
Investment in Affiliates – Unregulated entities that conduct ancillary services	Part XXII, Column D	5.0%
Investment in Affiliates – Unregulated non-financial operating entities	Part XXII, Column D	20.0%
Investment in Affiliates – Unregulated financial operating entities	Part XXII, Column D	55.0%
Investment in Affiliates – Regulated non-insurance financial operating entities	Part XXII, Column D	55.0%
Investment in Affiliates – Regulated insurance financial operating entities	Part XXII, Column D	20.0%
Advances to Affiliates –	Part XXII, Column D	5.0%
Policy Loans	Part XXII, Column D	0.0%
Real Estate: Occupied by company	Part XXII, Column D	10.0%
Real Estate: Other	Part XXII, Column D	20.0%

properties		
Collateral Loans	Part XXII, Column D	5.0%

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

(a) $Concastclass_i$ shall only apply to the insurers 10 largest counterparty exposures based on the aggregate of all instruments included in Table 6 related to that counterparty

(b) a counterparty shall include all related/connected counterparties defined as:

(i) Control relationship: if the counterparty, directly or indirectly, has control over the other(s); or

(ii) Economic interdependence: if one of the counterparties were to experience financial problems, in particular funding or repayment difficulties, the other(s) as a result, would also be likely to encounter funding or repayment difficulties; and

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

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

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

δ_i = the credit risk capital charge factor for type of $debtor_i$ as prescribed in Table 7; and

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

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

Table 7 – Capital charge factors for $debtor_i$

Type of debtor $debtor_i$	**Statement Source** These Rules	**Capital Factor** δ_i
Accounts and Premiums Receivable		
In course of collection	Form 1EBS, Line 10(a)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 1EBS, Line 10(c) and instruction (c) below	10.0%
All Other Receivables		
Accrued investment income	Form 1EBS, Line 9	2.5%
Advances to affiliates	Form 1EBS, Line 4(g)	5.0%
Policy loans	Form 1EBS, Line 6	0.0%
Particulars of reinsurance balances		
BSCR rating 0	Part XIX paragraph (d)	0.0%
BSCR rating 1	Part XIX paragraph (d)	0.7%
BSCR rating 2	Part XIX paragraph (d)	1.5%
BSCR rating 3	Part XIX paragraph (d)	3.5%
BSCR rating 4	Part XIX paragraph (d)	7.0%
BSCR rating 5	Part XIX paragraph (d)	12.0%
BSCR rating 6	Part XIX paragraph (d)	20.0%
BSCR rating 7	Part XIX paragraph (d)	17.0%

BSCR rating 8	Part XIX paragraph (d)	35.0%
Less: Diversification adjustment	Part XIX paragraph (d)	40.0%

INSTRUCTIONS AFFECTING TABLE 7: Capital charge factors for $debtor_i$

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

(b) all accounts and premiums receivable, reinsurance balances receivables, all other receivables, and reinsurance recoverable balances shall be reported on a basis consistent with that used for purposes of statutory financial reporting;

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

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

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

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

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

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

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

$$C_{LTmort} = \left[\sum_i \alpha 1_i \times NAAR1_i\right] + \left[\sum_i \alpha 2_i \times NAAR2_i\right]$$ Where

$\alpha 1_i$ = capital factor for adjustable life insurance business as prescribed in Table 8;

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

$\alpha 2_i$ = capital factor for non-adjustable business as prescribed in Table 8; and

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

Table 8 – Capital charge factors for $NAAR1_i$ or $NAAR2_i$

Net Amount at Risk $NAAR1_i$ **or** $NAAR2_i$	**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

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

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

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

C_{LTr} = 25% x net annual premium for insurance product riders not included elsewhere as prescribed in Part VII, Column (11), Line 15 of these Rules.

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

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

(a) = 7.00% x BSCR adjusted reserves for disability income claims in payment on waiver of premium and long-term care as prescribed in Part VII, Column (7), Line 9 of these Rules

plus

(b) = 10% x BSCR adjusted reserves for disability income claims in payment on other accident and sickness products as prescribed in Part VII, Column (7), Line 10 of these Rules;

Plus

(c) $= \left[\sum_i \alpha_i \times NAP_i \right]$

Where –

α_i = capital charge factor as prescribed in Table 9; and

NAP_i = the Net Annual Premium for disability income business – active lives as described in Table 9;

Table 9 – Capital charge factors for NAP_i

Net Annual Premium NAP_i	**Statement Source** These Rules	**Capital Factor** $\alpha 1_i$
Benefit period less than or equal to two years, premium guarantee less than or equal to 1 year	Part VII, Column (9), Line 7(a)	9.0%
Benefit period less than or equal to two years, premium guarantee of more than 1 year but less than or equal to 5 years	Part VII, Column (9), Line 7(b)	15.0%
Benefit period less than or equal to two years, premium guarantee of more than 5 years	Part VII, Column (9), Line 7(c)	22.5%
Benefit period greater than	Part VII, Column (10), Line 7(a)	12.0%

two years, premium guarantee less than or equal to 1 year		
Benefit period greater than two years, premium guarantee of more than 1 year but less than or equal to 5 years	Part VII, Column (10), Line 7(b)	20.0%
Benefit period greater than two years, premium guarantee of more than 5 years	Part VII, Column (10), Line 7(c)	30.0%

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

Plus

(e) $$= \left[\sum_i \alpha 1_i \times NAAR1_i\right] + \left[\sum_i \alpha 2_i \times NAAR2_i\right]$$

Where –

$\alpha 1_i$ = capital factor as prescribed in Table 10;

$NAAR1_i$ = the Net Amount at Risk of all adjustable critical illness insurance business in force as in Part VII, Column (9), Line 2;

$\alpha 2_i$ = capital factor as prescribed in Table 10;

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable critical illness insurance business in force as in Part VII, Column (10), Line 2.

Table 10 – Capital charge factors for $NAAR1_i$ or $NAAR2_i$

Net Amount at Risk $NAAR1_i$ **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

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

$$C_{LTlong} = \sum_i \alpha_i \times BAR_i$$ Where:

α_i = capital charge factor as prescribed in Table 11; and

BAR_i = the BSCR adjusted reserves for longevity risk as described in Table 11.

Table 11 – Capital charge factors for BAR_i

BSCR adjusted reserves	**Statement Source**	**Capital Factor**

BAR_i	These Rules	α_i
Longevity (*immediate pay-out annuities, contingent annuities, pension blocks*) – Attained age of annuitant:		
0-55 years	Part VII, Column (7), Line 3(a)	2.0%
56-65 years	Part VII, Column (7), Line 3(b)	3.0%
66-70 years	Part VII, Column (7), Line 3(c)	4.0%
71-80 years	Part VII, Column (7), Line 3(d)	5.0%
81+ years	Part VII, Column (7), Line 3(e)	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, Column (7), Line 4(a)	2.0%
56-60 years	Part VII, Column (7), Line 4(b)	3.0%
61-65 years	Part VII, Column (7), Line 4(c)	4.0%
66-70 years	Part VII, Column (7), Line 4(d)	5.0%
71-75 years	Part VII, Column (7), Line 4(e)	6.0%
76+ years	Part VII, Column (7), Line 4(f)	7.0%

INSTRUCTIONS AFFECTING TABLE 11: Capital charge factors for BAR_i

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

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

$$C_{LTVA} = \text{either } \left(\sum_i TotalBSReq_i - TotalBAR - TotalGMB_{adj} \right) \text{ or } (IMCReq_{LTVA})$$

Wherein:

(i) $TotalBSReq_i$ = higher of (a) $\left(\alpha 1_i \times GV1_i + \alpha 2_i \times GV2_i + \alpha 3_i \times GV3_i\right)$ and

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

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

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

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

(v) $\left(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i\right)$ have the statement source identified in Table 12; and

(vi) $\left(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i\right)$ are the capital factors as prescribed in Table 13.

Table 12 – Capital charge factors for $(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i)$

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, column (5)	Part VIII, lines 1, column (6)	Part VIII, lines 1, column (7)
Guaranteed minimum death benefit: Enhanced benefits (roll up)	Part VIII, Lines 2 and 17, column (2)	Part VIII, Lines 2 and 17, column (3)	Part VIII, Lines 2 and 17, column (4)	Part VIII, Lines 2, column (5)	Part VIII, Lines 2, column (6)	Part VIII, Lines 2, column (7)
Guaranteed minimum income benefit	Part VIII, Lines 3 and 18, column (2)	Part VIII, Lines 3 and 18, column (3)	Part VIII, Lines 3 and 18, column (4)	Part VIII, Lines 3, column (5)	Part VIII, Lines 3, column (6)	Part VIII, Lines 3, column (7)
Guaranteed minimum withdrawal benefit	Part VIII, Lines 4 and 19, column (2)	Part VIII, Lines 4 and 19, column (3)	Part VIII, Lines 4 and 19, column (4)	Part VIII, Lines 4, column (5)	Part VIII, Lines 4, column (6)	Part VIII, Lines 4, column (7)
Guaranteed enhanced earnings benefit	Part VIII, Lines 5 and 20, column (2)	Part VIII, Lines 5 and 20, column (3)	Part VIII, Lines 5 and 20, column (4)	Part VIII, Lines 5, column (5)	Part VIII, Lines 5, column (6)	Part VIII, Lines 5, column (7)
Guaranteed minimum accumulation benefit with 1 year or less to maturity	Part VIII, Lines 6 and 21, column (2)	Part VIII, Lines 6 and 21, column (3)	Part VIII, Lines 6 and 21, column (4)	Part VIII, Lines 6, column (5)	Part VIII, Lines 6, column (6)	Part VIII, Lines 6, column (7)
Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity	Part VIII, Lines 7 and 22, column (2)	Part VIII, Lines 7 and 22, column (3)	Part VIII, Lines 7 and 22, column (4)	Part VIII, Lines 7, column (5)	Part VIII, Lines 7, column (6)	Part VIII, Lines 7, column (7)
Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity	Part VIII, Lines 8 and 23, column (2)	Part VIII, Lines 8 and 23, column (3)	Part VIII, Lines 8 and 23, column (4)	Part VIII, Lines 8, column (5)	Part VIII, Lines 8, column (6)	Part VIII, Lines 8, column (7)
Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity	Part VIII, Lines 9 and 24, column (2)	Part VIII, Lines 9 and 24, column (3)	Part VIII, Lines 9 and 24, column (4)	Part VIII, Lines 9, column (5)	Part VIII, Lines 9, column (6)	Part VIII, Lines 9, column (7)
Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity	Part VIII, Lines 10 and 25, column (2)	Part VIII, Lines 10 and 25, column (3)	Part VIII, Lines 10 and 25, column (4)	Part VIII, Lines 10, column (5)	Part VIII, Lines 10, column (6)	Part VIII, Lines 10, column (7)
Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity	Part VIII, Lines 11 and 26, column (2)	Part VIII, Lines 11 and 26, column (3)	Part VIII, Lines 11 and 26, column (4)	Part VIII, Lines 11, column (5)	Part VIII, Lines 11, column (6)	Part VIII, Lines 11, column (7)
Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity	Part VIII, Lines 12 and 27, column (2)	Part VIII, Lines 12 and 27, column (3)	Part VIII, Lines 12 and 27, column (4)	Part VIII, Lines 12, column (5)	Part VIII, Lines 12, column (6)	Part VIII, Lines 12, column (7)

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

Table 13 – Capital charge factors for $(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i)$

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

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

$$C_{LToth} = \sum_i \alpha_i \times BAR_i ;$$

Where:

α_i = capital charge factor as prescribed in Table 14; and

BAR_i = the BSCR adjusted reserves as described in Table 14.

Table 14 – Capital charge 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	2.0%
Critical illness (including accelerated critical illness products)	Part VII, Column (7), Line 2	2.0%
Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs)	Part VII, Column (7), Line 3(f)	0.5%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay- outs)	Part VII, Column (7), Line 4(g)	0.5%
Annuities certain only	Part VII, Column (7), Line 5	0.5%
Deferred accumulation annuities	Part VII, Column (7), Line 6	0.5%
Disability income: active lives – including waiver of premium and long-term care	Part VII, Column (7), Line 7(d)	2.0%
Disability income: active lives – other accident and sickness	Part VII, Column (7), Line 8	2.0%
Disability income: claims in payment – including waiver of premium and long-term care	Part VII, Column (7), Line 9	0.5%
Disability income: claims in payment – other accident and sickness	Part VII, Column (7), Line 10	0.5%
Group life	Part VII, Column (7), Line 11	0.5%
Group disability	Part VII, Column (7), Line 12	0.5%
Group health	Part VII, Column (7), Line 13	0.5%
Stop loss	Part VII, Column (7), Line 14	2.0%
Rider (other product riders not included above)	Part VII, Column (7), Line 15	2.0%

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

$C_{op} = \rho \times ACov$ where –

ρ = an amount between 1% and 10% as determined by the Authority in accordance with Table 15; and

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

Table 15 – Operational Risk Charge for ρ

Overall Score	Applicable Operational Risk Charge ρ
<=800	10.0%
>800 <=1,200	9.0%
>1,200 <=1,400	8.0%
>1,400 <=1,600	7.0%
>1,600 <=1,800	6.0%
>1,800 <=2,000	5.0%
>2,000 <=2,200	4.0%
>2,200 <=2,400	3.0%
>2,400 <=2,600	2.0%
>2,600	1.0%

INSTRUCTIONS AFFECTING TABLE 9

In this table, "overall score" means an amount equal to the sum of the aggregate score derived from each of tables 15A, and 15B.

TABLE 15A
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

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INSTRUCTIONS AFFECTING TABLE 15A

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

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TABLE 15B
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**

Comments

INSTRUCTIONS AFFECTING TABLE 15B

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

16. The regulatory capital requirement for regulated non-insurance financial operating entities shall be determined in accordance with Part XVI - "Schedule of Regulated Non-Insurance Financial Operating Entities". This amount shall be equal to the sum of the insurer's proportionate share of each entity's regulatory capital requirement in accordance with the applicable solvency laws of the jurisdiction where the entity is licensed or registered. The operational risk charge calculation shall be established in accordance with the following formula.

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

$$BSCR_{Corr} = \text{Basic BSCR} + C_{operational} + C_{regulatoryadj} + C_{otheradj} + C_{AdjTP};$$

Where –

$Basic\ BSCR$ = Basic BSCR risk module charge as calculated in accordance with paragraph 18;

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$C_{operational}$ = operational risk charge as calculated in accordance with paragraph 35;

$C_{regulatoryadj}$ = regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 36;

C_{AdjTP} = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 37; and

$C_{otheradj}$ = adjustment for loss absorbing capacity of deferred taxes as calculated in accordance with paragraph 38.

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

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

Where —

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

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

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

C_{Market}, C_{LT}, C_{Credit};

C_{Market} = market risk module charge as calculated in accordance with paragraph 19;

C_{LT} = Long-Term risk module charge as calculated in accordance with paragraph 20; and

C_{Credit} = credit risk module charge as calculated in accordance with paragraph 27.

Table A – Basic BSCR Correlation Matrix

$CorrBBSCR_{i,j}$	C_{Market}	C_{Credit}	C_{LT}
C_{Market}	1		
C_{Credit}	0.25	1	
C_{LT}	0.125	0.25	1

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

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

Where —

$CorrMarket_{i,j}$ = the correlation factors of the market risk module in accordance with Table B; where A = 0 if interest rate / liquidity risk charge is calculated using the shock-based approach in accordance with paragraph 24 and the risk charge is being determined based on the interest rate up shock, and A = 0.25

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otherwise;

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

C_i and C_j = risk charge *i* and risk charge *j* which are replaced by the following: $C_{fixedIncome}$, C_{equity}, $C_{interest}$, $C_{currency}$, $C_{concentration}$;

$C_{fixedIncome}$ = fixed income investment risk charge as calculated in accordance with paragraph 21;

C_{equity} = equity investment risk charge as calculated in accordance with paragraph 22;

$C_{interest}$ = interest rate / liquidity risk charge as calculated in accordance with paragraph 24;

$C_{currency}$ = currency risk charge as calculated in accordance with paragraph 25; and

$C_{concentration}$ = concentration risk charge as calculated in accordance with paragraph 26.

Table B – Market Risk Module Correlation Matrix

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

20. The long-term risk module charge calculation shall be determined in accordance with the following formula-

$$C_{LT} = LT_TransitionalFactor \times C_{LT,New} + (1 - LT_TransitionalFactor) \times C_{LT,Old};$$

Where-

$C_{LT,Old}$ = the long-term risk module charge calculated in accordance with paragraph 20A;

$C_{LT,New}$ = the long-term risk module charge calculated in accordance with paragraph 20B;

LT_TransitionalFactor = the transitional factor that increases, from 10% for the financial year beginning on or after 1st January 2024, in equal 10 percentage point increments for each subsequent financial year until it reaches 100% for the financial year ending on or after 1st January 2033, and stays at 100% for all financial years thereafter.

When projecting future Long-Term Insurance Risk charges for the purposes of the Risk Margin calculation, insurers may keep the *LT_TransitionalFactor* fixed at its actual value as of the applicable valuation date ie., without reflecting further run-off of the transitional within the Risk Margin projection.

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20A. The $C_{LT,Old}$ charge calculation shall be determined in accordance with the following formula-

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

Where-

$CorrLT_{i,j}$	= the correlation factors of the long-term risk module correlation matrix in accordance with table C;
i,j	= the sum of the different terms should cover all possible combinations of i and j;
C_i and C_j	= risk charge i and risk charge j which are replaced by the following: $C_{LTmortality}$, $C_{LTstoploss}$, $C_{LTrider}$, $C_{LTmorbidity}$, $C_{LTlongevity}$, $C_{LTVariableAnnuity}$, $C_{LTotherrisk}$;
$C_{LTmortality}$	= insurance risk – mortality charge for long-term business as calculated in accordance with paragraph 28;
$C_{LTstoploss}$	= insurance risk – stop loss charge for long-term business as calculated in accordance with paragraph 29;
$C_{LTrider}$	= insurance risk – riders charge for long-term business as calculated in accordance with paragraph 30;
$C_{LTmorbidity}$	= insurance risk – morbidity and disability charge for long-term business as calculated in accordance with paragraph 31;
$C_{LTlongevity}$	= insurance risk – longevity charge for long-term business as calculated in accordance with paragraph 32;
$C_{LTVariableAnnuity}$	= variable annuity guarantee risk charge for long-term business as calculated in accordance with paragraph 33; and
$C_{LTotherrisk}$	= other insurance risk charge for long-term business as calculated in accordance with paragraph 34.

Table C – Long-Term Risk Module Correlation Matrix

$CorrLT_{i,j}$	$C_{LTmortality}$	$C_{LTstoploss}$	$C_{LTrider}$	$C_{LTmorbidity}$	$C_{LTlongevity}$	$C_{LTVariableAnnuity}$	$C_{LTotherrisk}$
$C_{LTmortality}$	1						
$C_{LTstoploss}$	0.75	1					
$C_{LTrider}$	0.75	0.75	1				
$C_{LTmorbidity}$	0.25	0	0	1			
$C_{LTlongevity}$	-0.5	-0.5	-0.5	0	1		
$C_{LTVariableAnnuity}$	0	0	0	0	0	1	
$C_{LTotherrisk}$	0.125	0.25	0.25	0.25	0.25	0.25	1

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20B. The $C_{LT,New}$ charge calculation shall be determined in accordance with the following formula-

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

Where-

$CorrLT_{i,j}$	= the correlation factors of the long-term risk module correlation matrix in accordance with table D;
i,j	= the sum of the different terms should cover all possible combinations of i and j;
C_i and C_j	= risk charge i and risk charge j which are replaced by the following: $C_{LTmortality}$, $C_{LTstoploss}$, $C_{LTrider}$, $C_{LTmorbidity}$, $C_{LTlongevity}$, $C_{LTVariableAnnuity}$, $C_{LTlapse}$, $C_{LTexpense}$;
$C_{LTmortality}$	= insurance risk – mortality charge for long-term business as calculated in accordance with paragraph 28;
$C_{LTstoploss}$	= insurance risk – stop loss charge for long-term business as calculated in accordance with paragraph 29;
$C_{LTrider}$	= insurance risk – riders charge for long-term business as calculated in accordance with paragraph 30;
$C_{LTmorbidity}$	= insurance risk – morbidity and disability charge for long-term business as calculated in accordance with paragraph 31;
$C_{LTlongevity}$	= insurance risk – longevity charge for long-term business as calculated in accordance with paragraph 32;
$C_{LTVariableAnnuity}$	= variable annuity guarantee risk charge for long-term business as calculated in accordance with paragraph 33; and
$C_{LTlapse}$	= lapse risk charge for long-term business as calculated in accordance with paragraph 34A; and
$C_{LTexpense}$	= expense risk charge for long-term business as calculated in accordance with paragraph 34B.

Table D – Long-Term Risk Module Correlation Matrix

$CorrLT_{i,j}$	$C_{LTmortality}$	$C_{LTstoploss}$	$C_{LTrider}$	$C_{LTmorbidity}$	$C_{LTlongevity}$	$C_{LTVariableAnnuity}$	C_{LTlaps}	$C_{LTexpens}$
$C_{LTmortality}$	1							
$C_{LTstoploss}$	0.75	1						
$C_{LTrider}$	0.75	0.75	1					
$C_{LTmorbidity}$	0.25	0	0	1				
$C_{LTlongevity}$	-0.5	-0.5	-0.5	0	1			
$C_{LTVariableAnnuity}$	0	0	0	0	0	1		
$C_{LTlapse}$	0	0	0	0	0.25	0	1	
$C_{LTexpense}$	0.25	0.5	0.5	0.5	0.25	0.5	0.5	1

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

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

Where—

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

$FIastclass_i$ = value of investment in corresponding asset $class_i$; and

μ_r = additional diversification adjustment factor applied to cash and cash equivalent balances, or 1 for other asset classes; and

Credit Derivatives = the spread risk charge for credit derivatives calculated as per the following formula:

Credit Derivatives = greater of:

i) $CreditDerivatives_{ShockUp}$;

ii) $CreditDerivatives_{ShockDown}$; and

iii) 0.

$CreditDerivatives_{ShockUp}$ = the spread risk charge for credit derivatives resulting from an upward credit spread shock calculated as per the following formula:

$CreditDerivatives_{ShockUp} = \sum_i \left[\left(LCD_i^{BShock} - LCD_i^{AShock}(\chi_i)\right) + \left(SCD_i^{BShock} - SCD_i^{AShock}(\chi_i)\right)\right]$

$CreditDerivatives_{ShockDown}$ = the spread risk charge for credit derivatives resulting from an downward credit spread shock calculated as per the following formula:

$CreditDerivatives_{ShockDown} = \sum_i \left[\left(LCD_i^{BShock} - LCD_i^{AShock}(\chi_i)\right) + \left(SCD_i^{BShock} - SCD_i^{AShock}(\chi_i)\right)\right]$

LCD_i^{BShock} = refers to the valuation of long exposures for credit derivatives before applying the instantaneous shock χ_i as per table 1B

$LCD_i^{AShock}(\chi_i)$ = refers to the valuation of long exposures for credit derivatives after applying instantaneous shock χ_i as per table 1B

SCD_i^{BShock} = refers to the valuation of short exposures for credit derivatives before applying the instantaneous shock χ_i as per table 1B

$SCD_i^{AShock}(\chi_i)$ = refers to the valuation of short exposures for credit derivatives after applying the instantaneous shock χ_i as per table 1B

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Table 1A – Capital charge factors for $FIastclass_i$

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

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

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

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

(a) all assets comprising of bonds and debentures, loans, and other miscellaneous investments that are subject to capital charges within the fixed income investment risk charge shall be included;

(b) all non-affiliated quoted and unquoted bonds and debentures shall be included in the fixed income investment charge;

(c) all bonds and debentures, loans, and other miscellaneous investments shall include amounts reported for economic balance sheet reporting purposes and include fixed income risk exposures as determined by application of the "look-through" approach calculated in accordance with the criteria prescribed by the Authority for the following items:
   (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
   (ii) segregated accounts assets and liabilities;
   (iii) deposit asset and liabilities;
   (iv) assets and liabilities held by ceding insurers or under retrocession;
   (v) other sundry assets and liabilities; and
   (vi) derivatives.

(d) The capital requirements relating to cash and cash equivalents shall be reduced by a diversification adjustment of up to a maximum of 40%; and

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(e) the diversification adjustment in paragraph (d) is determined as 40% multiplied by 1 minus the ratio of the largest cash and cash equivalent balance held with a single counterparty to the total of all cash and cash equivalent balance.

Table 1B – Spread risk shocks for credit derivatives

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

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BSCR rating 6	Parts IIB, IIC, IID, IIE, and IIF, Column (6), Line 44	Parts IIB, IIC, IID, IIE, and IIF, Column (7), Line 44	Parts IIB, IIC, IID, IIE, and IIF, Column (8), Line 44	Parts IIB, IIC, IID, IIE, and IIF, Column (9), Line 44	-75.0%
BSCR rating 7	Parts IIB, IIC, IID, IIE, and IIF, Column (6), Line 45	Parts IIB, IIC, IID, IIE, and IIF, Column (7), Line 45	Parts IIB, IIC, IID, IIE, and IIF, Column (8), Line 45	Parts IIB, IIC, IID, IIE, and IIF, Column (9), Line 45	-75.0%
BSCR rating 8	Parts IIB, IIC, IID, IIE, and IIF, Column (6), Line 46	Parts IIB, IIC, IID, IIE, and IIF, Column (7), Line 46	Parts IIB, IIC, IID, IIE, and IIF, Column (8), Line 46	Parts IIB, IIC, IID, IIE, and IIF, Column (9), Line 46	-75.0%
Total Spread Down					

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

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

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

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

Where—

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

$C_{equity}^{grandfathered}$ = the equity risk charge calculated according to paragraph 3 for equity exposures that are grandfathered according to paragraph 23A;

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

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

C_i and C_j = risk charge i and risk charge j which are replaced by the following: C_{Type1}, C_{Type2}, C_{Type3}, C_{Type4};

C_{Type1} = *Type1* equity risk charge as calculated in accordance with paragraph 23 for non-grandfathered equity exposures determined according to paragraph 23A;

C_{Type2} = *Type2* equity risk charge as calculated in accordance with paragraph 23 for non-grandfathered equity exposures determined according to paragraph 23A;

C_{Type3} = *Type3* equity risk charge as calculated in accordance with paragraph 23 for non-grandfathered equity exposures determined according to paragraph 23A;

C_{Type4} = *Type4* equity risk charge as calculated in accordance with paragraph 23 for non-grandfathered equity exposures determined according to paragraph 23A;

Table 2A – Equity Risk Charge Correlation Matrix

$CorrEq_{i,j}$	C_{Type1}	C_{Type2}	C_{Type3}	C_{Type4}
C_{Type1}	1			
C_{Type2}	0.75	1		
C_{Type3}	0.75	0.75	1	
C_{Type4}	0.5	0.5	0.5	1

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

$$C_{Type1} = \max\left\{\sum_{i \in Type1}\left[\begin{array}{c}\max\left(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i), 0\right) + \left(SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)\right) + \cdots \\ + \max\left(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i), 0\right) - \left(BELiabilities_i^{BShock} - BELiabilities_i^{AShock}(\chi_i)\right)\end{array}\right], 0\right\}$$

$$C_{Type2} = \max\left\{\sum_{i \in Type2}\left[\begin{array}{c}\max\left(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i), 0\right) + \left(SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)\right) + \cdots \\ + \max\left(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i), 0\right) - \left(BELiabilities_i^{BShock} - BELiabilities_i^{AShock}(\chi_i)\right)\end{array}\right], 0\right\}$$

$$C_{Type3} = \max\left\{\sum_{i \in Type3}\left[\begin{array}{c}\max\left(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i), 0\right) + \left(SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)\right) + \cdots \\ + \max\left(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i), 0\right) - \left(BELiabilities_i^{BShock} - BELiabilities_i^{AShock}(\chi_i)\right)\end{array}\right], 0\right\}$$

$$C_{Type4} = \max\left\{\sum_{i \in Type4}\left[\begin{array}{c}\max\left(LAssets_i^{BShock} - LAssets_i^{AShock}(\chi_i), 0\right) + \left(SQAssets_i^{BShock} - SQAssets_i^{AShock}(\chi_i)\right) + \cdots \\ + \max\left(SNQAssets_i^{BShock} - SNQAssets_i^{AShock}(\chi_i), 0\right) - \left(BELiabilities_i^{BShock} - BELiabilities_i^{AShock}(\chi_i)\right)\end{array}\right], 0\right\}$$

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Where—

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

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Table 2B – Shock for classes of equity

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

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Rating 7	Column (1), Line 24 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 24	Column (3), Line 24 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 24	Column (5), Line 24 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 24	Column (7), Line 24 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 24	
Preferred Stocks, Rating 8	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 25 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 25	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 25 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 25	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 25 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 25	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 25 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 25	35.0%
Equity Derivatives on Type 1 Equities	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 26 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 26	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 26 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 26	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 26 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 26	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 26 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 26	35.0%
Subtotal Type 1 Equity Holdings					
Type 2 Equity Holdings					
Strategic Holdings – Unlisted	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 27 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 27	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 27 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 27	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 27 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 27	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 27 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 27	20.0%
Other Equities	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 28 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 28	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 28 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 28	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 28 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 28	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 28 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 28	45.0%
Letters of Credit	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 29 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 29	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 29 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 29	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 29 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 29	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 29 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 29	20.0%
Intangible assets	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 30 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 30	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 30 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 30	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 30 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 30	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 30 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 30	20.0%
Pension Benefit Surplus	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 31 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 31	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 31 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 31	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 31 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 31	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 31 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 31	20.0%
Equity Derivatives on Type 2 Equities	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 32 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 32	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 32 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 32	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 32 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 32	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 32 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 32	45.0%
Subtotal Type 2 Equity Holdings					
Type 3 Equity Holdings					
Infrastructure	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 33 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 33	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 33 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 33	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 33 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 33	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 33 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 33	25.0%
Derivatives on Infrastructure	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 34 Less Part IIB, IIC, IID, IIE, & IIF, Column	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 34 Less Part IIB, IIC, IID, IIE, & IIF, Column	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 34 Less Part IIB, IIC, IID, IIE, & IIF, Column	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 34 Less Part IIB, IIC, IID, IIE, & IIF, Column (8),	25.0%

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	(2), Line 34	(4), Line 34	(6), Line 34	Line 34	
Subtotal Type 3 Equity Holdings					
Type 4 Equity Holdings					
Equity Real Estate 1	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 35 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 35	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 35 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 35	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 35 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 35	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 35 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 35	10.0%
Equity Real Estate 2	Part IIB, IIC, IID, IIE, & IIF, Column (1), Line 36 Less Part IIB, IIC, IID, IIE, & IIF, Column (2), Line 36	Part IIB, IIC, IID, IIE, & IIF, Column (3), Line 36 Less Part IIB, IIC, IID, IIE, & IIF, Column (4), Line 36	Part IIB, IIC, IID, IIE, & IIF, Column (5), Line 36 Less Part IIB, IIC, IID, IIE, & IIF, Column (6), Line 36	Part IIB, IIC, IID, IIE, & IIF, Column (7), Line 36 Less Part IIB, IIC, IID, IIE, & IIF, Column (8), Line 36	20.0%
Subtotal Type 4 Equity Holdings					
Total Equity Risk before Diversification					
Aggregation of Risks					
Total Type 1 Risk without Management Actions					
Total Type 2 Risk without Management Actions					
Total Type 3 Risk without Management Actions					
Total Type 4 Risk without Management Actions					
Total Equity Risk after Diversification					

Correlation Matrix	Type 1	Type 2	Type 3	Type 4
Type 1	1			
Type 2	0.75	1		
Type 3	0.75	0.75	1	
Type 4	0.50	0.50	0.50	1

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INSTRUCTIONS AFFECTING TABLE 2B: Shocks for $Eqastclass_i$

(a) all assets (except regulated non-insurance financial operating entities) and liabilities (except the risk margin) whose value is subject to equity risk shocks are to be reported on a basis consistent with that used for the purposes of economic balance sheet reporting. Such assets and liabilities shall include equity risk exposures determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for the following items:
- (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
- (ii) segregated accounts assets and liabilities;
- (iii) deposit asset and liabilities;
- (iv) assets and liabilities held by ceding insurers or under retrocession;
- (v) other sundry assets and liabilities; and
- (vi) derivatives.

(b) for asset types referred to in paragraph (a) (i) to (vi) where the "look through" approach cannot be applied, the residual balance shall be included in "Equity Securities – Other Investments";

(c) short exposures qualifying as assets held for risk-mitigation purposes and short exposures not qualifying as assets held for risk-mitigation purposes, shall both be determined in accordance with criteria prescribed by the Authority; and

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

23A. The equity investments that are eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 are determined as follows:

i. The average value of equities as percentage of total assets over the prior three financial year ends before 1 January 2019 (i.e., over which the financial years ending 2016 to 2018) is calculated.
   a. Similarly, for each class of equities in accordance with Table 2B, the average amounts as a percentage of total equities shall be determined over the same prior three years, i.e. the allocations for each equity class.

ii. The total amount of equities eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 at each year end is determined by multiplying the amount of legacy reserves by the equity percentage of paragraph i., where
   a. "Legacy reserves" are defined as the long term best estimate labilities, at the applicable point in time (financial year-end), for insurance business carried on as at 31 December 2018.
   b. The total amount of equities eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 at each year end shall not be greater than the amount of the legacy reserves.

iii. The equity investments eligible being used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 per equity class are calculated by multiplying the total amount in paragraph ii. by the equity class allocation in paragraph i.

iv. Future applicable reserves shall be capped at the initial reserve. The amount of equities eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 can therefore never be greater than the initial amount.

v. Equities that are eligible to be used in the calculation of $C_{equity}^{grandfathered}$ as defined in paragraph 22 may be traded or replaced within a specific equity class and still receive the aforementioned treatment.

24. The interest rate/liquidity risk charge calculation may be calculated in accordance with paragraph 4 or the formula below. Where an insurer decides to utilise the formula below, it will only be allowed to revert back and utilise the calculations prescribed in paragraph 4 where it has received the written approval of the Authority pursuant to an application made in accordance with section 6D of the Act.

$$C_{Interest} = \max\{\max(Shock_{IR,Down}, Shock_{IR,Up}) - OffSet_{ScenarioBased}, 0\};$$

Where—

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

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

$$\omega = Down, Up$$

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

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

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

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

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

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

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

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

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

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

Table 3C –Shock vectors for Interest Rate – Liquidity Risk

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

Currency	$MVA_{Before}^{CCY,Q} - MVA_{After}^{CCY,Q}$	$MVA_{Before}^{CCY,NQ} - MVA_{After}^{CCY,NQ}$	$MVL_{Before}^{CCY} - MVL_{After}^{CCY}$	Shock Vector $\chi(CCY, Down)$
Interest Rate Down – Derivative Exposure				
United States Dollars	Part XXIII, Column F Line 1 Less Part XXIII Column G, Line 1	Part XXIII, Column H Line 1 Less Part XXIII Column I, Line 1	Part XXIII, Column J Line 1 Less Part XXIII Column K, Line 1	*
Euro	Part XXIII, Column F Line 2 Less Part XXIII Column G, Line 2	Part XXIII, Column H Line 2 Less Part XXIII Column I, Line 2	Part XXIII, Column J Line 2 Less Part XXIII Column K, Line 2	*
United Kingdom Pounds	Part XXIII, Column F Line 3 Less Part XXIII Column G, Line 3	Part XXIII, Column H Line 3 Less Part XXIII Column I, Line 3	Part XXIII, Column J Line 3 Less Part XXIII Column K, Line 3	*
Japan Yen	Part XXIII, Column F Line 4 Less Part XXIII Column G, Line 4	Part XXIII, Column H Line 4 Less Part XXIII Column I, Line 4	Part XXIII, Column J Line 4 Less Part XXIII Column K, Line 4	*
Canada Dollars	Part XXIII, Column F Line 5 Less Part XXIII Column G, Line 5	Part XXIII, Column H Line 5 Less Part XXIII Column I, Line 5	Part XXIII, Column J Line 5 Less Part XXIII Column K, Line 5	*
Swiss Francs	Part XXIII, Column F Line 6 Less Part XXIII Column G, Line 6	Part XXIII, Column H Line 6 Less Part XXIII Column I, Line 6	Part XXIII, Column J Line 6 Less Part XXIII Column K, Line 6	*
Australia Dollars	Part XXIII, Column F Line 7 Less Part XXIII Column G, Line 7	Part XXIII, Column H Line 7 Less Part XXIII Column I, Line 7	Part XXIII, Column J Line 7 Less Part XXIII Column K, Line 7	*
New Zealand Dollars	Part XXIII, Column F Line 8 Less Part XXIII Column G, Line 8	Part XXIII, Column H Line 8 Less Part XXIII Column I, Line 8	Part XXIII, Column J Line 8 Less Part XXIII Column K, Line 8	*
Other currency 1	Part XXIII, Column F Line 9 Less Part XXIII Column G, Line 9	Part XXIII, Column H Line 9 Less Part XXIII Column I, Line 9	Part XXIII, Column J Line 9 Less Part XXIII Column K, Line 9	*
Other currency 2	Part XXIII, Column F Line 10 Less Part XXIII Column G, Line 10	Part XXIII, Column H Line 10 Less Part XXIII Column I, Line 10	Part XXIII, Column J Line 10 Less Part XXIII Column K, Line 10	*
Other currency 3	Part XXIII, Column F Line 11 Less Part XXIII Column G, Line 11	Part XXIII, Column H Line 11 Less Part XXIII Column I, Line 11	Part XXIII, Column J Line 11 Less Part XXIII Column K, Line 11	*
Other currency 4	Part XXIII, Column F Line 12 Less Part XXIII Column G, Line 12	Part XXIII, Column H Line 12 Less Part XXIII Column I, Line 12	Part XXIII, Column J Line 12 Less Part XXIII Column K, Line 12	*
Other currency 5	Part XXIII, Column F Line 13 Less Part XXIII Column G, Line 13	Part XXIII, Column H Line 13 Less Part XXIII Column I, Line 13	Part XXIII, Column J Line 13 Less Part XXIII Column K, Line 13	*
Other currency 6	Part XXIII, Column F Line 14 Less Part XXIII Column G, Line 14	Part XXIII, Column H Line 14 Less Part XXIII Column I, Line 14	Part XXIII, Column J Line 14 Less Part XXIII Column K, Line 14	*
Other currency 7	Part XXIII, Column F Line 15 Less Part XXIII Column G, Line 15	Part XXIII, Column H Line 15 Less Part XXIII Column I, Line 15	Part XXIII, Column J Line 15 Less Part XXIII Column K, Line 15	*
Other currency 8	Part XXIII, Column F Line 16 Less Part XXIII Column G, Line 16	Part XXIII, Column H Line 16 Less Part XXIII Column I, Line 16	Part XXIII, Column J Line 16 Less Part XXIII Column K, Line 16	*
Other currency 9	Part XXIII, Column F Line 17 Less Part XXIII Column G, Line 17	Part XXIII, Column H Line 17 Less Part XXIII Column I, Line 17	Part XXIII, Column J Line 17 Less Part XXIII Column K, Line 17	*
Other currency 10	Part XXIII, Column F Line 18 Less Part XXIII Column G, Line 18	Part XXIII, Column H Line 18 Less Part XXIII Column I, Line 18	Part XXIII, Column J Line 18 Less Part XXIII Column K, Line 18	*

Currency	$MVA^{CCY}_{Before} - MVA^{CCY}_{After}$	$MVL^{CCY}_{Before} - MVL^{CCY}_{After}$	Shock Vector $\chi(CCY, Up)$
Interest Rate Up – Exposures without Derivatives			
United States Dollars	Part XXIII, Column A Line 20 Less Part XXIII Column B, Line 20	Part XXIII, Column C Line 20 Less Part XXIII Column D, Line 20	*
Euro	Part XXIII, Column A Line 21 Less Part XXIII Column B, Line 21	Part XXIII, Column C Line 21 Less Part XXIII Column D, Line 21	*
United Kingdom Pounds	Part XXIII, Column A Line 22 Less Part XXIII Column B, Line 22	Part XXIII, Column C Line 22 Less Part XXIII Column D, Line 22	*
Japan Yen	Part XXIII, Column A Line 23 Less Part XXIII Column B, Line 23	Part XXIII, Column C Line 23 Less Part XXIII Column D, Line 23	*
Canada Dollars	Part XXIII, Column A Line 24 Less Part XXIII Column B, Line 24	Part XXIII, Column C Line 24 Less Part XXIII Column D, Line 24	*
Swiss Francs	Part XXIII, Column A Line 25 Less Part XXIII Column B, Line 25	Part XXIII, Column C Line 25 Less Part XXIII Column D, Line 25	*
Australia Dollars	Part XXIII, Column A Line 26 Less Part XXIII Column B, Line 26	Part XXIII, Column C Line 26 Less Part XXIII Column D, Line 26	*
New Zealand Dollars	Part XXIII, Column A Line 27 Less Part XXIII Column B, Line 27	Part XXIII, Column C Line 27 Less Part XXIII Column D, Line 27	*
Other currency 1	Part XXIII, Column A Line 28 Less Part XXIII Column B, Line 28	Part XXIII, Column C Line 28 Less Part XXIII Column D, Line 28	*
Other currency 2	Part XXIII, Column A Line 29 Less Part XXIII Column B, Line 29	Part XXIII, Column C Line 29 Less Part XXIII Column D, Line 29	*
Other currency 3	Part XXIII, Column A Line 30 Less Part XXIII Column B, Line 30	Part XXIII, Column C Line 30 Less Part XXIII Column D, Line 30	*
Other currency 4	Part XXIII, Column A Line 31 Less Part XXIII Column B, Line 31	Part XXIII, Column C Line 31 Less Part XXIII Column D, Line 31	*
Other currency 5	Part XXIII, Column A Line 32 Less Part XXIII Column B, Line 32	Part XXIII, Column C Line 32 Less Part XXIII Column D, Line 32	*
Other currency 6	Part XXIII, Column A Line 33 Less Part XXIII Column B, Line 33	Part XXIII, Column C Line 33 Less Part XXIII Column D, Line 33	*
Other currency 7	Part XXIII, Column A Line 34 Less Part XXIII Column B, Line 34	Part XXIII, Column C Line 34 Less Part XXIII Column D, Line 34	*
Other currency 8	Part XXIII, Column A Line 35 Less Part XXIII Column B, Line 35	Part XXIII, Column C Line 35 Less Part XXIII Column D, Line 35	*
Other currency 9	Part XXIII, Column A Line 36 Less Part XXIII Column B, Line 36	Part XXIII, Column C Line 36 Less Part XXIII Column D, Line 36	*
Other currency 10	Part XXIII, Column A Line 37 Less Part XXIII Column B, Line 37	Part XXIII, Column C Line 37 Less Part XXIII Column D, Line 37	*

Currency	$MVA_{Before}^{CCY,Q} - MVA_{After}^{CCY,Q}$	$MVA_{Before}^{CCY,NQ} - MVA_{After}^{CCY,NQ}$	$MVL_{Before}^{CCY} - MVL_{After}^{CCY}$	Shock Vector $\chi(CCY, Up)$
Interest Rate Up – Derivative Exposure				
United States Dollars	Part XXIII, Column F Line 20 Less Part XXIII Column G, Line 20	Part XXIII, Column H Line 20 Less Part XXIII Column I, Line 20	Part XXIII, Column J Line 20 Less Part XXIII Column K, Line 20	*
Euro	Part XXIII, Column F Line 21 Less Part XXIII Column G, Line 21	Part XXIII, Column H Line 21 Less Part XXIII Column I, Line 21	Part XXIII, Column J Line 21 Less Part XXIII Column K, Line 21	*
United Kingdom Pounds	Part XXIII, Column F Line 22 Less Part XXIII Column G, Line 22	Part XXIII, Column H Line 22 Less Part XXIII Column I, Line 22	Part XXIII, Column J Line 22 Less Part XXIII Column K, Line 22	*
Japan Yen	Part XXIII, Column F Line 23 Less Part XXIII Column G, Line 23	Part XXIII, Column H Line 23 Less Part XXIII Column I, Line 23	Part XXIII, Column J Line 23 Less Part XXIII Column K, Line 23	*
Canada Dollars	Part XXIII, Column F Line 24 Less Part XXIII Column G, Line 24	Part XXIII, Column H Line 24 Less Part XXIII Column I, Line 24	Part XXIII, Column J Line 24 Less Part XXIII Column K, Line 24	*
Swiss Francs	Part XXIII, Column F Line 25 Less Part XXIII Column G, Line 25	Part XXIII, Column H Line 25 Less Part XXIII Column I, Line 25	Part XXIII, Column J Line 25 Less Part XXIII Column K, Line 25	*
Australia Dollars	Part XXIII, Column F Line 26 Less Part XXIII Column G, Line 26	Part XXIII, Column H Line 26 Less Part XXIII Column I, Line 26	Part XXIII, Column J Line 26 Less Part XXIII Column K, Line 26	*
New Zealand Dollars	Part XXIII, Column F Line 27 Less Part XXIII Column G, Line 27	Part XXIII, Column H Line 27 Less Part XXIII Column I, Line 27	Part XXIII, Column J Line 27 Less Part XXIII Column K, Line 27	*
Other currency 1	Part XXIII, Column F Line 28 Less Part XXIII Column G, Line 28	Part XXIII, Column H Line 28 Less Part XXIII Column I, Line 28	Part XXIII, Column J Line 28 Less Part XXIII Column K, Line 28	*
Other currency 2	Part XXIII, Column F Line 29 Less Part XXIII Column G, Line 29	Part XXIII, Column H Line 29 Less Part XXIII Column I, Line 29	Part XXIII, Column J Line 29 Less Part XXIII Column K, Line 29	*
Other currency 3	Part XXIII, Column F Line 30 Less Part XXIII Column G, Line 30	Part XXIII, Column H Line 30 Less Part XXIII Column I, Line 30	Part XXIII, Column J Line 30 Less Part XXIII Column K, Line 30	*
Other currency 4	Part XXIII, Column F Line 31 Less Part XXIII Column G, Line 31	Part XXIII, Column H Line 31 Less Part XXIII Column I, Line 31	Part XXIII, Column J Line 31 Less Part XXIII Column K, Line 31	*
Other currency 5	Part XXIII, Column F Line 32 Less Part XXIII Column G, Line 32	Part XXIII, Column H Line 32 Less Part XXIII Column I, Line 32	Part XXIII, Column J Line 32 Less Part XXIII Column K, Line 32	*
Other currency 6	Part XXIII, Column F Line 33 Less Part XXIII Column G, Line 33	Part XXIII, Column H Line 33 Less Part XXIII Column I, Line 33	Part XXIII, Column J Line 33 Less Part XXIII Column K, Line 33	*
Other currency 7	Part XXIII, Column F Line 34 Less Part XXIII Column G, Line 34	Part XXIII, Column H Line 34 Less Part XXIII Column I, Line 34	Part XXIII, Column J Line 34 Less Part XXIII Column K, Line 34	*
Other currency 8	Part XXIII, Column F Line 35 Less Part XXIII Column G, Line 35	Part XXIII, Column H Line 35 Less Part XXIII Column I, Line 35	Part XXIII, Column J Line 35 Less Part XXIII Column K, Line 35	*
Other currency 9	Part XXIII, Column F Line 36 Less Part XXIII Column G, Line 36	Part XXIII, Column H Line 36 Less Part XXIII Column I, Line 36	Part XXIII, Column J Line 36 Less Part XXIII Column K, Line 36	*
Other currency 10	Part XXIII, Column F Line 37 Less Part XXIII Column G, Line 37	Part XXIII, Column H Line 37 Less Part XXIII Column I, Line 37	Part XXIII, Column J Line 37 Less Part XXIII Column K, Line 37	*

* Shall be prescribed by the Authority.

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

(a) all assets sensitive to interest rates shall be included in the table, including but not limited to fixed income assets, hybrid instruments, deposits, loans (including mortgage and policyholder loans), reinsurance balance receivables and exposures as determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for the following items:
- (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
- (ii) segregated accounts assets;
- (iii) deposit asset;
- (iv) other sundry;
- (v) derivatives;
- (vi) funds held by ceding insurers.

(b) all liabilities sensitive to interest rates shall be included in the table, including but not limited to best estimate of insurance liabilities, other liabilities (except risk margin) and liability exposures determined by application of the "look-through" approach calculated in accordance with the criteria prescribed by the Authority for the following items:
- (i) segregated accounts liabilities;
- (ii) deposit liabilities;
- (iii) other sundry liabilities;
- (iv) derivatives;
- (v) funds held under retrocession.

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

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

$$C_{Currency} = \sum_i \max\left\{\begin{bmatrix} \left(MVA_{i,Before} - MVA_{i,After}(\chi_i)\right) + \left(MVDL^{Q}_{i,Before} - MVDL^{Q}_{i,After}(\chi_i)\right) + \cdots \\ + \left(MVDS^{Q}_{i,Before} - MVDS^{Q}_{i,After}(\chi_i)\right) + \max\left(MVDL^{NQ}_{i,Before} - MVDL^{NQ}_{i,After}(\chi_i), 0\right) + \cdots \\ + \max\left(MVDS^{NQ}_{i,Before} - MVDS^{NQ}_{i,After}(\chi_i), 0\right) - \left(MVL_{i,Before} - MVL_{i,After}(\chi_i)\right) + \cdots \\ + Currproxybscr_i \times \chi_i \end{bmatrix}, 0\right\}$$

Where—

χ_i = the instantaneous shocks prescribed in Table 4A for each type of currency where ($MVA_{i,Before} + MVDL^{Q}_{i,Before} + MVDS^{Q}_{i,Before} + MVDL^{NQ}_{i,Before} + MVDS^{NQ}_{i,Before} - MVL_{i,Before} - Currproxybscr_i$)<0 and 0 otherwise;

$Currency_i$ = refers to currency type that has been converted to the functional currency as reported in Form 1EBS

$MVA_{i,Before}$ = refers to the market value of assets excluding currency-sensitive derivatives prescribed by the Authority by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVA_{i,After}$ = refers to the revaluation of assets excluding currency-sensitive derivatives after shocking by χ(CCY) where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVDL^{Q}_{i,Before}$ = refers to the market value of long positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVDL^{Q}_{i,After}$ = refers to the revaluation of long positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(CCY)$ where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVDS^{Q}_{i,Before}$ = refers to the market value of short positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVDS^{Q}_{i,After}$ = refers to the revaluation of short positions in derivatives qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(CCY)$ where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVDL^{NQ}_{i,Before}$ = refers to the market value of long positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVDL^{NQ}_{i,After}$ = refers to the revaluation of long positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(CCY)$ where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVDS^{NQ}_{i,Before}$ = refers to the market value of short positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

$MVDS^{NQ}_{i,After}$ = refers to the revaluation of short positions in derivatives not qualifying as held for risk-mitigating purposes (determined in accordance with the criteria prescribed by the Authority) after shocking by $\chi(CCY)$ where (CCY) refers to currency type, and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$MVL_{i,Before}$ = refers to the market value of the best estimate of insurance liabilities and other liabilities by currency type that has been converted to the functional currency as reported in Form 1EBS;

$MVL_{i,After}$ = refers to the revaluation of the best estimate of insurance liabilities and other liabilities after shocking by $\chi(CCY)$ where (CCY) refers to currency type and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;

$Currproxybscr_i$ = refers to the product of $MVL_{i,Before}$ and BSCR Proxy Factor;

BSCR Proxy factor = greater of paragraphs (a) and (b) below:

(a) the ECR divided by Form 1EBS Line 39 Total Liabilities for the preceding year and

(b) the average of the above ratio for the preceding three years.

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

Table 4A – Shocks for Currency Risk

Currency	$MVA_{i,Before}$ - $MVA_{i,After}$	Long Exposure		Short Exposure		$MVL_{i,Before}$ - $MVL_{i,After}$	Shock	
		$MVDL^{Q}_{i,Before}$ - $MVDL^{Q}_{i,After}$	$MVDL^{NQ}_{i,Before}$ - $MVDL^{NQ}_{i,After}$	$MVDS^{Q}_{i,Before}$ - $MVDS^{Q}_{i,After}$	$MVDS^{NQ}_{i,Before}$ - $MVDS^{NQ}_{i,After}$		If reporting currency χ_i	Other wise χ_i
United States Dollar	Part XXA, Column A, Line 1 Less Part XXA, Column G, Line 1	Part XXA, Column B, Line 1 Less Part XXA, Column H, Line 1	Part XXA, Column C, Line 1 Less Part XXA, Column I, Line 1	Part XXA, Column D, Line 1 Less Part XXA, Column J, Line 1	Part XXA, Column E, Line 1 Less Part XXA, Column K, Line 1	Part XXA, Column F, Line 1 Less Part XXA, Column L, Line 1	0%	A
Bermuda Dollar	Part XXA, Column A, Line 2 Less Part XXA, Column G, Line 2	Part XXA, Column B, Line 2 Less Part XXA, Column H, Line 2	Part XXA, Column C, Line 2 Less Part XXA, Column I, Line 2	Part XXA, Column D, Line 2 Less Part XXA, Column J, Line 2	Part XXA, Column E, Line 2 Less Part XXA, Column K, Line 2	Part XXA, Column F, Line 2 Less Part XXA, Column L, Line 2	0%	B
Qatari Riyal	Part XXA, Column A, Line 3 Less Part XXA, Column G, Line 3	Part XXA, Column B, Line 3 Less Part XXA, Column H, Line 3	Part XXA, Column C, Line 3 Less Part XXA, Column I, Line 3	Part XXA, Column D, Line 3 Less Part XXA, Column J, Line 3	Part XXA, Column E, Line 3 Less Part XXA, Column K, Line 3	Part XXA, Column F, Line 3 Less Part XXA, Column L, Line 3	0%	C
Hong Kong Dollar	Part XXA, Column A, Line 4 Less Part XXA, Column G, Line 4	Part XXA, Column B, Line 4 Less Part XXA, Column H, Line 4	Part XXA, Column C, Line 4 Less Part XXA, Column I, Line 4	Part XXA, Column D, Line 4 Less Part XXA, Column J, Line 4	Part XXA, Column E, Line 4 Less Part XXA, Column K, Line 4	Part XXA, Column F, Line 4 Less Part XXA, Column L, Line 4	0%	D
Euro	Part XXA, Column A, Line 5 Less Part XXA, Column G, Line 5	Part XXA, Column B, Line 5 Less Part XXA, Column H, Line 5	Part XXA, Column C, Line 5 Less Part XXA, Column I, Line 5	Part XXA, Column D, Line 5 Less Part XXA, Column J, Line 5	Part XXA, Column E, Line 5 Less Part XXA, Column K, Line 5	Part XXA, Column F, Line 5 Less Part XXA, Column L, Line 5	0%	E
Danish Krone	Part XXA, Column A, Line 6 Less Part XXA, Column G, Line 6	Part XXA, Column B, Line 6 Less Part XXA, Column H, Line 6	Part XXA, Column C, Line 6 Less Part XXA, Column I, Line 6	Part XXA, Column D, Line 6 Less Part XXA, Column J, Line 6	Part XXA, Column E, Line 6 Less Part XXA, Column K, Line 6	Part XXA, Column F, Line 6 Less Part XXA, Column L, Line 6	0%	F
Bulgarian Lev	Part XXA, Column A, Line 7 Less Part XXA, Column G, Line 7	Part XXA, Column B, Line 7 Less Part XXA, Column H, Line 7	Part XXA, Column C, Line 7 Less Part XXA, Column I, Line 7	Part XXA, Column D, Line 7 Less Part XXA, Column J, Line 7	Part XXA, Column E, Line 7 Less Part XXA, Column K, Line 7	Part XXA, Column F, Line 7 Less Part XXA, Column L, Line 7	0%	G
West African CFA Franc	Part XXA, Column A, Line 8 Less Part XXA, Column G, Line 8	Part XXA, Column B, Line 8 Less Part XXA, Column H, Line 8	Part XXA, Column C, Line 8 Less Part XXA, Column I, Line 8	Part XXA, Column D, Line 8 Less Part XXA, Column J, Line 8	Part XXA, Column E, Line 8 Less Part XXA, Column K, Line 8	Part XXA, Column F, Line 8 Less Part XXA, Column L, Line 8	0%	H
Central African CFA Franc	Part XXA, Column A, Line 9 Less Part XXA, Column G, Line 9	Part XXA, Column B, Line 9 Less Part XXA, Column H, Line 9	Part XXA, Column C, Line 9 Less Part XXA, Column I, Line 9	Part XXA, Column D, Line 9 Less Part XXA, Column J, Line 9	Part XXA, Column E, Line 9 Less Part XXA, Column K, Line 9	Part XXA, Column F, Line 9 Less Part XXA, Column L, Line 9	0%	I
Comorian Franc	Part XXA, Column A, Line 10 Less Part XXA, Column G, Line 10	Part XXA, Column B, Line 10 Less Part XXA, Column H, Line 10	Part XXA, Column C, Line 10 Less Part XXA, Column I, Line 10	Part XXA, Column D, Line 10 Less Part XXA, Column J, Line 10	Part XXA, Column E, Line 10 Less Part XXA, Column K, Line 10	Part XXA, Column F, Line 10 Less Part XXA, Column L, Line 10	0%	J
United Kingdom Pound	Part XXA, Column A, Line 11 Less Part XXA, Column G, Line 11	Part XXA, Column B, Line 11 Less Part XXA, Column H, Line 11	Part XXA, Column C, Line 11 Less Part XXA, Column I, Line 11	Part XXA, Column D, Line 11 Less Part XXA, Column J, Line 11	Part XXA, Column E, Line 11 Less Part XXA, Column K, Line 11	Part XXA, Column F, Line 11 Less Part XXA, Column L, Line 11	0%	25.00%
Canada Dollar	Part XXA, Column A, Line 12 Less Part XXA, Column G, Line 12	Part XXA, Column B, Line 12 Less Part XXA, Column H, Line 12	Part XXA, Column C, Line 12 Less Part XXA, Column I, Line 12	Part XXA, Column D, Line 12 Less Part XXA, Column J, Line 12	Part XXA, Column E, Line 12 Less Part XXA, Column K, Line 12	Part XXA, Column F, Line 12 Less Part XXA, Column L, Line 12	0%	25.00%

Japan Yen	Part XXA, Column A, Line 13 Less Part XXA, Column G, Line 13	Part XXA, Column B, Line 13 Less Part XXA, Column H, Line 13	Part XXA, Column C, Line 13 Less Part XXA, Column I, Line 13	Part XXA, Column D, Line 13 Less Part XXA, Column J, Line 13	Part XXA, Column E, Line 13 Less Part XXA, Column K, Line 13	Part XXA, Column F, Line 13 Less Part XXA, Column L, Line 13	0%	25.00%
Other currency 1	Part XXA, Column A, Line 14 Less Part XXA, Column G, Line 14	Part XXA, Column B, Line 14 Less Part XXA, Column H, Line 14	Part XXA, Column C, Line 14 Less Part XXA, Column I, Line 14	Part XXA, Column D, Line 14 Less Part XXA, Column J, Line 14	Part XXA, Column E, Line 14 Less Part XXA, Column K, Line 14	Part XXA, Column F, Line 14 Less Part XXA, Column L, Line 14	0%	25.00%
Other currency 2	Part XXA, Column A, Line 15 Less Part XXA, Column G, Line 15	Part XXA, Column B, Line 15 Less Part XXA, Column H, Line 15	Part XXA, Column C, Line 15 Less Part XXA, Column I, Line 15	Part XXA, Column D, Line 15 Less Part XXA, Column J, Line 15	Part XXA, Column E, Line 15 Less Part XXA, Column K, Line 15	Part XXA, Column F, Line 15 Less Part XXA, Column L, Line 15	0%	25.00%
Other currency 3	Part XXA, Column A, Line 16 Less Part XXA, Column G, Line 16	Part XXA, Column B, Line 16 Less Part XXA, Column H, Line 16	Part XXA, Column C, Line 16 Less Part XXA, Column I, Line 16	Part XXA, Column D, Line 16 Less Part XXA, Column J, Line 16	Part XXA, Column E, Line 16 Less Part XXA, Column K, Line 16	Part XXA, Column F, Line 16 Less Part XXA, Column L, Line 16	0%	25.00%
Other currency 4	Part XXA, Column A, Line 17 Less Part XXA, Column G, Line 17	Part XXA, Column B, Line 17 Less Part XXA, Column H, Line 17	Part XXA, Column C, Line 17 Less Part XXA, Column I, Line 17	Part XXA, Column D, Line 17 Less Part XXA, Column J, Line 17	Part XXA, Column E, Line 17 Less Part XXA, Column K, Line 17	Part XXA, Column F, Line 17 Less Part XXA, Column L, Line 17	0%	25.00%
Other currency 5	Part XXA, Column A, Line 18 Less Part XXA, Column G, Line 18	Part XXA, Column B, Line 18 Less Part XXA, Column H, Line 18	Part XXA, Column C, Line 18 Less Part XXA, Column I, Line 18	Part XXA, Column D, Line 18 Less Part XXA, Column J, Line 18	Part XXA, Column E, Line 18 Less Part XXA, Column K, Line 18	Part XXA, Column F, Line 18 Less Part XXA, Column L, Line 18	0%	25.00%
Other currency 6	Part XXA, Column A, Line 19 Less Part XXA, Column G, Line 19	Part XXA, Column B, Line 19 Less Part XXA, Column H, Line 19	Part XXA, Column C, Line 19 Less Part XXA, Column I, Line 19	Part XXA, Column D, Line 19 Less Part XXA, Column J, Line 19	Part XXA, Column E, Line 19 Less Part XXA, Column K, Line 19	Part XXA, Column F, Line 19 Less Part XXA, Column L, Line 19	0%	25.00%
Other currency 7	Part XXA, Column A, Line 20 Less Part XXA, Column G, Line 20	Part XXA, Column B, Line 20 Less Part XXA, Column H, Line 20	Part XXA, Column C, Line 20 Less Part XXA, Column I, Line 20	Part XXA, Column D, Line 20 Less Part XXA, Column J, Line 20	Part XXA, Column E, Line 20 Less Part XXA, Column K, Line 20	Part XXA, Column F, Line 20 Less Part XXA, Column L, Line 20	0%	25.00%
Other currency 8	Part XXA, Column A, Line 21 Less Part XXA, Column G, Line 21	Part XXA, Column B, Line 21 Less Part XXA, Column H, Line 21	Part XXA, Column C, Line 21 Less Part XXA, Column I, Line 21	Part XXA, Column D, Line 21 Less Part XXA, Column J, Line 21	Part XXA, Column E, Line 21 Less Part XXA, Column K, Line 21	Part XXA, Column F, Line 21 Less Part XXA, Column L, Line 21	0%	25.00%
Other currency 9	Part XXA, Column A, Line 22 Less Part XXA, Column G, Line 22	Part XXA, Column B, Line 22 Less Part XXA, Column H, Line 22	Part XXA, Column C, Line 22 Less Part XXA, Column I, Line 22	Part XXA, Column D, Line 22 Less Part XXA, Column J, Line 22	Part XXA, Column E, Line 22 Less Part XXA, Column K, Line 22	Part XXA, Column F, Line 22 Less Part XXA, Column L, Line 22	0%	25.00%
Other currency 10	Part XXA, Column A, Line 23 Less Part XXA, Column G, Line 23	Part XXA, Column B, Line 23 Less Part XXA, Column H, Line 23	Part XXA, Column C, Line 23 Less Part XXA, Column I, Line 23	Part XXA, Column D, Line 23 Less Part XXA, Column J, Line 23	Part XXA, Column E, Line 23 Less Part XXA, Column K, Line 23	Part XXA, Column F, Line 23 Less Part XXA, Column L, Line 23	0%	25.00%

INSTRUCTIONS AFFECTING TABLE 4A: Shocks for Currency Risk

(a) The initials "A" to "J" on the column labeled "Shock Otherwise χ_i" shall be replaced by the following shock values:

- "A" by:
  - "0%" if the reporting currency is the Bermuda Dollar or,
  - "5.00%" if the reporting currency is the Qatari Riyal or,
  - "1.00%" if the reporting currency is the Hong Kong Dollar or,
  - "25%" otherwise.
- "B" by:
  - "0%" if the reporting currency is the United States Dollar or,
  - "25%" otherwise.
- "C" by:
  - "5.00%" if the reporting currency is the United States Dollar or,
  - "25%" otherwise.
- "D" by:
  - "1.00%" if reporting currency is the United States Dollar or,
  - "25%" otherwise.
- "E" by:
  - "0.39%" if the reporting currency is the Danish Krone or,
  - "1.81%" if the reporting currency is the Bulgarian Lev or,
  - "2.18%" if the reporting currency is the West African CFA Franc or,
  - "1.96%" if the reporting currency is the Central African CFA Franc or,
  - "2.00%" if the reporting currency is the Comorian Franc or,
  - "25%" otherwise.
- "F" by:
  - "0.39%" if reporting currency is the Euro or,
  - "25%" otherwise.
- "G" by:
  - "1.81%" if reporting currency is the Euro or,
  - "25%" otherwise.
- "H" by:
  - "2.18%" if reporting currency is the Euro or,
  - "25%" otherwise.
- "I" by:
  - "1.96%" if reporting currency is the Euro or,
  - "25%" otherwise.
- "J" by:
  - "2.00%" if reporting currency is the Euro or,
  - "25%" otherwise.

(b) all assets and liabilities (except the risk margin) whose value is subject to currency risk shocks shall be reported on a basis consistent with that used for purposes of economic balance sheet reporting. These assets and liabilities shall include currency risk exposures determined by application of the "look-through approach" calculated in accordance with criteria prescribed by the Authority for the following items:

(i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
(ii) segregated accounts assets and liabilities;
(iii) deposit asset and liabilities;
(iv) assets and liabilities held by ceding insurers or under retrocession;
(v) other sundry assets and liabilities; and
(vi) derivatives.

(c) where the reporting currency is the United States Dollar, the capital factor χ_i charge shall be reduced to:

i. 0.00% for the Bermuda Dollar;
ii. 5.00% for the Qatari Riyal;
iii. 1.00% for the Hong Kong Dollar.

(d) where the reporting currency is the Bermuda Dollar the capital factor χ_i charge shall be reduced to 0.00% for the United States Dollar.

(e) where the reporting currency is the Qatari Riyal the capital factor χ_i charge shall be reduced to 5.00% for the United States Dollar.

(f) where the reporting currency is the Hong Kong Dollar the capital factor χ_i charge shall be reduced to 1.00% for the United States Dollar.

(g) where the reporting currency is Euros, the capital factor χ_i shall be reduced to:

i. 0.39% for the Danish Krone;
ii. 1.81% for the Bulgarian Lev;
iii. 2.18% for the West African CFA Franc;
iv. 1.96% for the Central African CFA Franc;
v. 2.00% for the Comorian Franc.

(h) where the reporting currency is the Danish Krone the capital factor χ_i charge shall be reduced to 0.39% for the Euro.

(i) where the reporting currency is the Bulgarian Lev the capital factor χ_i charge shall be reduced to 1.81% for the Euro.

(j) where the reporting currency is the West African CFA Franc the capital factor χ_i charge shall be reduced to 2.18% for the Euro.

(k) where the reporting currency is the Central African CFA Franc the capital factor χ_i charge shall be reduced to 1.96% for the Euro.

(l) where the reporting currency is the Comorian Franc the capital factor χ_i charge shall be reduced to 2.00% for the Euro.

(m) insurers are to report currencies representing at least 95% of their economic balance sheet liabilities; and

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

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

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

Where—

χ_i = the capital charge factors prescribed in Table 5A for each type of $Concastclass_i$ or in table 5 for each type of $Concastclass_i$ for equity exposures that are grandfathered according to paragraph 23A and

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

prescribed in Table 5, for each type of Asset Class for equity exposures that are grandfathered according to paragraph 23A.

Table 5A – Capital charge factors for $Concastclass_i$

Asset Class	**Statement Source** These Rules	**Capital Factor** χ_i
Cash and Cash Equivalents		
BSCR rating 0	Part XXIA, Column H	0.0%
BSCR rating 1	Part XXIA, Column H	0.1%
BSCR rating 2	Part XXIA, Column H	0.2%
BSCR rating 3	Part XXIA, Column H	0.3%
BSCR rating 4	Part XXIA, Column H	0.5%
BSCR rating 5	Part XXIA, Column H	1.5%
BSCR rating 6	Part XXIA, Column H	4.0%
BSCR rating 7	Part XXIA, Column H	6.0%
BSCR rating 8	Part XXIA, Column H	9.0%
Corporate & Sovereign Bonds		
BSCR rating 0	Part XXIA, Column H	0.0%
BSCR rating 1	Part XXIA, Column H	0.4%
BSCR rating 2	Part XXIA, Column H	0.8%
BSCR rating 3	Part XXIA, Column H	1.5%
BSCR rating 4	Part XXIA, Column H	3.0%
BSCR rating 5	Part XXIA, Column H	8.0%
BSCR rating 6	Part XXIA, Column H	15.0%
BSCR rating 7	Part XXIA, Column H	26.3%
BSCR rating 8	Part XXIA, Column H	35.0%
Residential Mortgage-Backed Securities		
BSCR rating 0	Part XXIA, Column H	0.0%
BSCR rating 1	Part XXIA, Column H	0.6%
BSCR rating 2	Part XXIA, Column H	1.2%
BSCR rating 3	Part XXIA, Column H	2.0%
BSCR rating 4	Part XXIA, Column H	4.0%
BSCR rating 5	Part XXIA, Column H	11.0%
BSCR rating 6	Part XXIA, Column H	25.0%
BSCR rating 7	Part XXIA, Column H	35.0%
BSCR rating 8	Part XXIA, Column H	35.0%
Commercial Mortgage-Backed Securities/Asset Backed Securities		
BSCR rating 0	Part XXIA, Column H	0.0%
BSCR rating 1	Part XXIA, Column H	0.5%
BSCR rating 2	Part XXIA, Column H	1.0%
BSCR rating 3	Part XXIA, Column H	1.8%
BSCR rating 4	Part XXIA, Column H	3.5%
BSCR rating 5	Part XXIA, Column H	10.0%
BSCR rating 6	Part XXIA, Column H	20.0%
BSCR rating 7	Part XXIA, Column H	30.0%
BSCR rating 8	Part XXIA, Column H	35.0%
Bond Mutual Funds		
BSCR rating 0	Part XXIA, Column H	0.0%
BSCR rating 1	Part XXIA, Column H	0.4%
BSCR rating 2	Part XXIA, Column H	0.8%
BSCR rating 3	Part XXIA, Column H	1.5%
BSCR rating 4	Part XXIA, Column H	3.0%
BSCR rating 5	Part XXIA, Column H	8.0%
BSCR rating 6	Part XXIA, Column H	15.0%
BSCR rating 7	Part XXIA, Column H	26.3%

BSCR rating 8	Part XXIA, Column H	35.0%
Preferred Shares		
BSCR rating 1	Part XXIA, Column H	0.6%
BSCR rating 2	Part XXIA, Column H	1.2%
BSCR rating 3	Part XXIA, Column H	2.0%
BSCR rating 4	Part XXIA, Column H	4.0%
BSCR rating 5	Part XXIA, Column H	11.0%
BSCR rating 6	Part XXIA, Column H	25.0%
BSCR rating 7	Part XXIA, Column H	35.0%
BSCR rating 8	Part XXIA, Column H	35.0%
Mortgage Loans		
Insured/Guaranteed Mortgages	Part XXIA, Column H	0.3%
Other Commercial and Farm Mortgages	Part XXIA, Column H	5.0%
Other Residential Mortgages	Part XXIA, Column H	1.5%
Mortgages Not In Good Standing	Part XXIA, Column H	25%
Other Asset Classes		
Infrastructure	Part XXIA, Column H	25.0%
Listed Equity Securities in Developed Markets	Part XXIA, Column H	35.0%
Other Equities	Part XXIA, Column H	45.0%
Strategic Holdings	Part XXIA, Column H	20.0%
Duration Based	Part XXIA, Column H	20.0%
Letters of Credit	Part XXIA, Column H	20.0%
Advances to Affiliates	Part XXIA, Column H	5.0%
Policy Loans	Part XXIA, Column H	0.0%
Equity Real Estate 1	Part XXIA, Column H	10.0%
Equity Real Estate 2	Part XXIA, Column H	20.0%
Collateral Loans	Part XXIA, Column H	5.0%

INSTRUCTIONS AFFECTING TABLE 5A: Capital factor charge for $Concastclass_i$

(a) $Concastclass_i$ shall only apply to an insurers' ten largest counterparty exposures based on the aggregate of all assets set out in the in Table 5A relating to that counterparty;

(b) for the purposes of Table 5A, a counterparty exposure shall be reported on the valuation of individually underlying assets i.e. determined by application of the "look through" approach in accordance with criteria prescribed by the Authority for all amounts reported on the balance sheet;

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

(i) Controller relationship: if a counterparty, directly or indirectly, has control of (as a result of its majority shareholding in or effective management) which it is a subsidiary company; or

(ii) Economic interdependence: if one of the counterparties were to experience financial difficulties which directly or indirectly affect the ability of any or all of the remaining counterparties to perform their financial obligations (for example where a counterparty becomes unable to fund or repay certain financial contractual obligations, and as a result, other counterparties, are likely to be unable to fund or repay certain obligations imposed on them);

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

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

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

Where–

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

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

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

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

$$CCROTC = \sum_i Max\left(0, MVDerivativeP_i - (1-\beta_i) Min\left(MVderivativeP_i, MVCollateral_i\right)\right) \times \alpha_i$$

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

β_i = collateral factor as prescribed in Table 6B;

α_i = capital factor for the BSCR rating *i* as prescribed in Table 6B;

$MVCollateral_i$ = market value of collateral of over-the-counter derivatives with positive market values and BSCR rating *i*.

Table 6A – Capital charge factors for $debtor_i$

Type of debtor $debtor_i$	**Statement Source** These Rules	**Capital Factor** δ_i
Accounts and Premiums Receivable		
In course of collection	Form 1EBS, Line 10(a)	5.0%
Deferred - Not Yet Due	Form 1SFS, Line 10 (b)	5.0%
Receivables from retrocessional contracts less: collateralized balances	Form 1EBS, Line 10(c) and instruction (c) below	10.0%
All Other Receivables		
Accrued investment income	Form 1EBS, Line 9	2.5%
Advances to affiliates	Form 1EBS, Line 4(g)	5.0%
Policy loans	Form 1EBS, Line 6	0.0%
Balances receivable on sale of investments	Form 1EBS, Line 13(f)	2.5%
Particulars of reinsurance balances		
BSCR rating 0	Part XVIII paragraph (d)	0.0%
BSCR rating 1	Part XVIII paragraph (d)	0.7%
BSCR rating 2	Part XVIII paragraph (d)	1.5%
BSCR rating 3	Part XVIII paragraph (d)	3.5%
BSCR rating 4	Part XVIII paragraph (d)	7.0%
BSCR rating 5	Part XVIII paragraph (d)	12.0%
BSCR rating 6	Part XVIII paragraph (d)	20.0%
BSCR rating 7	Part XVIII paragraph (d)	17.0%
BSCR rating 8	Part XVIII paragraph (d)	35.0%
Less: Diversification adjustment	Part XVIII paragraph (d)	40.0%

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

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

(ii) 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;

(i) "collateralized balances" for the purposes of this paragraph shall mean assets pledged in favour of the insurer relating to accounts and premiums receivable;

under Table 6A – Capital charge factors for $debtor_i$;

(iii)

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

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

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

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

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

Table 6B – Capital charge factors for Default Risk for over-the-counter Derivatives

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

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

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

Where–

$\alpha 1_i$ = capital charge factor for adjustable life insurance business as prescribed in Table 7A;

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

$\alpha 2_i$ = capital charge factor for non-adjustable business as prescribed in Table 7A; and

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

Table 7A – Capital charge factors for $NAAR1_i$ or $NAAR2_i$

Net Amount at Risk $NAAR1_i$ **or** $NAAR2_i$	**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

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

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

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

C_{LTr} = 25% x net annual premium for insurance product riders not included elsewhere as prescribed in Part VII, Column (11), Line 15 of these Rules.

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

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

(a) = 7.00% x BSCR adjusted reserves for disability income claims in payment on waiver of premium and long-term care as prescribed in Part VII, Column (7), Line 9 of these Rules
plus

(b) = 10% x BSCR adjusted reserves for disability income claims in payment on other accident and sickness products as prescribed in Part VII, Column (7), Line 10 of these Rules;
plus

(c) $= \left[\sum_i \alpha_i \times NAP_i \right]$

Where –

α_i = capital charge factor as prescribed in Table 8A; and

NAP_i = the Net Annual Premium for disability income business – active lives as described in Table 8A;

Table 8A – Capital charge 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, Column (9), Line 7(a)	9.0%
Benefit period less than or equal to two years, premium guarantee of more than 1 year but less than or equal to 5 years	Part VII, Column (9), Line 7(b)	15.0%

Benefit period less than or equal to two years, premium guarantee of more than 5 years	Part VII, Column (9), Line 7(c)	22.5%
Benefit period less than or equal to two years, premium guarantee less than or equal to 1 year	Part VII, Column (10), Line 7(a)	12.0%
Benefit period less than or equal to two years, premium guarantee of more than 1 year but less than or equal to 5 years	Part VII, Column (10), Line 7(b)	20.0%
Benefit period less than or equal to two years, premium guarantee of more than 5 years	Part VII, Column (10), Line 7(c)	30.0%

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

(e) $$= \left[\sum_i \alpha 1_i \times NAAR1_i\right] + \left[\sum_i \alpha 2_i \times NAAR2_i\right]$$

Where –

$\alpha 1_i$ = capital factor as prescribed in Table 9A;

$NAAR1_i$ = the Net Amount at Risk of all adjustable critical illness insurance business in force as in Part VII, Column (9), Line 2;

$\alpha 2_i$ = capital factor as prescribed in Table 9A;

$NAAR2_i$ = the Net Amount at Risk of all non-adjustable critical illness insurance business in force as in Part VII, Column (10), Line 2.

Table 9A – Capital charge factors for $NAAR1_i$ or $NAAR2_i$

Net Amount at Risk $NAAR1_i$ **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

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

$$C_{LTlong} = \sum_i \alpha_i \times BAR_i \;;$$

Where–

α_i = capital charge factor as prescribed in Table 10A; and

BAR_i = the BSCR adjusted reserves for longevity risk as described in Table 10A.

Table 10A – Capital charge 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 blocks*) – Attained age of annuitant:		

0-55 years	Part VII, Column (7), Line 3(a)	2.0%
56-65 years	Part VII, Column (7), Line 3(b)	3.0%
66-70 years	Part VII, Column (7), Line 3(c)	4.0%
71-80 years	Part VII, Column (7), Line 3(d)	5.0%
81+ years	Part VII, Column (7), Line 3(e)	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, Column (7), Line 4(a)	2.0%
56-60 years	Part VII, Column (7), Line 4(b)	3.0%
61-65 years	Part VII, Column (7), Line 4(c)	4.0%
66-70 years	Part VII, Column (7), Line 4(d)	5.0%
71-75 years	Part VII, Column (7), Line 4(e)	6.0%
76+ years	Part VII, Column (7), Line 4(f)	7.0%

INSTRUCTIONS AFFECTING TABLE 10A: Capital charge factors for BAR_i

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

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

$$C_{LTVA} = \text{either } \left(\sum_i TotalBSReq_i - TotalBAR - TotalGMB_{adj} \right) \text{ or } (IMCReq_{LTVA})$$

Wherein:

(i) $TotalBSReq_i$ = higher of (a) $\left(\alpha 1_i \times GV1_i + \alpha 2_i \times GV2_i + \alpha 3_i \times GV3_i\right)$ and (b) $\left(\alpha 4_i \times NAR1_i + \alpha 5_i \times NAR2_i + \alpha 6_i \times NAR3_i\right)$;

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

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

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

(v) $\left(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i\right)$ have the statement source identified in Table 11A; and

(vi) $\left(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i\right)$ are the capital factors as prescribed in Table 12A.

Table 11A – Capital charge factors for $(GV1_i, GV2_i, GV3_i, NAR1_i, NAR2_i, NAR3_i)$

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, column (5)	Part VIII, lines 1, column (6)	Part VIII, lines 1, column (7)
Guaranteed minimum death benefit: Enhanced benefits (roll up)	Part VIII, Lines 2 and 17, column (2)	Part VIII, Lines 2 and 17, column (3)	Part VIII, Lines 2 and 17, column (4)	Part VIII, Lines 2, column (5)	Part VIII, Lines 2, column (6)	Part VIII, Lines 2, column (7)
Guaranteed minimum income benefit	Part VIII, Lines 3 and 18, column (2)	Part VIII, Lines 3 and 18, column (3)	Part VIII, Lines 3 and 18, column (4)	Part VIII, Lines 3, column (5)	Part VIII, Lines 3, column (6)	Part VIII, Lines 3, column (7)
Guaranteed minimum withdrawal benefit	Part VIII, Lines 4 and 19, column (2)	Part VIII, Lines 4 and 19, column (3)	Part VIII, Lines 4 and 19, column (4)	Part VIII, Lines 4, column (5)	Part VIII, Lines 4, column (6)	Part VIII, Lines 4, column (7)
Guaranteed enhanced earnings benefit	Part VIII, Lines 5 and 20, column (2)	Part VIII, Lines 5 and 20, column (3)	Part VIII, Lines 5 and 20, column (4)	Part VIII, Lines 5, column (5)	Part VIII, Lines 5, column (6)	Part VIII, Lines 5, column (7)
Guaranteed minimum accumulation benefit with 1 year or less to maturity	Part VIII, Lines 6 and 21, column (2)	Part VIII, Lines 6 and 21, column (3)	Part VIII, Lines 6 and 21, column (4)	Part VIII, Lines 6, column (5)	Part VIII, Lines 6, column (6)	Part VIII, Lines 6, column (7)
Guaranteed minimum accumulation benefit with more than 1 year but less than or equal to 2 years to maturity	Part VIII, Lines 7 and 22, column (2)	Part VIII, Lines 7 and 22, column (3)	Part VIII, Lines 7 and 22, column (4)	Part VIII, Lines 7, column (5)	Part VIII, Lines 7, column (6)	Part VIII, Lines 7, column (7)
Guaranteed minimum accumulation benefit with more than 2 years but less than or equal to 3 years to maturity	Part VIII, Lines 8 and 23, column (2)	Part VIII, Lines 8 and 23, column (3)	Part VIII, Lines 8 and 23, column (4)	Part VIII, Lines 8, column (5)	Part VIII, Lines 8, column (6)	Part VIII, Lines 8, column (7)
Guaranteed minimum accumulation benefit with more than 3 years but less than or equal to 4 years to maturity	Part VIII, Lines 9 and 24, column (2)	Part VIII, Lines 9 and 24, column (3)	Part VIII, Lines 9 and 24, column (4)	Part VIII, Lines 9, column (5)	Part VIII, Lines 9, column (6)	Part VIII, Lines 9, column (7)
Guaranteed minimum accumulation benefit with more than 4 years but less than or equal to 5 years to maturity	Part VIII, Lines 10 and 25, column (2)	Part VIII, Lines 10 and 25, column (3)	Part VIII, Lines 10 and 25, column (4)	Part VIII, Lines 10, column (5)	Part VIII, Lines 10, column (6)	Part VIII, Lines 10, column (7)
Guaranteed minimum accumulation benefit with more than 5 years but less than or equal to 6 years to maturity	Part VIII, Lines 11 and 26, column (2)	Part VIII, Lines 11 and 26, column (3)	Part VIII, Lines 11 and 26, column (4)	Part VIII, Lines 11, column (5)	Part VIII, Lines 11, column (6)	Part VIII, Lines 11, column (7)
Guaranteed minimum accumulation benefit with more than 6 years but less than or equal to 7 years to maturity	Part VIII, Lines 12 and 27, column (2)	Part VIII, Lines 12 and 27, column (3)	Part VIII, Lines 12 and 27, column (4)	Part VIII, Lines 12, column (5)	Part VIII, Lines 12, column (6)	Part VIII, Lines 12, column (7)
Guaranteed minimum accumulation benefit with more than 7 years but less than or equal to 8 years to maturity	Part VIII, Lines 13 and 28, column (2)	Part VIII, Lines 13 and 28, column (3)	Part VIII, Lines 13 and 28, column (4)	Part VIII, Lines 13, column (5)	Part VIII, Lines 13, column (6)	Part VIII, Lines 13, column (7)

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

Table 12A – Capital charge factors for $(\alpha 1_i, \alpha 2_i, \alpha 3_i, \alpha 4_i, \alpha 5_i, \alpha 6_i)$

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

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

$$C_{LToth} = \sum_i \alpha_i \times BAR_i ;$$

Where–

α_i = capital charge factor as prescribed in Table 13A; and

BAR_i = the BSCR adjusted reserves as described in Table 13A.

Table 13A – Capital charge 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	2.0%
Critical illness (including accelerated critical illness products)	Part VII, Column (7), Line 2	2.0%
Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs)	Part VII, Column (7), Line 3(f)	0.5%
Longevity (deferred pay-out annuities, future contingent annuities, future pension pay- outs)	Part VII, Column (7), Line 4(g)	0.5%
Annuities certain only	Part VII, Column (7), Line 5	0.5%
Deferred accumulation annuities	Part VII, Column (7), Line 6	0.5%
Disability income: active lives – including waiver of premium and long-term care	Part VII, Column (7), Line 7(d)	2.0%
Disability income: active lives – other accident and sickness	Part VII, Column (7), Line 8	2.0%
Disability income: claims in payment – including waiver of premium and long-term care	Part VII, Column (7), Line 9	0.5%
Disability income: claims in payment – other accident and sickness	Part VII, Column (7), Line 10	0.5%
Group life	Part VII, Column (7), Line 11	0.5%
Group disability	Part VII, Column (7), Line 12	0.5%
Group health	Part VII, Column (7), Line 13	0.5%
Stop loss	Part VII, Column (7), Line 14	2.0%
Rider (other product riders not included above)	Part VII, Column (7), Line 15	2.0%

34A. The Lapse risk charge for long-term business shall be determined as the maximum loss, resulting from the lapse up, lapse down and mass lapse stresses defined in subparagraph (c), in accordance with the following formula —

$$C_{LTlapse} = max\left(C_{LapseUp}, C_{LapseDown}, C_{MassLapse}\right)$$

Where —

$$C_{LapseUp} = C_{LapseUp}^{Europe\&UK} + C_{LapseUp}^{Japan} + C_{LapseUp}^{US\&Other}$$

$$C_{LapseDown} = C_{LapseDown}^{Europe\&UK} + C_{LapseDown}^{Japan} + C_{LapseDown}^{US\&Other}$$

$$C_{MassLapse} = C_{MassLapse}^{Europe\&UK} + C_{MassLapse}^{Japan} + C_{MassLapse}^{US\&Other}$$

and

$$C_i^j = \max\left(\left(MVA_{Bef,i}^j - MVL_{Bef,i}^j\right) - \left(MVA_{Aft,i}^j - MVL_{Aft,i}^j\right), 0\right)$$

for —

$$i = LapseUp, LapseDown$$
$$j = Europe\&UK, Japan, US\&Other$$

where —

$MVA_{Bef,i}^j$ = refers to the pre-stress valuation of assets i.e., valuation of assets on an EBS valuation basis before applying lapse stresses;

$MVA_{Aft,i}^j$ = refers to the post-stress valuation of assets i.e., revaluation of assets on EBS valuation basis after applying the lapse stresses prescribed in subparagraph (c), where applicable; if the lapse stresses do not affect the value of assets, i.e. there are no lapse-sensitive assets, then $MVA_{Aft} = MVA_{Bef}$;

$MVL_{Bef,i}^j$ = refers to the pre-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis, i.e., best estimate of insurance liabilities and other liabilities before applying lapse stresses;

$MVL_{Aft,i}^j$ = refers to the post-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis, i.e., revaluation of best estimate of insurance liabilities and other liabilities after applying the lapse stresses prescribed in subparagraph (c);

and

$$C_{MassLapse}^{Europe\&UK} = \max\Big(\left(MVA_{Bef,MassLapse}^{Europe\&UK} - MVL_{Bef,MassLapse}^{Europe\&UK}\right) - \left(MVA_{Aft,MassLapse}^{Europe\&UK,NoOffset} - MVL_{Aft,MassLapse}^{Europe\&UK,NoOffset}\right), 0\Big)$$

$$C_{MassLapse}^{k} = \frac{C_{MassLapse}^{NoOffset,k} + C_{MassLapse}^{FullOffset,k}}{2}$$

$$C_{MassLapse}^{o,k} = \max\left(\left(MVA_{Bef,MassLapse}^{k} - MVL_{Bef,MassLapse}^{k}\right) - \left(MVA_{Aft,MassLapse}^{o,k} - MVL_{Aft,MassLapse}^{o,k}\right), 0\right)$$

for —

$$k = Japan, US\&Other$$
$$o = NoOffset, FullOffset$$

where —

$MVA_{Bef,MassLapse}^{l}$ = refers to the pre-stress valuation of assets i.e., valuation of assets on EBS valuation basis before applying mass lapse stresses, for region l = *Europe&UK, Japan, US&Other*;

$MVL^{l}_{Bef,MassLapse}$ = refers to the pre-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis as prescribed by the Authority, i.e., best estimate of insurance liabilities and other liabilities before applying mass lapse stresses, for region l = *Europe&UK, Japan, US&Other*;

$MVA^{Europe\&UK}_{Aft,MassLapse}$ = refers to the post-stress valuation of assets i.e., revaluation of assets on EBS valuation basis after applying the mass lapse stresses prescribed in subparagraph (c), for region *Europe&UK*; if the lapse stresses do not affect the value of assets, i.e. there are no lapse-sensitive assets, then $MVA_{Aft} = MVA_{Bef}$;

$MVL^{Europe\&UK}_{Aft,MassLapse}$ = refers to the post-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis as prescribed by the Authority, i.e., revaluation of best estimate of insurance liabilities and other liabilities after applying the mass lapse stresses prescribed in subparagraph (c), for region *Europe&UK*;

$MVA^{o,k}_{Aft,MassLapse}$ = refers to the post-stress valuation of assets i.e., revaluation of assets on EBS valuation basis after applying the mass lapse stresses prescribed in subparagraph (c), for region k = *Japan, US&Other* and with o = *NoOffset, FullOffset*; if the lapse stresses do not affect the value of assets, i.e. there are no lapse-sensitive assets, then $MVA_{Aft} = MVA_{Bef}$;

$MVL^{o,k}_{Aft,MassLapse}$ = refers to the post-stress valuation of insurance liabilities and other liabilities (excluding Risk Margin) on EBS valuation basis as prescribed by the Authority, i.e., revaluation of best estimate of insurance liabilities and other liabilities after applying the mass lapse stresses prescribed in subparagraph (c), for region k = *Japan, US&Other* and with o = *NoOffset, FullOffset*;

NoOffset = calculation with 'no offset' means that the results of the mass lapse stress for any homogeneous risk groups for which the mass lapse is beneficial are floored at zero (i.e., gains from policies where lapsing is beneficial for the insurer are not allowed to offset losses from policies where lapsing is adverse for the insurer);

FullOffset = calculation with 'full offset' means that results of the mass lapse stress for different homogeneous risk groups are not floored to zero (i.e., gains from policies where lapsing is beneficial are allowed to offset losses from policies where lapsing is adverse)

(a) The valuation of assets and liabilities shall be performed on an EBS valuation basis. Upon application, those insurers using the scenario-based approach may elect to use a modification to keep the scenario-based approach discounting unchanged under certain lapse stresses as prescribed by the Authority, subject to prior approval from the Authority;

(b) When applying the prescribed lapse stresses and recalculating the post-stress values of assets and liabilities, insurers shall take into account all applicable legal or contractual rights of policyholders (policyholder options) that may alter the value of the future cash flows of the (re)insurance contracts entered into by the insurer. The relevant policyholder options shall include all legal or contractual rights to:

(i) fully or partially terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse;
(ii) fully or partially establish, renew, increase, extend or resume insurance cover.

(c) The lapse stresses to be applied in determining the lapse risk charges per region in accordance with the lapse risk charge equation under paragraph 34A are as follows:

(i) Europe&UK: means (re)insurance business originating from the European Economic Area (EEA) or the United Kingdom of Great Britain and Northern Ireland (UK). The Lapse Up, Lapse Down and Mass Lapse stresses shall be those as prescribed in the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended. For the purposes of this paragraph, any reference to any laws, rules and regulations shall also include successors to and functionally equivalent replacements of such laws, rules and regulations.

(ii) For (re)insurance business originating from all other regions (i.e., from regions Japan and US&Other):

(a) Lapse Up: A permanent stress increase in assumed lapse rates, for all policies in homogeneous risk groups adversely affected by such increases. The permanent stress increase shall be as prescribed in Table 13B; in all cases subject to an absolute maximum rate of 100%. For the purposes of the stress, increase in lapse rates means an increase in the policyholder option exercise rates defined in subparagraph (b).(i) and a decrease in the policyholder option exercise rates defined in subparagraph (b).(ii). The changes in option exercise rates shall only apply to those relevant options for which the change results in a loss. For each homogeneous risk group, the loss resulting from the stress shall be subject to a floor of zero.

(b) Lapse Down: A permanent stress decrease in assumed lapse rates, for all policies in homogeneous risk groups adversely affected by such decreases. The permanent stress decrease shall be as prescribed in Table 13B. For the purposes of the stress, decrease in lapse rates means a decrease in the policyholder option exercise rates defined in subparagraph (b).(i) and an increase in the policyholder option exercise rates defined in subparagraph (b).(ii). The changes in option exercise rates shall only apply to those relevant options for which the change results in a loss. For each homogeneous risk group, the loss resulting from the stress shall be subject to a floor of zero.

(c) Mass Lapse: An immediate discontinuance of insurance policies. The annual mass lapse stress magnitude shall be, for each insurance policy, equal to three times the applicable annual base lapse rate assumptions for that policy, but in no event shall be lower than the absolute floor prescribed in Table 13C applicable to that policy. The stressed mass lapse rate shall apply for the first 12 months within the projections used to determine the best estimate of insurance liabilities. The mass lapse charge shall be calculated both without offset (NoOffset) and with full offset (FullOffset), and the average of the two calculations shall be taken in accordance with the lapse risk charge equation under paragraph 34A (a '50% offset').

Table 13B – Lapse Up and Lapse Down stresses per Region

Region	**Stress Type**	**Statement Source** These Rules	**Stress**
Europe & UK	Lapse Up	Part VIIA, Line 1	As prescribed by the Authority

Europe & UK	Lapse Down	Part VIIA, Line 5	As prescribed by the Authority
Japan	Lapse Up	Part VIIA, Line 2	+20%
Japan	Lapse Down	Part VIIA, Line 6	-20%
All other regions	Lapse Up	Part VIIA, Line 3	+40%
All other regions	Lapse Down	Part VIIA, Line 7	-40%

Table 13C – Mass Lapse stresses per Region and Product Category

Region	**Policyholder Type**	**Statement Source** These Rules	**Product Category**	**Base Stresses**	**Stress Floor**
Europe & UK	All	Part VIIA, Line 9	All	As prescribed by the Authority	
All other regions	Non-Retail	Part VIIA, Lines 11, 20, 30 and 39	A.NR	3x	60%
All other regions	Non-Retail	Part VIIA, Lines 12, 21, 31 and 40	B.NR	3x	30%
All other regions	Non-Retail	Part VIIA, Lines 13, 22, 32 and 41	C.NR	3x	20%
All other regions	Non-Retail	Part VIIA, Lines 14, 23, 33 and 42	D.NR	3x	10%
All other regions	Retail	Part VIIA, Lines 15, 24, 34 and 43	A.R	3x	20%
All other regions	Retail	Part VIIA, Lines 16, 25, 35 and 44	B.R	3x	15%
All other regions	Retail	Part VIIA, Lines 17, 26, 36 and 45	C.R	3x	10%
All other regions	Retail	Part VIIA, Lines 18, 27, 37 and 46	D.R	3x	5%

Instructions affecting Table 13C

(a) for the purposes of this Schedule, 'retail' refers to contracts of insurance where the policyholder is an individual. 'Non-Retail' refers to contracts of insurance where the policyholder is not in individual (e.g., is an institution or a corporation);

(b) product categories B.NR, D.NR and C.R require approval from the Authority prior to application in conducting the mass lapse stress;

(c) Product Categories are defined as follows—

(i) Product Category 'A.NR' includes the following products—
(A) Guaranteed Investment Contracts (GICs) and Funding Agreements redeemable with no or insignificant penalties;
(B) All other institutional financial/investment/savings products;

(ii) Product Category 'B.NR' includes the following products—
Category 'A.NR' products with significant mitigating features. Approval shall be required from the Authority for this category and to apply the applicable floor;

(iii) Product Category 'C.NR' includes the following products—
(A) General Account Bank or Corporate Owned Life Insurance (BOLI/COLI).
(B) Separate Account COLI/BOLI;
(C) Retirement Variable Annuity (VA) (plan-level terminations);

(D) All other institutional protection products;

(iv) Product Category 'D.NR' includes the following products—
Category 'C.NR' products with significant mitigating features. Approval shall be required from the Authority prior to application;

(v) Product Category 'A.R' includes the following products—
(A) VA without guarantees or with guarantees and out of the money.
(B) Accumulation fixed index annuity (FIA) and fixed annuity (FA) products with guaranteed crediting rate or option budget less than 10-yr Treasury Rate – 200bps.
(C) All other financial, investment or savings products not specified elsewhere in this Schedule;

(vi) Product Category 'B.R' includes the following products—
(A) Accumulation FIA and FA products with risk profile in-between those under categories A and C.
(B) Universal Life (UL) (Indexed UL, Variable UL, UL);
(C) All whole life products;
(D) Term without Return of Premium (ROP) or with cash value ROP.
(E) Individual disability;
(F) All other protection products.

(vii) Product Category 'C.R' includes the following products—
(A) Accumulation FIA and FA with guaranteed crediting rate or option budget greater than 10-yr Treasury Rate + 200bps + with at least 3 years of surrender charge period remaining + material Guaranteed Withdrawal Life Benefit (GWLB);
(B) VA with material in the money GLWB/ Guaranteed Minimum Income Benefit (GMIB)/Guaranteed Minimum Accumulation Benefit (GMAB);
(C) Retail VAs with Guaranteed Minimum Death Benefit (GMDB) greater than account value.
(D) All products in Category B with at least 3 years of surrender charge period remaining excluding FIA, FA, savings, financial, investment products. Approval shall be required from the Authority prior to application;

(viii) Product Category 'D.R' includes the following products—
(A) UL with secondary guarantees (lifetime or greater than age 90).
(B) Long-Term Care (base) and combo(non-acceleration).
(C) Term with ROP at end of level term period (during level period).

34B. The expense risk charge for long-term business shall be calculated as the loss resulting from the prescribed expense stresses in accordance with the following formula—

$$C_{LTExpense} = \sum_{i} C_{Exp,i}$$

Where –

$$C_{Exp,i} = \max\left(\left(MVA_{Bef,i} - MVL_{Bef,i}\right) - \left(MVA_{Aft,i} - MVL_{Aft,i}\right), 0\right)$$

i = refers to the regions in Table 13D, with the summation covering all the regions;

$MVA_{Bef,i}$ = refers to the pre-stress EBS valuation of assets i.e., EBS valuation of assets before applying prescribed expense stresses;

$MVA^{j}_{Aft,i}$ = refers to the post-stress EBS valuation of assets i.e., revaluation of assets on EBS basis after applying prescribed expense stresses; if the expense stresses do not affect the value of assets, i.e. there are no expense-sensitive assets, then $MVA_{Aft} = MVA_{Bef}$

$MVL^{j}_{Bef,i}$ = refers to the pre-stress valuation of insurance liabilities and other liabilities on EBS basis, i.e., best estimate of insurance liabilities and other liabilities before applying prescribed expense stresses;

$MVL^{j}_{Aft,i}$ = refers to the post-stress valuation of insurance liabilities and other liabilities on EBS basis, i.e., revaluation of best estimate of insurance liabilities and other liabilities after applying prescribed expense stresses.

Where—

the prescribed expense stresses consist of simultaneously applying the combination of the following stresses—

(a) a relative increase of **x** percent in best estimate expense assumptions; and
(b) an absolute increase of **y** percentage points in the per annum expense inflation rate;

where **x** and **y** depend on the region as specified in Table 13D. The definitions of "Other developed markets" and "Other emerging markets" shall correspond to those of "Developed markets" and "Emerging markets", respectively, as prescribed by the Authority, after exclusion of regions listed in Table 13D.

Table 13D – Expense stresses

Region	**Statement Source** These Rules	**x%** **(relative increase in future expenses)**	**y%** **(absolute increase in expense inflation rate, percentage points)**
EEA, UK and Switzerland	Part VIIB, Line 1	6%	1%
US, Bermuda and Canada	Part VIIB, Line 2	6%	1%
Japan	Part VIIB, Line 3	6%	1%
Other developed markets	Part VIIB, Line 4	8%	Year 1 – 10: 2%; Year 11 onwards: 1%
China, Other emerging markets	Part VIIB, Line 5	8%	Year 1 – 10: 3%; Year 11 – 20: 2%; Year 21 onwards: 1%

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

$$C_{Operational} = \rho \times \left(Basic\ BSCR + C_{AdjTP}\right);$$

Where —

ρ = an amount between 1% and 20% as determined by the Authority in accordance with Table 14C;

$Basic\ BSCR$ = Basic BSCR risk module charge as calculated in accordance with paragraph 18;

C_{AdjTP} = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 37;

Table 14C – Operational Risk Charge for ρ

Overall Score	**Applicable Operational Risk Charge ρ**
<=600	20.0%
>600 <=800	20.0%
>800 <=1200	18.0%

>1200 <=1400	15.0%
>1400 <=1600	12.0%
>1600 <=1800	9.0%
>1800 <=2000	7.0%
>2000 <=2200	5.0%
>2200 <=2400	3.0%
>2400	1.0%

INSTRUCTIONS AFFECTING TABLE 14C

In this table, "overall score" means an amount equal to the sum of the aggregate score derived from each of tables 14D and 14

TABLE 14D
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

INSTRUCTIONS AFFECTING TABLE 14D

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

TABLE 14E
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		200

procedures are communicated throughout the organization		
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**

Comments

36. The regulatory capital requirement for regulated non-insurance financial operating entities shall be determined in accordance with Part XVI - "Part of Regulated Non-Insurance Financial Operating Entities". This amount shall be equal to the sum of the insurer's proportionate share of each entity's regulatory capital requirement in accordance with the applicable solvency laws of the jurisdiction where the entity is licensed or registered.

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

$$C_{AdjTP} = -\max(\min(Basic\ BSCR - Basic\ nBSCR, FDB), 0);$$

Where,

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

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

$CorrBBSCR_{i,j}$ = the correlation factors of the Basic BSCR correlation matrix in accordance with Table A of Paragraph 18;

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

C_{Market} = market risk module charge as calculated in accordance with paragraph 19;

C_{LT} = Long-Term risk module charge as calculated in accordance with paragraph 20;

C_{Credit} = credit risk module charge as calculated in accordance with paragraph 27.

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

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

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

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

Where —

$Basic\ BSCR$	=	Basic BSCR risk module charge as calculated in accordance with paragraph 18;
$C_{operational}$	=	operational risk charge as calculated in accordance with paragraph 35;
$C_{regulatoryadj}$	=	regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 36;
C_{AdjTP}	=	= adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 37
t	=	insurer's standard federal tax rate
$Limit$	=	$PastLAC + CurrentLAC + FutureLAC$
$PastLAC$	=	Loss Carryback Provision multiplied by t;
$CurrentLAC$	=	Current Deferred Tax Liabilities minus Current Deferred Tax Assets;
$FutureLAC$	=	Risk Margin as reported on Form 1EBS Line 18 multiplied by t;

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Part 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 1EBS, Lines 2(b) & 3(b))	
		20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)	20xx (000)
1	BSCR rating 0										
2	BSCR rating 1										
3	BSCR rating 2										
4	BSCR rating 3										
5	BSCR rating 4										
6	BSCR rating 5										
7	BSCR rating 6										
8	BSCR rating 7										
9	BSCR rating 8										
10	Total										
Quoted and unquoted equities		Common stock (Form 1EBS, Lines 2(c)(i) & 3(c)(i))		Preferred stock (Form 1EBS, Lines 2(c)(ii) & 3(c)(ii))		Equity mutual funds (Form 1EBS, Lines 2(c)(iii) & 3(c)(iii))				Total (Form 1EBS, 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 (Form 1EBS, Line 5(c))	
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		

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) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

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

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

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

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

(i) bond mutual funds shall be classified based on the underlying bond ratings as advised by the fund managers; equity mutual funds shall be classified in a similar manner as direct equity investments while money market funds shall be treated as cash and cash equivalents; and

(j) amounts are to be reported on both an EBS Valuation and unconsolidated basis.

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PART IIA **(Paragraph 6)**

Schedule of funds held by ceding reinsurers in segregated accounts/trusts 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 (		Other Investments		Total	
		20xx (000)	20xx (000)	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 cash equivalents		Cash and cash equivalents	
		20xx (000)	20xx (000)
27			
28			

INSTRUCTIONS AFFECTING PART IIA:

(a) All funds held by ceding reinsurers (as reflected in Form 1EBS, Line 12(c)) in segregated accounts/trusts with identifiable assets, such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, shall be included here;

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

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

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

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

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

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

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

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

(j) bond mutual funds shall be classified based on the underlying bond ratings as advised by the fund managers; equity mutual funds shall be classified in a similar manner as direct equity investments while money market funds shall be treated as cash equivalents;

(k) other investments shall include investments not reported as bond and debentures, common stock, preferred stock or equity mutual funds; and

(l) amounts are to be reported on both an EBS Valuation and unconsolidated basis

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PART IIB **(Paragraph 6)**

Part 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												
14	Total												
		ASSETS						LIABILITIES					
		Long Exposures		Short Exposures									

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				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes		Without Management Actions		With Management Actions	Total Assets	Total Assets
Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock
15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											
29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											

32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											
36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit Derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate
	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%
50	BSCR rating 2					-75%
51	BSCR rating 3					-75%

52	BSCR rating 4					-75%	
53	BSCR rating 5					-75%	
54	BSCR rating 6					-75%	
55	BSCR rating 7					-75%	
56	BSCR rating 8					-75%	
57	Total Spread Down						

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization	
	Counterparty Default Risk for over-the-counter Derivatives				
58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				

INSTRUCTIONS AFFECTING PART IIB:

(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 long exposures, short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(c) preferred stocks are required to be classified by BSCR rating;

(d) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(e) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

(h) debt issued by government-owned or entities that are explicitly guaranteed by that government, (except government issued mortgage-backed securities), shall be assigned a BSCR rating of 0;

(i) “exposures” shall include those determined by the application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(j) “strategic holdings” refers to holdings in qualifying equity investments of a strategic nature which meet the criteria prescribed by the Authority for such holdings. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting criteria prescribed by the Authority, then such investments will be classified as “Type 1”. Investments that do not meet such criterion shall be classified as “Type 2”.

(k) “infrastructure” refers to holdings in qualifying equity infrastructure investments which meet criteria prescribed by the Authority for such investments that are non-strategic holdings;

(l) "listed equity securities in developed markets" refers to holdings in equity securities listed on designated stock exchanges or investments in certain funds prescribed by the Authority;

(m) "other equities" shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs "(j)" and "(l)" above; or not listed herein as an "Equity Holding" in this Part i.e., equities not listed on a designated stock exchange prescribed by the Authority, hedge funds, commodities and other alternative investments;

(n) best estimate insurance liabilities and other liabilities (excluding risk margin) whose value is subject to equity risk are to be included in Lines 15 to 36; and

(o) exposures qualifying as assets held for risk-mitigation purposes, and exposures not qualifying as assets held for risk-mitigation purposes; shall be determined in accordance with criteria prescribed by the Authority.

(p) [*revoked*]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

PART IIC **(Paragraph 6)**

Part of funds held by ceding insurers and funds held under retrocession 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												

14	Total												
		ASSETS						LIABILITIES					
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions		Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes							
Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock		Before Shock	After Shock
15	Strategic Holdings – Listed												
16	Duration Based												
17	Listed Equity Securities in Developed Markets												
18	Preferred Stocks, BSCR Rating 1												
19	Preferred Stocks, BSCR Rating 2												
20	Preferred Stocks, BSCR Rating 3												
21	Preferred Stocks, BSCR Rating 4												
22	Preferred Stocks, BSCR Rating 5												
23	Preferred Stocks, BSCR Rating 6												
24	Preferred Stocks, BSCR Rating 7												
25	Preferred Stocks, BSCR Rating 8												
26	Equity Derivatives on Type 1 Equities												
27	Strategic Holdings – Unlisted												

28	Other Equities / Other Assets											
29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											
36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate

	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%
50	BSCR rating 2					-75%
51	BSCR rating 3					-75%
52	BSCR rating 4					-75%
53	BSCR rating 5					-75%
54	BSCR rating 6					-75%
55	BSCR rating 7					-75%
56	BSCR rating 8					-75%
57	Total Spread Down					

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization
	Counterparty Default Risk for over-the-counter Derivatives			
58	BSCR rating 0			
59	BSCR rating 1			
60	BSCR rating 2			
61	BSCR rating 3			
62	BSCR rating 4			
63	BSCR rating 5			
64	BSCR rating 6			
65	BSCR rating 7			
66	BSCR rating 8			
67	Total Default Risk for over-the-counter Derivatives			
68	Cash and Cash Equivalents			
69	Total Funds Held			

INSTRUCTIONS AFFECTING PART IIC:

(a) All funds held by ceding reinsurers (as reported in Form 1EBS, Line 12(c)) and funds held under retrocession (as reported in Form 1EBS, Line 34(c)) with identifiable assets and liabilities, such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, are required to 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 long exposures; short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes, in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(d) preferred stocks are required to be classified by BSCR rating;

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(f) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

(i) debt issued by government-owned or entities that are explicitly guaranteed by that government, (except government debt issued mortgage-backed securities), shall be assigned a BSCR rating of 0;

(j) exposures shall include those determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(k) "strategic holdings" refers to holdings in qualifying equity investments of a strategic nature which meet criteria prescribed by the Authority for such holdings. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting criteria as prescribed by the Authority, then such investments shall be classified as "Type 1". Investments that do not qualify shall be classified as "Type 2".

(l) "infrastructure" refers to holdings in qualifying equity infrastructure investments in accordance which meet criteria prescribed by the Authority and which are non-strategic holdings;

(m) "listed equity securities in developed markets" refer to holdings in equity securities listed on designated stock exchanges or investments in certain funds both as prescribed by the Authority;

(n) "other equities" shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs "(k)" and "(m)" above or not listed herein as an "Equity Holding" in this Part i.e., equities not listed on a designated stock exchange as prescribed by the Authority, hedge funds, commodities and other alternative investments;

(o) Liabilities held under retrocession whose value is subject to equity risk are to be included in Lines 15 to 36; and

(p) exposures qualifying as assets held for risk-mitigation purposes and exposures not qualifying as assets held for risk-mitigation purposes shall be determined in accordance with criteria prescribed by the Authority.

(q) [*revoked*]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

(Paragraph 6)

PART IID

Part of segregated account companies' assets and liabilities 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												
14	Total												

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

		ASSETS						LIABILITIES				
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions	Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes						
Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock
15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											
29	Equity Real Estate 1											

30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											
36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate
	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%
50	BSCR rating 2					-75%

51	BSCR rating 3					-75%	
52	BSCR rating 4					-75%	
53	BSCR rating 5					-75%	
54	BSCR rating 6					-75%	
55	BSCR rating 7					-75%	
56	BSCR rating 8					-75%	
57	Total Spread Down						

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization	
	Counterparty Default Risk for over-the-counter Derivatives				
58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				
68	Cash and Cash Equivalents				
69	Total Segregated Account Companies Assets				

INSTRUCTIONS AFFECTING PART IID:

(a) All segregated account companies with identifiable assets (as reported in Form 1EBS, Lines 13(b), (c), (d)) and liabilities (as reported in Form 1EBS, Lines 36(c), (d), (e)), such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, shall be included here;

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

(c) equity investments, both quoted and unquoted, shall be categorized into long exposures, short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(d) preferred stock are required to be classified by BSCR rating;

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(f) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

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

(j) exposures shall include those determined by the application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(k) “strategic holdings” refers to holdings in qualifying equity investments of a strategic nature which meet criteria prescribed by the Authority. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting criteria prescribed by the Authority, then these investments will be classified as “Type 1”. Investments that do not qualify shall be classified as “Type 2”;

(l) “infrastructure” refers to amounts in qualifying equity infrastructure investments which meets the criteria prescribed by the Authority that are non-strategic holdings;

(m) “listed equity securities in developed markets” refers to amounts in equity securities listed on a designated stock exchange or in investments in certain funds both as prescribed by the Authority;

(n) “other equities” shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs “(k)” and “(m)” above or not listed herein as an “Equity Holding” in this Part i.e. equities not listed on a designated stock exchange as prescribed by the Authority, hedge funds, commodities and other alternative investments;

(o) liabilities held under segregated account companies whose value is subject to equity risk are to be included in Lines 15 to 36; and

(p) exposures qualifying as assets held for risk-mitigation purposes and exposures not qualified as assets held for risk-mitigation purposes shall be determined in accordance with criteria prescribed by the Authority.

(q) [*revoked*]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

(Paragraph 6)

PART IIE

Part of deposit assets and liabilities 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not In Good Standing												
14	Total												

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

		ASSETS						LIABILITIES				
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions	Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes						
Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock
15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											

29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											
36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate
	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%

50	BSCR rating 2					-75%	
51	BSCR rating 3					-75%	
52	BSCR rating 4					-75%	
53	BSCR rating 5					-75%	
54	BSCR rating 6					-75%	
55	BSCR rating 7					-75%	
56	BSCR rating 8					-75%	
57	Total Spread Down						

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization	
	Counterparty Default Risk for over-the-counter Derivatives				
58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				
68	Cash and Cash Equivalents				
69	Total Deposit Assets				

INSTRUCTIONS AFFECTING PART IIE:

(a) All deposit assets and liabilities with identifiable assets (as reported in Form 1EBS, Lines 13(e)) and liabilities (as reported in Form 1EBS, Lines 36 (f)), such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, are required to 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 long exposures, short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(d) preferred stocks are required to be classified by BSCR rating;

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(f) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

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

(j) “exposures” shall include those determined by application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(k) “strategic holdings” refers to holdings in qualifying equity investments of a strategic nature in accordance which meet criteria prescribed by the Authority. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting the criteria as prescribed by the Authority, then these investments shall be classified as “Type 1”. Investments that do not qualify shall be classified as “Type 2”;

(l) “infrastructure” refers to holdings in qualifying equity infrastructure investments which meet criteria prescribed by the Authority that are non-strategic holdings;

(m) “listed equity securities in developed markets” refers to holdings in equity securities listed on designated stock exchanges or investments in certain funds both as prescribed by the Authority;

(n) “other equities” shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs “(k)” and “(m)” above or not listed herein as an “Equity Holding” in this Part i.e., equities not listed on a designated stock exchange as prescribed by the Authority, hedge funds, commodities and other alternative investments;

(o) deposit liabilities whose value is subject to equity risk are to be included in Lines 15 to 36; and

(p) exposures qualifying as assets held for risk-mitigation purposes and exposures not qualifying as assets held for risk-mitigation purposes shall be determined in accordance with criteria prescribed by the Authority.

(q) [*revoked*]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

(Paragraph 6)

PART IIF

Part of other sundry assets and liabilities 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)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage loans		Total	
		20xx (000)	20xx (000)	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	Insured/Guaranteed Mortgages												
11	Other Commercial and Farm Mortgages												
12	Other Residential Mortgages												
13	Mortgages Not in Good Standing												
14	Total												

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

		ASSETS						LIABILITIES				
		Long Exposures		Short Exposures				Without Management Actions		With Management Actions	Total Assets	Total Assets
				Qualified as Assets held for risk mitigation purposes		Not Qualified as Assets held for risk mitigation purposes						
Equity Holdings		Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock
15	Strategic Holdings – Listed											
16	Duration Based											
17	Listed Equity Securities in Developed Markets											
18	Preferred Stocks, BSCR Rating 1											
19	Preferred Stocks, BSCR Rating 2											
20	Preferred Stocks, BSCR Rating 3											
21	Preferred Stocks, BSCR Rating 4											
22	Preferred Stocks, BSCR Rating 5											
23	Preferred Stocks, BSCR Rating 6											
24	Preferred Stocks, BSCR Rating 7											
25	Preferred Stocks, BSCR Rating 8											
26	Equity Derivatives on Type 1 Equities											
27	Strategic Holdings – Unlisted											
28	Other Equities / Other Assets											

29	Equity Real Estate 1											
30	Equity Real Estate 2											
31	Letters of Credit											
32	Intangible assets											
33	Pension Benefit Surplus											
34	Equity Derivatives on Type 2 Equities											
35	Infrastructure											
36	Derivatives on Infrastructure											
37	Total Equity Holdings											

Credit derivatives		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock (bps)
	Spread Up Risk for Credit Derivatives					
38	BSCR rating 0					0
39	BSCR rating 1					130
40	BSCR rating 2					150
41	BSCR rating 3					260
42	BSCR rating 4					450
43	BSCR rating 5					840
44	BSCR rating 6					1620
45	BSCR rating 7					1620
46	BSCR rating 8					1620
47	Total Spread Up					
		Long Exposures		Short Exposures		
		Before Shock	After Shock	Before Shock	After Shock	Shock Rate
	Spread Down Risk for Credit Derivatives					
48	BSCR rating 0					0
49	BSCR rating 1					-75%

50	BSCR rating 2					-75%	
51	BSCR rating 3					-75%	
52	BSCR rating 4					-75%	
53	BSCR rating 5					-75%	
54	BSCR rating 6					-75%	
55	BSCR rating 7					-75%	
56	BSCR rating 8					-75%	
57	Total Spread Down						

		Market Value of Derivatives with Positive Market Value	Market Value of Derivatives with Negative Market Value	Market Value of Collateral, Excluding any over-collateralization	
	Counterparty Default Risk for over-the-counter Derivatives				
58	BSCR rating 0				
59	BSCR rating 1				
60	BSCR rating 2				
61	BSCR rating 3				
62	BSCR rating 4				
63	BSCR rating 5				
64	BSCR rating 6				
65	BSCR rating 7				
66	BSCR rating 8				
67	Total Default Risk for over-the-counter Derivatives				
68	Cash and Cash Equivalents				
69	Total Sundry Assets				

INSTRUCTIONS AFFECTING PART IIF:

(a) All other sundry assets and liabilities with identifiable assets (as reported in Form 1EBS, Lines 13(j)) and liabilities (as reported in Form 1EBS, Lines 36 (i)), such as fixed income investments, equity investments, mortgage loans, and cash and cash equivalents, shall be included here;

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

(c) equity investments, both quoted and unquoted, shall be categorized into long exposures, short exposures qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority; and short exposures not qualifying as assets held for risk mitigation purposes in accordance with criteria prescribed by the Authority and are further required to be classified by strategic holdings, duration based, listed equity securities, preferred stocks, other equities, letters of credit, intangible assets, pension benefit surplus, infrastructure, derivatives and real estate;

(d) preferred stock are required to be classified by BSCR rating;

(e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock;

(f) where a security is rated differently by various rating agencies, the insurer shall classify the security according to the most conservative rating assigned;

(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 are required to be classified in a manner similar to corporate bonds;

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

(j) exposures include those determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for collective investment vehicles and other investments packaged as funds;

(k) "strategic holdings" refers to holdings in qualifying equity investments of a strategic nature in accordance which meet criteria prescribed by the Authority. Where such investments are listed on a designated stock exchange or are investments in certain funds both meeting criteria as prescribed by the Authority, then such investments shall be classified as "Type 1". Investments that do not qualify will be classified as "Type 2";

(l) "infrastructure" refers to holdings in qualifying equity infrastructure investments which meet criteria prescribed by the Authority and which are non-strategic holdings;

(m) "listed equity securities in developed markets" refers to holdings in equity securities listed on a designated stock exchange or in investments in certain funds both as prescribed by the Authority;

(n) "other equities" shall include holdings in quoted and unquoted equity investments that are not reported in accordance with the requirements of paragraphs "(k)" and "(m)" above or not listed herein as an "Equity Holding" in this Part i.e., equities not listed on a designated stock exchange as prescribed by the Authority, hedge funds, commodities and other alternative investments;

(o) other liabilities whose value is subject to equity risk are to be included in Lines 15 to 36; and

(p) exposures qualifying as assets held for risk-mitigation purposes and exposures not qualifying as assets held for risk-mitigation purposes shall be determined in accordance with criteria prescribed by the Authority.

(q) [*revoked*]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

PART IVA **(Paragraph 6)**

SCHEDULE OF LONG-TERM BUSINESS PREMIUMS

[blank] name of Company

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

All amounts expressed in ..... (currency used)

Schedule		**Gross Premiums Written**						**Net Premiums Written**					
Line no		**Form 2SFS, Line 12(c)**						**Form 2SFS, Line 14(d)**					
		Unrelated		**Related**		**Total**		**Adjustable/Benefit**		**Adjustable/Benefit**		**Total**	
								Period <=2 years		**Period >2 years**			
		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											XXX	XXX
	(i) <=1 year	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	(ii) >1 year but	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	(iii) >5 years	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
6.	Disability income Active lives for other accident and sickness	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
7.	Disability income: Claims in payment	XXX	XXX	XXX	XXX	XXX	XXX					XXX	XXX
8.	Disability income: Claims in payment for other accident & 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

INSTRUCTIONS AFFECTING PART IVA

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

PART IVF (Paragraph 6)
SCHEDULE OF EXPOSURE OF RISK
[blank] name of insurer
As at [blank] (day/month/year)
All amounts expressed in ..... (currency used)

1. All insurers shall provide the following information for the reporting period

		ALL	General Business							Long-Term Business							
	Location	Number of Subsidiaries	Gross Premium Written (GPW) - Property Catastrophe	GPW – Other Lines other than Property Catastrophe	Reinsurance Retroceded to Bermuda Cedants	Reinsurance Retroceded to Other Cedants	Net Premium Written	Gross Incurred Losses	Gross Reserves at Year-End	Gross Reserve – Mortality Risk	Gross Reserve – Longevity Risk	Gross Reserve – Deferred Accumulation Annuities	Gross Reserve – Disability	Gross Reserve – Group	Gross Reserve – Variable Annuities	Gross Reserve – Other Products	Claims and Benefits Paid
1	Austria	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
2	Belgium	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
3	Bulgaria	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
4	Croatia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
5	Cyprus	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
6	Czech Republic	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7	Denmark	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
8	Estonia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
9	Finland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
10	France	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
11	Germany	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
12	Greece	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
13	Hungary	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
14	Ireland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
15	Italy	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
16	Latvia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
17	Lithuania	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
18	Luxembourg	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
19	Malta	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
20	Netherlands	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
21	Poland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
22	Portugal	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
23	Romania	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
24	Slovakia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
25	Slovenia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
26	Spain	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
27	Sweden	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
	Sub Total European Union	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**
28	Bermuda	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
29	United Kingdom	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
30	Switzerland	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
31	United States of America	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
32	Canada	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
33	China	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

34	Japan	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
35	Hong Kong	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
36	Australia	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
37	All Other Locations	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
38	**Total**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**

Instructions to Part IVF

(a) "Location" shall be the location of the risk being underwritten. If the location of the risk being underwritten is not available, then insurers are to allocate based on the location of the cedant;

(b) the "number of subsidiaries" refers to the number of subsidiaries licensed within the jurisdiction;

(c) "mortality" refers to –
- (i) mortality (term assurance, whole life, universal life);
- (ii) critical illness (including accelerated critical illness products);

(d) "longevity" refers to –
- (i) longevity immediate pay-out annuities, contingent annuities, pension blocks;
- (ii) longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs);
- (iii) annuities certain only;

(e) "deferred accumulation annuities" refers to –
- (i) deferred accumulation annuities;

(f) "disability" refers to –
- (i) disability income: active lives - including waiver of premium and long-term care;
- (ii) disability income: active lives - other accident and sickness;
- (iii) disability income: claims in payment - including waiver of premium and long-term care;
- (iv) disability income: claims in payment - other accident and sickness;

(g) "group" refers to –
- (i) group life;
- (ii) group disability;
- (iii) group health;

(h) "variable annuities" refers to –
- (i) variable annuities;

(i) "other products" refers to
- (i) stop loss;
- (ii) rider (other product riders not included above);

all amounts shall be reported on a consolidated basis only.

(Paragraph 6)

PART V
SCHEDULE OF RISK MANAGEMENT

The schedule of risk management shall disclose the Class C insurer's risk management program as following matters-

(a) Governance and group structure;
(b) Intra-group transactions that the insurer is a party to and the insurer's risk concentrations;
(c) Revoked;
(d) Effective duration of assets;
(e) Effective duration of liabilities;
(f) Weighted average of the difference in the asset duration and liability duration;
(g) Reserves with known duration as a percentage of total reserves;
(h) Mutual fund disclosures;
(i) Summary of projected performance;
(j) Financial impact and description of stress and scenario tests;
(k) Modified co-insurance arrangements;
(l) Deferred accumulation annuities disclosures;
(m) Reconciliation from GAAP financial statements to Form 1EBS;
(n) Revoked;
(o) Revoked;
(p) Revoked;
(q) Details of deposit assets and liabilities; and
(r) Details of segregated accounts.

INSTRUCTIONS AFFECTING PART V:

Paragraphs ((n), (o) and (p)), are to be reported on both an EBS Valuation and unconsolidated basis. All other requirements are to be reported on an EBS Valuation basis only

(a) Governance and group structure must disclose (on a legal entity and group basis where applicable)-

(i) the structure of the board of directors including names, role, residence and work experience;

(ii) the structure of the management of the insurer including names, roles, work experience, employee arrangement (for example confirm whether employees are hired or outsourced etc.) and description of responsibilities of the chief and senior executive;

(iii) terms of reference of the board of directors of the insurer and its sub-committees;

(iv) the jurisdiction(s) where the board of directors of the insurer primarily deliberates on activities including but not limited to—

(A) setting the strategic direction of the insurer;

(B) determining the (re)insurer's risk appetite;

(C) choosing new lines of business, new products and market position; and

(D) assessing solvency needs.

(v) details of every service provider of the insurer including name, jurisdiction of incorporation, and details of the insurer's operations which are primarily being performed in relation to—

(A) underwriting (re)insurance policies;

(B) risk management decisions and activities;

(C) investment decisions;

(D) actuarial functions;

(E) compliance audit; and

(F) internal audit.

(vi) number of employees resident in Bermuda (non-outsourced positions);

(vii) the jurisdiction(s) where the parent board primarily deliberates on matters including, but not limited to—

(A) setting strategic decision;

(B) determining the insurer's risk appetite;

(C) choice of corporate structure, including amalgamations;

(D) acquisitions and strategic alliances;

(E) choice of new lines of business, new products, marketplace positioning; and

(F) assessing solvency needs.

(viii) the jurisdiction(s) where the parent board and chief and senior executives primarily reside;

(ix) the jurisdiction where the insurer's central control functions reside (i.e. finance, actuarial, and risk management);

(x) the insurer'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;

(xi) the names of (re)insurers within the insurer that have the highest

(A) total asset value;

(B) total insurance reserve value; and

(C) total capital and surplus based on the insurer's most crent audited general purpose financial statements;

(xii) the total values for subparagraph (xi)(A), (B) and (C);

(xiii) the jurisdiction of incorporation of each reinsurer in subparagraph (xi);

(xiv) explanation of any events which have occurred, or decisions made subsequent to the relevant year-end that would materially change, or have, materially changed the information in subparagraphs (iv) through (xiii) (e.g., amalgamation or acquisition or restructuring, etc.): provide a detailed response and explanation;

(xv) a copy of the latest insurer organizational chart.

(b) intra-group transactions that the insurer is a party to, and insurer's risk concentrations shall -

(i) details of material intra-group transactions between the insurer and other members of the group, 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 exposures including:

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

(AA) counterparties involved, including where they are located;

(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, excluding 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) revoked;

(d) The effective duration of assets must be determined using the aggregate of the bonds and debentures – other (as reflected in Form 1EBS, Lines 2(b) and 3(b)), preferred stock (as reflected in Form 1EBS, Lines 2(c)(ii) and 3(c)(ii)), and mortgage loans (as reflected in Form 1EBS, Line 5(c)) as a basis;

(e) the effective duration of liabilities must be determined using the reserves (as reflected in Form 1EBS, Line 27(d)) as a basis;

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

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

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

(i) the 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

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

(k) modified co-insurance arrangements shall disclose details of such arrangements including—

(i) name of ceding company;

(ii) type of coverage;

(iii) amount of reserve; and

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

(l) deferred accumulation annuities disclosures shall include—

(i) total reserves for deferred accumulation annuities;

(ii) total reserves for deferred accumulation annuities with contractual guaranteed annuitisation rates;

(iii) total reserves for deferred accumulation annuities annuitized in the past year at contractual guaranteed rates (prior to annuitisation); and

(iv) total reserves for deferred accumulation annuities annuitized in the past year at contractual guaranteed rates (post annuitisation).

(m) a reconciliation of amounts reported in total assets, total liabilities, net income and total statutory capital and surplus comprising of any adjustments applied to the GAAP financial statements to arrive at the Form 1EBS;

(n) revoked;

(o) revoked;

(p) revoked;

(q) in respect of business for which deposit accounting approaches have been followed: a description of business, total assets held in trust or other collateral, lines of business written, gross premiums written for the period, net premiums written for the period, limits (maximum exposure). For business that has limited exposure, provide the results at a 99.0% TVaR and for business with unlimited exposure, provide details of such business; and

(r) in respect of segregated account business, details of each by net loss reserves by statutory lines of business: segregated account cell name, total assets, total liabilities, statutory capital and surplus, cash and investments, net loss reserves, reinsurance recoverable, statutory lines of business written, gross premium written, net premium written, currency, details if the insurance or re-insurance contract has limited recourse language, details of inter-relationship between segregated account cells (if any), details of the segregated account cell's access to the general account (if any) and details where a segregated account cell is in a deficit, insolvent or subject to litigation.

(Paragraph 6)

PART VI
Schedule of assets

The schedule of assets shall–

(a) represent the amounts stated in the Form 1SFS – Lines 1 to 15 and Form 1EBS – Lines 1 to 15;

(b) include the following asset types–;
- (i) cash, certificates of deposit, short-term commercial paper, money market funds;
- (ii) sovereign bonds, municipals, supranationals (multilateral development banks and international organisations), corporate bonds, private placements, mutual funds, other-secured bonds, other-unsecured bonds, exchange-traded fund-sovereigns, mutual fund-sovereigns, exchange-traded fund-corporates,;
- (iii) residential mortgage-backed securities – agency, residential mortgage-backed securities non-agency, commercial mortgage-backed securities, collateralised loan obligations, collateralised debt obligations, auto loan asset-backed securities, student loan asset-backed securities, credit card receivables asset-backed securities;
- (iv) residential mortgages, other residential mortgages, commercial and farm mortgages, other commercial real estate loans, middle market loans, leveraged loans, other direct private lending, infrastructure loans, collateral loans, equity release reverse mortgages, other direct loans, mortgage loan fund-residential, mortgage loan fund-commercial, private credit fund;
- (v) listed preferred equity-direct, listed preferred equity-exchange traded fund, listed preferred equity-mutual fund, private preferred equity-direct, private preferred equity-fund;
- (vi) listed equity-direct, listed equity-exchange traded fund, listed equity-mutual fund, private equity-direct, private equity-fund;
- (vii) direct real estate-residential, direct real estate-commercial, direct real-estate-industrial, direct real estate-land, real estate funds-residential, real estate funds-commercial, real-estate funds-industrial, real estate funds-land, direct real estate-other, real estate funds-other;
- (viii) hedge funds, equity investments in infrastructure, commodities-direct, commodities-exchange traded funds, commodities-mutual funds,catastrophe bonds, other insurance-linked securities, advances to affiliates, investments in affiliates;
- (ix) listed options, futures, forwards, swaps, swaptions, over-the-counter options;
- (x) investment income due and accrued, accounts and premiums receivable, reinsurance balance receivable, sundry assets, letters of credit, guarantees and other instruments;

(c) include the following information according to asset type –
- (i) for assets listed in (b).(i) – (b).(x)-;
  1. the jurisdiction where the asset is held/stock exchange-traded;
  2. average rating of the asset type (if applicable);
  3. face value;
  4. fair value;
  5. average effective yield to maturity (if applicable); and
  6. average duration and convexity (if applicable).
- (ii) for assets listed in (b).(vii) i.e., real estate-;
  1. the jurisdiction where the asset is held/stock exchange-traded;
  2. average rating of the asset type (if applicable);
  3. face value; and
  4. fair value.
- (iii) For assets listed in (b).(ix). i.e., derivatives-;
  1. the purpose of holding the derivative.
  2. the position held in the derivative;
  3. whether the derivative is centrally cleared;

4. fair value;
5. notional value; and
6. exposure.

(iv) the amounts are to be reported on both the EBS and unconsolidated basis.

(d) include the following information for the total asset portfolio - ;

(i) effective duration and the convexity of the asset portfolio.

(Paragraph 6)

PART VIA

Schedule of funds held by ceding reinsurers

The Schedule of funds held by ceding reinsurers shall–

(a) represent the amounts stated in the Form 1SFS – Line 12 and Form 1EBS – Line 12;

(b) include the following asset types–;
- (i) cash, certificates of deposit, short-term commercial paper, money market funds;
- (ii) sovereign bonds, municipals, supranationals (multilateral development banks and international organisations), corporate bonds, private placements, mutual funds, other-secured bonds, other-unsecured bonds, exchange-traded fund-sovereigns, mutual fund-sovereigns, exchange-traded fund-corporates,;
- (iii) residential mortgage-backed securities – agency, residential mortgage-backed securities non-agency, commercial mortgage-backed securities, collateralised loan obligations, collateralised debt obligations, auto loan asset-backed securities, student loan asset-backed securities, credit card receivables asset-backed securities;
- (iv) residential mortgages, other residential mortgages, commercial and farm mortgages, other commercial real estate loans, middle market loans, leveraged loans, other direct private lending, infrastructure loans, collateral loans, equity release reverse mortgages, other direct loans, mortgage loan fund-residential, mortgage loan fund-commercial, private credit fund;
- (v) listed preferred equity-direct, listed preferred equity-exchange traded fund, listed preferred equity-mutual fund, private preferred equity-direct, private preferred equity-fund;
- (vi) listed equity-direct, listed equity-exchange traded fund, listed equity-mutual fund, private equity-direct, private equity-fund;
- (vii) direct real estate-residential, direct real estate-commercial, direct real-estate-industrial, direct real estate-land, real estate funds-residential, real estate funds-commercial, real-estate funds-industrial, real estate funds-land, direct real estate-other, real estate funds-other;
- (viii) hedge funds, equity investments in infrastructure, commodities-direct, commodities-exchange traded funds, commodities-mutual funds,catastrophe bonds, other insurance-linked securities, advances to affiliates, investments in affiliates;
- (ix) listed options, futures, forwards, swaps, swaptions, over-the-counter options;
- (x) investment income due and accrued, accounts and premiums receivable, reinsurance balance receivable, sundry assets, letters of credit, guarantees and other instruments;

(c) include the following information according to asset type –
- (i) for assets listed in (b).(i) – (b).(x)-;
  1. the jurisdiction where the asset is held/stock exchange-traded;
  2. average rating of the asset type (if applicable);
  3. face value;
  4. fair value;
  5. average effective yield to maturity (if applicable); and
  6. average duration and convexity (if applicable).
- (ii) for assets listed in (b).(vii) i.e., real estate-;
  1. the jurisdiction where the asset is held/stock exchange-traded;
  2. average rating of the asset type (if applicable);
  3. face value; and
  4. fair value.
- (iii) For assets listed in (b).(ix). i.e., derivatives-;
  1. the purpose of holding the derivative;
  2. the position held in the derivative;
  3. whether the derivative is centrally cleared;
  4. fair value;

5. notional value; and
6. exposure.

(iv) the amounts are to be reported on both EBS and unconsolidated basis.

(d) include the following information for the total asset portfolio - ;

effective duration and the convexity of the asset portfolio.

PART VII **(Paragraph 6)**

SCHEDULE OF LONG-TERM BUSINESS DATA AND RECONCILIATION

All amounts expressed in ..... (currency used)

		(1)	(7)	(9)	(10)	(11)
				Net Amount at Risk		
Line No	Description	Bermuda EBS Best Estimate Provision	BSCR Adjusted Reserve [Greater of Column (1) and 0	Adjustable Product/ Treaty (000)	Non-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) 55-65					
	(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) 55-60					
	(c) 61-65					
	(d) 66-70					
	(e) 71-75					
	(f) 75+					
	(g) Total					
5.	Deferred annuities					
6.	Deferred accumulation annuities					

7.	Disability income: active lives - including waiver of premium and long-term care					
	Length of premium guarantee:			Benefit Period <=2	Benefit Period >2	Total (000)
	(a) <=1 year					
	(b) >1 year but					
	(c) >5 years					
	(d) Total					
8.	Disability income: active lives - other accident and sickness					
9.	Disability income: claims in payment – including waiver of premium and long-term care					
10.	Disability income: claims in payment – other accident and sickness					
11.	Group life					
12.	Group disability					
13.	Group health					
14.	Stop loss					
15.	Rider (other product riders not included above)					
16.	Total (excluding variable annuities)					
17.	Total for variable annuities					
18.	Total with variable annuities					

Annual Premiums (000)

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

		(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Line No	Description	Bound But Not Incepted (BBNI) Premium	Best Estimate Provision With respect to BBNI	Best Estimate Provision Using Transitional Arrangements	Equivalent of Column (14) if Transitional Arrangements were not used	Scenario Based approach Best Estimate For Technical Provision	Equivalent of column (16) if the Scenario based approach were not used	Equivalent of column (16) if the Base Scenario were used	BBNI Premium	Best Estimate Provision with Respect to BBNI
		[Form 1EBS, note Line 27(d)-(i]	[Form 1EBS, note Line 27(d)-(ii]	[Form 1EBS, note Line 27(d)-(iii]	[Form 1EBS, note Line 27(d)-(iv]	[Form 1EBS, note Line 27(d)-(v]	[Form 1EBS, note Line 27(d)-(vi]	[Form 1EBS, note Line 27(d)-(vii]	[Form 1EBS, note Line 27B(d)-(i]	[Form 1EBS, note Line 27B(d)-(ii]
1.	Mortality (term assurance, whole									
2.	Critical illness (including accelerated critical illness products)									
3.	Longevity (immediate pay- out annuities, contingent annuities,									
	Attained age of annuitant:									
	(a) 0-55									
	(b) 55-65									
	(c) 66-70									
	(d) 71-80									
	(e) 81+									
	(f) Total									
4.	Longevity (deferred pay- out annuities, future contingent									
	Age at which annuity benefits									
	(a) 0-55									
	(b) 55-60									
	(c) 61-65									
	(d) 66-70									
	(e) 71-75									
	(f) 75+									
	(g) Total									
5.	Deferred annuities									
6.	Deferred accumulation annuities									
7.	Disability income: active lives - including waiver of premium and									

	Length of premium guarantee:									
	(a) <=1 year									
	(b) >1 year but									
	(c) >5 years									
	(d) Total									
8.	Disability income: active lives -									
9.	Disability income: claims in payment – including waiver of									
10.	Disability income: claims in									
11.	Group life									
12.	Group disability									
13.	Group health									
14.	Stop loss									
15.	Rider (other product riders not									
16.	Total (excluding variable annuities)									
17.	Total for variable annuities									
18.	Total with variable annuities									

INSTRUCTIONS AFFECTING PART VII

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

(b) Information in respect of columns (1),(7),(9),and (10) are to be provided on both an EBS Valuation and unconsolidated basis – the other columns just on a consolidated basis; and

(c) The amounts in column s (12) to (20) shall be the line of business breakdown of the relevant amounts shown in the Notes to Form 1EBS as set out in Part XIV

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INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

PART VIIA **(Paragraph 6)**

SCHEDULE OF LAPSE RISK

All amounts expressed in ..... (currency used)

	LAPSE UP STRESS						
	Region	**Assets**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**	**Stresses**
		Pre-Stress	**Post-Stress**	**Pre-Stress**	**Post-Stress**	**Post-Stress**	
		(A)	**(B)**	**(C)**	**(D)**	**(E)**	
1	Europe & UK	XXX	XXX	XXX	XXX	XXX	*[Solvency II/UK]
2	Japan	XXX	XXX	XXX	XXX	XXX	+20%
3	US & Other regions	XXX	XXX	XXX	XXX	XXX	+ 40%
4	Lapse Up Total	XXX	XXX	XXX	XXX	XXX	

	LAPSE DOWN STRESS						
	Region	**Assets**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**	**Stresses**
		Pre-Stress	**Post-Stress**	**Pre-Stress**	**Post-Stress**	**Post-Stress**	
		(A)	**(B)**	**(C)**	**(D)**	**(E)**	
5	Europe & UK	XXX	XXX	XXX	XXX	XXX	*[Solvency II/UK]
6	Japan	XXX	XXX	XXX	XXX	XXX	+20%
7	US & Other regions	XXX	XXX	XXX	XXX	XXX	+ 40%
8	Lapse Down Total	XXX	XXX	XXX	XXX	XXX	

MASS LAPSE STRESS

	Region	Assets		Liabilities	Liabilities without Management Actions	Liabilities with Management Actions	Stresses
		Pre-Stress	Post-Stress	Pre-Stress	Post-Stress	Post-Stress	
		(A)	(B)	(C)	(D)	(E)	
9	Europe & UK	XXX	XXX	XXX	XXX	XXX	*[To be prescribed by the Authority]
10	Europe & UK – Total	XXX	XXX	XXX	XXX	XXX	

NO OFFSET

		Assets		Liabilities	Liabilities without Management Actions	Liabilities with Management Actions	Base Stresses	Stress Floor (absolute)
		Pre-Stress	Post-Stress	Pre-Stress	Post-Stress	Post-Stress		
		(A)	(B)	(C)	(D)	(E)		
11	Japan – Non-Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	60%
12	Japan – Non-Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	30%
13	Japan – Non-Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
14	Japan – Non-Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
15	Japan – Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
16	Japan – Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	15%
17	Japan – Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
18	Japan – Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	5%
19	Japan – Total	XXX	XXX	XXX	XXX	XXX		
20	US & Other regions – Non-Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	60%

21	US & Other regions – Non-Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	30%
22	US & Other regions – Non-Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
23	US & Other regions – Non-Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
24	US & Other regions – Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
25	US & Other regions – Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	15%
26	US & Other regions – Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
27	US & Other regions – Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	5%
28	US & Other regions – Total	XXX	XXX	XXX	XXX	XXX		
29	Mass Lapse – No Offset – Total	XXX	XXX	XXX	XXX	XXX		
		FULL OFFSET						
		Assets		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**	**Base Stresses**	**Stress Floor (absolute)**
		Pre-Stress	**Post-Stress**	**Pre-Stress**	**Post-Stress**	**Post-Stress**		
		(A)	**(B)**	**(C)**	**(D)**	**(E)**		
30	Japan – Non-Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	60%
31	Japan – Non-Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	30%

32	Japan – Non-Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
33	Japan – Non-Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
34	Japan – Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
35	Japan – Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	15%
36	Japan – Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
37	Japan – Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	5%
38	Japan – Total	XXX	XXX	XXX	XXX	XXX		
39	US & Other regions – Non-Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	60%
40	US & Other regions – Non-Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	30%
41	US & Other regions – Non-Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
42	US & Other regions – Non-Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%
43	US & Other regions – Retail – Category **A**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	20%
44	US & Other regions – Retail – Category **B**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	15%
45	US & Other regions – Retail – Category **C**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	10%

46	US & Other regions – Retail – Category **D**	XXX	XXX	XXX	XXX	XXX	3x base lapse rates	5%
47	US & Other regions – Total	XXX	XXX	XXX	XXX	XXX		
48	Mass Lapse – Full Offset – Total	XXX	XXX	XXX	XXX	XXX		

INSTRUCTIONS AFFECTING PART VIIA:

(c) Bermuda EBS best estimate provisions are to be calculated in accordance with Economic Balance Sheet valuation principles under Part XXVI;

(d) The lapse stresses shall apply to all Long-Term business where any relevant policyholder options exist, regardless of the reporting line under Form 1EBS, including without limitation insurers that are registered to operate segregated accounts in accordance with the Segregated Accounts Companies Act 2000

PART VIIB **(Paragraph 6)**

SCHEDULE OF LONG-TERM EXPENSE RISK

All amounts expressed in ..... (currency used)

	EXPENSE STRESS								Stresses			
	Region	**Assets**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**			**Relative increase in future expenses**	**Absolute increase in expense inflation rate (percentage points)**		
		Pre-Stress	**Post-Stress**	**Pre-Stress**	**Post-Stress**	**Post-Stress**				**Projection Year**		
		(A)	**(B)**	**(C)**	**(D)**	**(E)**				**Years 1-10**	**Years 11-20**	**Years 21+**
1	EEA, UK and Switzerland	XXX	XXX	XXX	XXX	XXX			6%	1%	1%	1%
2	US, Bermuda and Canada	XXX	XXX	XXX	XXX	XXX			6%	1%	1%	1%
3	Japan	XXX	XXX	XXX	XXX	XXX			6%	1%	1%	1%
4	Other developed markets	XXX	XXX	XXX	XXX	XXX			8%	2%	1%	1%
5	China, Other emerging markets	XXX	XXX	XXX	XXX	XXX			8%	3%	2%	1%
6	Total	XXX	XXX	XXX	XXX	XXX						

INSTRUCTIONS AFFECTING PART VIIB:

(c) Bermuda EBS best estimate provisions are to be calculated in accordance with Economic Balance Sheet valuation principles under Part XXVI;

(d) The expense stresses shall apply to all Long-Term business, regardless of the reporting line under Form 1EBS, including without limitation insurers that are registered to operate segregated accounts in accordance with the Segregated Accounts Companies Act 2000.

PART VIII **(Paragraph 6)**

SCHEDULE OF LONG-TERM VARIABLE ANNUITY GUARANTEES DATA AND RECONCILIATION

[blank] name of Company

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

All amounts expressed in ..... (currency used)

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
			Guaranteed Value			Net Amount at Risk		
Line No.	Description	Bermuda EBS Best Estimate Provision	Volatility 0%-10%	Volatility 10%- 15%	Volatility >15%	Volatility 0%-10%	Volatility 10%- 15%	Volatility >15%
		(000)	(000)	(000)	(000)	(000)	(000)	(000)
	In-the-money							
1.	GMDB: Return of premium, ratchet & 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							
16.	**Out-the-money**							
17.	GMDB: Return of premium, ratchet & reset							
18.	GMDB: Enhanced benefits (roll up)							
19.	GMIB							
20.	GMWB							
21.	GEEB							
	GMAB							
22.	Time to maturity – 0-1 year							
23.	Time to maturity – 1-2 years							
24.	Time to maturity – 2-3 years							
25.	Time to maturity – 3-4 years							

26.	Time to maturity – 4-5 years							
27.	Time to maturity – 5-6 years							
28.	Time to maturity – 6-7 years							
29.	Time to maturity – 7-8 years							
30.	Time to maturity – 8-9 years							
31.	Time to maturity – >9 years							
32.	Percentage of GMDB with multiple guarantees							

INSTRUCTIONS AFFECTING PART VIII:

1. Factors should be applied to NAR defined as:

   (i) Guaranteed minimum accumulation benefit (GMAB) - Total claim payable if all contracts mature immediately;

   (ii) Guaranteed minimum death benefit (GMDB) - Total claim amount payable upon immediate death of all policyholders;

   (iii) Guaranteed minimum income benefit (GMIB) - Total claim payable upon full and immediate annuitisation of all policies using an 80% factor applied to the GV (the 80% represents the ratio between current market annuitisation factors and the guaranteed annuitisation factors);

   (iv) 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; and

   (v) Guaranteed enhanced earnings benefit (GEEB) - Total guaranteed enhanced payments upon immediate death of all policyholders.

2. Where ratchets, resets and roll-ups exist, please use the roll-up category.

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

6. Amounts are to be reported on both an EBS Valuation and unconsolidated basis; and

7. Bermuda EBS best estimate provisions are to be calculated according to the Economic Balance Sheet valuation principles under Part XXVI.

PART VIIIA (Paragraph 6)

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

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

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

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

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

Line No.	Section	**Provide a brief summary or description of the following details under each section:**
1.	Executive summary	Required capital amount and drivers of result; Key risks and associated risk mitigation techniques; and The modeling methods used.
2.	Overview of business	Type of business; and Key product features and specifications
3.	Key risk exposures	Qualitative description of key risk exposures, such as economic, mortality, surrender, annuitisation, withdrawal, expense and counterparty risks
4.	Description of model	The approach used to calculate total assets and required capital; Key model details, including: - Source of asset and liability data; - Aggregations used to generate model cells; - Allocation of assets to variable annuity blocks; - The reserve basis; - Timestep of model (e.g. monthly); - The rate used to accumulate and discount cash flows; and -The treatment of interim solvency (e.g. how are periods of negative cash flows followed by positive cash flows allowed for)
5.	Description of assumptions	Basis for economic scenarios, including underlying model and parameters; Information on the average return and volatility on the equity investment funds; For mortality and all policyholder behavior assumptions (e.g. premium payments, withdrawals, annuitisations, and lapses): - Source of data (e.g. company-specific experience); - Any margins for conservatism that were used; and - Any future mortality improvement; Approach to investment fund mapping; Insurer's crediting strategy; Expenses and commissions; Treatment of taxes; and Future management actions (other than hedging and reinsurance
6.	Reinsurance	Reinsurance (both assumed and ceded), including a list of counterparties; Nature of arrangements, including caps, floors and recapture provisions; The approach to modeling these arrangements; and Collateral requirements, if relevant.
7.	Hedging	Business covered; Hedge target;

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

INSTRUCTIONS AFFECTING PART VIIIA

(a) Bermuda EBS best estimate provisions are to be calculated in accordance with Economic Balance Sheet valuation principals

(b) Amounts are to be reported on both an EBS Valuation and unconsolidated basis.

PART IX (Paragraph 6)

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

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

(a) Table 16: 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 16A: 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; and

(c) Table 16B: 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.

TABLE 16
CISSA Capital Summary

Risk categories	CISSA capital	Regulatory capital
Insurance risk		
Market risk		
Credit risk		
Interest rate and 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 between risk categories 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 it requires to achieve its strategic goals upon undertaking an assessment of all material (reasonably foreseeable) risks arising from its operations or operating environment; and

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

ADDITIONAL INFORMATION

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

- target agency rating (e.g. "A-", "AA", etc.);
- market share;
- business expansion;
- nature of product(s) (e.g. risk characteristics);

- manage downgrade risk;
- regulatory capital requirements; and
- others. _____ (Please provide a description)

9. 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. _____ (Please provide a description)

10. 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. _____ (Please provide a description)

11. 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.

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

    If yes, provide details and amount of capital.

13. 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.

14. 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 16:

(a) Total capital pre-diversification between risk categories is derived by aggregating all the risk;
(b) 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"; and
(c) 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.

TABLE 16A
CISSA General Questions

6. 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
- Others (provide description)

7. 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)

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

9. How often is the information underlying CISSA discussed and reviewed by the board of directors, and chief and senior executives?

10. 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 16A:

(c) 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;
(d) 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;
(e) 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 16B

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 the insurance undertaking, at least annually. Minimally, the assessment should:

(d) Be an integral part of the insurer's risk management framework;
(e) 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
(f) Ensure an appropriate oversight process whereby material deficiencies are reported on a timely basis and suitable actions taken.

The insurer shall 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. 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 risks 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; and
11. For each material risk identified the submission should minimally include:

PART XII **(Paragraph 6)**

Schedule of Eligible Capital

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

(a) Tier 1, Tier 2 and Tier 3 eligible capital (Table 17); 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 17

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

Tier 1 – basic capital

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

	Policyholder obligations (Column (A))	Encumbered (pledged) assets (Column (B))
(i) Contracts where pledged assets exceed the policyholder obligations	XXX	XXX
(ii) Contracts where pledged assets are equal to the policyholder obligations	XXX	XXX
(iii) Contracts where pledged assets are less than the policyholder obligations	XXX	XXX
(iv) Contracts where policyholder obligations are not collateralized	XXX	XXX
(v) Total	XXX	XXX

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

(i) Encumbered assets not securing policyholder obligations (Notes to Form 1EBS, STMT LINE 15)	XXX
Less: relative liability or contingent liability (Form 1EBS) for which the encumbered assets are held	
(j) **Less**: Restricted assets in excess of capital requirements, reported in CISSA, to the extent that these amounts are not included in the encumbered assets both for policyholder obligations and not for securing policyholder obligations	XXX
Tier 1 – ancillary capital	
(a) Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1(c)(i))	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: Briefly describe	XXX
(c) Add: Difference between encumbered assets for policyholder obligations and policyholder obligations deducted from Tier 1	XXX
Tier 2 -ancillary capital	
(a) Unpaid and callable common shares (Form 8, STMT LINE 1(c)(i))	XXX
(b) Qualifying unpaid and callable hybrid capital (Form 8, STMT LINE 1(c)(i))	XXX
(c) Qualifying unpaid and callable perpetual or fixed term preference shares (Form 8, STMT LINE 1(c)(i))	XXX
(d) Perpetual or fixed term subordinated debt (Form 8, STMT LINE 1(c)(i))	XXX
(e) Approved letters of credit (Form 8, STMT LINE 1(c)(ii))	XXX
(f) Approved guarantees (Form 8, STMT LINE 1(c)(ii))	XXX
Total Tier 2 available capital	**XXX**
Tier 3 -basic capital	XXX
(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 17:

Table 17inputs 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 17in accordance with the provisions of Eligible Capital Rules.

Table 17A

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 17A:

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 17A in accordance with the provisions of Eligible Capital Rules.

PART XIV (Paragraph 6)

CLASS C STATUTORY ECONOMIC BALANCE SHEET

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

Form 1EBS

CLASS C STATUTORY ECONOMIC BALANCE SHEET

[*blank*] name of insurer

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

expressed in [*blank*] (currency used)

Line No		20XX	20XX-1
1.	**CASH AND CASH EQUIVALENTS**	**XXX**	**XXX**
2.	**QUOTED INVESTMENTS:**		
(b)	Total Bonds and Debentures	XXX	XXX
(c)	Equities		
	(i) Common stocks	XXX	XXX
	(ii) Preferred stocks	XXX	XXX
	(iii) Mutual funds	XXX	XXX
(d)	Total equities	XXX	XXX
(e)	Other quoted investments	XXX	XXX
(f)	Total quoted investments	XXX	XXX
3.	**UNQUOTED INVESTMENTS:**		
(b)	Total Bonds and Debentures	XXX	XXX
(c)	Equities		
	(i) Common stocks	XXX	XXX
	(ii) Preferred stocks	XXX	XXX
	(iii) Mutual Funds	XXX	XXX
(d)	Total equities	XXX	XXX
(e)	Other unquoted investments	XXX	XXX
(f)	Total unquoted investments	XXX	XXX
4.	**INVESTMENTS IN AND ADVANCES TO AFFILIATES**		
(a)	Unregulated entities that conduct ancillary services	XXX	XXX
(b)	Unregulated non-financial operating entities	XXX	XXX
(c)	Unregulated financial operating entities	XXX	XXX
(d)	Regulated non-insurance financial operating entities	XXX	XXX
(e)	Regulated insurance financial operating entities	XXX	XXX
(f)	Total investments in affiliates	XXX	XXX

(g)	Advances to affiliates	XXX	XXX
(h)	Total investments in and advances to affiliates	XXX	XXX
5.	**INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:**		
(a)	First liens	XXX	XXX
(b)	Other than first liens	XXX	XXX
(c)	Total investment in mortgage loans on real estate	XXX	XXX
6.	**POLICY LOANS**	**XXX**	**XXX**
7.	**REAL ESTATE:**		
(a)	Occupied by the insurer (less encumbrances)	XXX	XXX
(b)	Other properties (less encumbrances)	XXX	XXX
(c)	Total real estate	XXX	XXX
8.	**COLLATERAL LOANS**	**XXX**	**XXX**
9.	**INVESTMENT INCOME DUE AND ACCRUED**	**XXX**	**XXX**
10.	**ACCOUNTS AND PREMIUMS RECEIVABLE**		
(a)	In course of collection	XXX	XXX
(c)	Receivables from retrocessional contracts	XXX	XXX
(d)	Total accounts and premiums receivable	XXX	XXX
11.	**REINSURANCE BALANCES RECEIVABLE**		
(a)	Foreign affiliates	XXX	XXX
(b)	Domestic affiliates	XXX	XXX
(c)	Pools & associations	XXX	XXX
(d)	All other insurers	XXX	XXX
(e)	Total reinsurance balance receivable	XXX	XXX
12.	**FUNDS HELD BY CEDING REINSURERS**		
(a)	Affiliated	XXX	XXX
(b)	Non-affiliated	XXX	XXX
(c)	Total funds held by ceding reinsurers	XXX	XXX
13.	**SUNDRY ASSETS:**		
(a)	Derivative instruments	XXX	XXX
(b)	Segregated accounts - LT business – variable annuities	XXX	XXX
(c)	Segregated accounts - LT business - other	XXX	XXX
(e)	Deposit assets	XXX	XXX
(f)	Balances receivable on sale of investments	XXX	XXX
(g)	Intangible assets	XXX	XXX
(h)	Deferred tax assets	XXX	XXX
(i)	Pension Benefit Surplus	XXX	XXX
(j)	Other sundry assets (please specify)	XXX	XXX
(k)	Total other assets	XXX	XXX
14.	**LETTERS OF CREDIT, GUARANTEES AND OTHER**		

	INSTRUMENTS		
(a)	Letters of credit	XXX	XXX
(b)	Guarantees	XXX	XXX
(c)	Other instruments	XXX	XXX
(d)	Total letters of credit, guarantees and other instruments	XXX	XXX
15.	**TOTAL ASSETS**	**XXX**	**XXX**
	LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS		
20.	**BEST ESTIMATE RESERVES FOR REPORTED CLAIMS**	**XXX**	**XXX**
21.	**BEST ESTIMATE RESERVES FOR UNREPORTED CLAIMS**	**XXX**	**XXX**
22.	**BEST ESTIMATE POLICY RESERVES - LIFE**	**XXX**	**XXX**
23.	**BEST ESTIMATE POLICY RESERVES – ACCIDENT AND HEALTH**	**XXX**	**XXX**
24.	**BEST ESTIMATE POLICYHOLDERS' FUNDS ON DEPOSIT**	**XXX**	**XXX**
25.	**BEST ESTIMATE LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS**	**XXX**	**XXX**
26.	**BEST ESTIMATE OTHER LONG-TERM BUSINESS INSURANCE RESERVES**	**XXX**	**XXX**
27.	**BEST ESTIMATE TOTAL LONG-TERM BUSINESS INSURANCE PROVISIONS**		
(a)	Total gross long-term business insurance provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other insurer	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Total net long-term business insurance provisions	XXX	XXX
27A.	**RISK MARGIN – LONG-TERM INSURANCE BUSINESS**	**XXX**	**XXX**
27B.	**LONG-TERM TECHNICAL PROVISIONS CALCULATED AS A WHOLE**	**XXX**	**XXX**
(a)	Total gross long-term business insurance provisions calculated as a whole	XXX	XXX
(b)	Less: Reinsurance recoverable balance on long-term business calculated as a whole		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX

	(iv) All other insurer	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Total net long-term business insurance provisions calculated as a whole	XXX	XXX
27C.	**TOTAL LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS**		
	OTHER LIABILITIES		
28.	**INSURANCE AND REINSURANCE BALANCES PAYABLE**	**XXX**	**XXX**
29.	**COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE**	**XXX**	**XXX**
30.	**LOANS AND NOTES PAYABLE**	**XXX**	**XXX**
31.	**TAX LIABILITIES**		
	(a) INCOME TAXES PAYABLE	XXX	XXX
	(b) DEFERRED INCOME TAXES	XXX	XXX
32.	**AMOUNTS DUE TO AFFILIATES**	**XXX**	**XXX**
33.	**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**	**XXX**	**XXX**
34.	**FUNDS HELD UNDER REINSURANCE CONTRACTS**		
(a)	Affiliated	XXX	XXX
(b)	Non-affiliated	XXX	XXX
(c)	Total funds held under reinsurance contracts	XXX	XXX
35.	**DIVIDENDS PAYABLE**	**XXX**	**XXX**
36.	**SUNDRY LIABILITIES:**		
(a)	Derivative instruments – held for hedging purposes	XXX	XXX
(b)	Derivative instruments – not held for hedging purposes	XXX	XXX
(c)	Segregated accounts - LT business – variable annuities	XXX	XXX
(d)	Segregated accounts - LT business - other	XXX	XXX
(f)	Deposit liabilities	XXX	XXX
(g)	Pension benefit obligations	XXX	XXX
(h)	Balances payable for purchase of investments	XXX	XXX
(i)	Other sundry liabilities (please specify)	XXX	XXX
(j)	Total sundry liabilities	XXX	XXX
37.	**LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS**		
(a)	Letters of credit	XXX	XXX
(b)	Guarantees	XXX	XXX
(c)	Other instruments	XXX	XXX
(d)	Total letters of credit, guarantees and other instruments	XXX	XXX
38.	**TOTAL OTHER LIABILITIES**	**XXX**	**XXX**
39.	**TOTAL INSURANCE TECHNICAL PROVISIONS AND OTHER**	**XXX**	**XXX**

	LIABILITIES		
	STATUTORY ECONOMIC CAPITAL AND SURPLUS		
40.	**TOTAL STATUTORY ECONOMIC CAPITAL AND SURPLUS**	**XXX**	**XXX**
41.	**TOTAL**	**XXX**	**XXX**

NOTES TO FORM 1EBS

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

Additional Disclosures		20XX
Line 10	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 11(e)	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 27(c)-(ii)	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 27B(c)-(ii)	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 13(j)	Details of the assets included as "other sundry assets" as part of Line 13(j).	XXX
Line 36(i)	Details of the liabilities included as "other sundry liabilities" as part of Line 36(i).	XXX
Line 15	The total amount of encumbered assets that are not securing policyholder obligations shall be disclosed, split between the following items, and stating the purpose of the encumbrance: Line 1: Cash and cash equivalents Line 2(f): Total quoted investments Line 3(f): Total unquoted investments Line 12: Funds held by ceding reinsurers Other assets	XXX
Line 13(e)	Details of business treated under deposit accounting techniques as an asset	XXX
Line 36(f)	Details of business treated under deposit accounting techniques as a liability	XXX
Line 37	Details of the basis used to derive the amounts disclosed on this line, including the undiscounted amounts of the liabilities.	XXX
Line 40	A reconciliation between Line 40 of Form 1EBS and Line 40 of Form 4 required under Schedule XIII of the Insurance Accounts Regulations 1980	XXX

Long-Term Business Provisions Additional Disclosures		
Line 27(c)-(i)	The adjustment included in the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual disputes)	XXX
Line 27(d) – (i)	The amount of premium included as 'Bound but Not Incepted' (as defined in paragraph 33 of the Economic Balance Sheet Valuation Principles under Part XXVI in the calculation of line 27 long-term business provisions. The amount shall be separately split between the statutory lines of business set out Part IVA.	XXX

Line 27(d) – (ii)	The amount of best estimate provision included in line 27(d) in respect of the 'Bound But Not Incepted' business identified above. The amount shall be separately split between lines of business set out in Part IVA.	XXX
Line 27(d) – (iii)	The amount of best estimate provisions which have been calculated making use of the 16 year transitional arrangements (as defined in the Instructions Affecting Part XXVI of Schedule XIII, the Economic Balance Sheet valuation principles) The amount shall be split between the statutory lines of business set out in Part IVA.	XXX
Line 27(d) – (iv)	In respect of the amount identified in the above note (Line 27(d)-(iii), the amount of best estimate provisions which would have resulted had the transitional arrangements not been applied. The amount shall be separately split between the lines of business set out in Part IVA.	XXX
Line 27(d) – (v)	Where the 'Scenario-based approach' (as defined in paragraph 28 of the Economic Balance Sheet Valuation Principles under Part XXVI) has been used for some of its business, the insurer shall disclose the amount of best estimate technical provisions included in line 27(d) relating to that business. The amount shall be separately split between the lines of business set out in Part IVA.	XXX
Line 27(d) – (vi)	Where the 'Scenario-based approach' (as defined in paragraph 28 of the Economic Balance Sheet Valuation Principles under Part XXVI), the insurer shall disclose the amount of best estimate technical provisions relating to that business had the 'standard approach' (as defined in paragraph 15 of the Instructions Affecting Form 1EBS) been used. The amount shall be separately split between the lines of business set out in Part IVA.	XXX
Line 27(d) – (vii)	Where the 'Scenario-based approach' (as defined in paragraph 28 of the Economic Balance Sheet Valuation Principles under Part XXVI), the insurer shall disclose the amount of best estimate technical provisions relating to that business if only the 'base scenario' only were used. The amount shall be separately split between the lines of business set out in Part IV(A).	XXX
Line 27B(c)-(i)	The adjustment included in the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual disputes)	XXX
Line 27B(d)-(i)	The amount of premium included as 'Bound but Not Incepted' (as defined in paragraph 33 of the Economic Balance Sheet Valuation Principles under Part XXVI)	XXX
Line 27B(d) – (ii)	The amount of technical provision included in line 27B(d) in respect of the 'Bound But Not Incepted' business identified above.	XXX

INSTRUCTIONS AFFECTING FORM 1EBS

Line of statutory economic balance sheet	**Instructions**	
1. Cash and cash equivalents	Cash and cash equivalents (maturities of less than 90 days) as at balance sheet shall be included here. This includes restricted cash	
2. Quoted investments	There shall be disclosed severally -	
	(b)	Total bonds and debentures;
	(c)	Equities –
	(i)	common stock: investments in quoted common shares
	(ii)	preferred shares: investments in quoted preferred shares; and
	(iii)	mutual funds: investments in quoted mutual funds, etc
	(d)	Total equities: The total of (c)(i), (ii) and (iii).
	(e)	Other quoted investments: Other quoted investments not included in 2(b) and 2(d) e.g. alternative funds.
	(f)	Total quoted investments: The total of 2(b), (d) and (e).
3. Unquoted investments	There shall be disclosed severally -	
	(b)	Total bonds and debentures;
	(c)	Equities –
	(i)	common stock: investments in unquoted common shares
	(ii)	preferred shares: investments in unquoted preferred shares; and
	(iii)	mutual funds: investments in unquoted mutual funds, etc
	(d)	Total equities: The total of (c)(i), (ii) and (iii).
	(e)	Other unquoted investments: Other unquoted investments not included in 3(b) and 3(d) e.g. alternative funds.
	(f)	Total unquoted investments: The total of 3(b), (d) and (e).
4. Investment in and advances to affiliates (equity)	All investments where the insurer does not hold a majority equity interest but has the ability to exercise significant influence (generally at least a 20% interest or a general partner interest) over operating and financial matters shall be included here and should be accounted for under the equity method of accounting. Economic Balance Sheet valuation principles shall be applied to the affiliates before deriving values to be included here. There shall be disclosed severally:	
	(a)	Unregulated entities that conduct ancillary services : All unregulated entities that conduct ancillary services accounted for under equity method shall be included here;
	(b)	Unregulated non-financial operating entities: All unregulated non-financial operating entities accounted for under equity method shall be included here;
	(c)	Unregulated financial operating entities: All unregulated financial operating entities accounted for under equity

		method shall be included here;
	(d)	Regulated non-insurance financial operating entities: All regulated non-insurance financial operating entities accounted for both under control and equity method shall be included here;
	(e)	Regulated insurance financial operating entities: All regulated insurance financial operating entities accounted for under equity method shall be included here.
	(f)	Total investments in affiliates (equity): The total of (a) to (e) inclusive.
5. Investments in mortgage loans on real estate	Residential and commercial investment loans shall be included here. There shall be disclosed severally	
	(a)	First liens.
	(b)	Liens other than first liens.
	(c)	Total investments in mortgage loans on real estate: The total of (a) and (b).
6. Policy loans	Loans to policyholders on the security of cash surrender value of the policyholder's long-term insurance policy shall be included here.	
7. Real estate	Commercial investments occupied by insurers shall be included here.	
	(a)	Occupied by any insurer or its consolidated entities (less encumbrances): Both land and buildings and any other commercial investments occupied by the insurer or its consolidated entities shall be included here.
	(b)	Other properties (less encumbrances): Other residential and commercial investments.
	(c)	Total real estate: The total of (a) and (b).
8. Collateral loans	Other loans shall be included here.	
9. Investment income due and accrued	Accrued investment income shall be included here.	
10. Accounts and premiums receivable	Amounts due in more than one year shall be discounted at the relevant risk free rate. There shall be disclosed severally:	
	(a)	In the course of collection: Insurance balances receivable and accounts receivable. Note that amounts not yet due should not be included here as they will be reflected in the insurance technical provisions
	(c)	Receivables from retrocessional contracts: Insurance balances receivable
	(d)	Total accounts and premiums receivable: The total of (a) to (c) inclusive.
11. Reinsurance balances receivable	Amounts due in more than one year shall be discounted at the relevant risk free rate. There shall be disclosed severally -	
	(a)	Foreign affiliates: reinsurance balance received from foreign affiliates
	(b)	Domestic affiliates: reinsurance balance received from domestic affiliates
	(c)	Pools and associations: Reinsurance balances receivables from pools and associations
	(d)	All other insurers

	(e)	Total reinsurance balances receivable: The total of (a) to (d) inclusive.
12. Funds held by ceding	Funds held by ceding reinsurers shall be included here. Any amounts deemed uncollectible shall be deducted.	
	(a)	Affiliated reinsurers
	(b)	Non-affiliated reinsurers
	(c)	The total of (a) and (b)
13. Sundry assets	Any asset not accounted for in lines 1 to 12 and 14 may be included here if it has a readily realisable value. There shall be disclosed severally –	
	(a)	Derivative instruments: Derivative instruments with a favourable position shall be included here
	(b)	Segregated accounts – LT business – variable annuities
	(c)	Segregated accounts – LT business - other
	(e)	Deposit assets
	(f)	Balances receivable on the sale of investments
	(g)	Intangible assets These shall only be recognised if it is probable that the expected future economic benefits will flow to the insurer and the value of the assets can be reliably measured. The assets must be separable and there should be evidence of exchange transactions for the same or similar assets indicating they are saleable in the marketplace. If a fair value assessment of an intangible asset is not possible then such asset should be valued at nil. Goodwill shall be valued at nil.
	(h)	Deferred tax assets
	(i)	Prepayments
	(j)	Pension Benefit surplus
	(k)	Any other assets – please provide details in a supplementary note
	(l)	Total sundry assets: The total of (a) to (k) inclusive.
14. Letters of credit, guarantees and other instruments	These are contractual rights arising from off-balance sheet arrangements to receive financial assets through:	
	(a)	Letters of Credit
	(b)	Guarantees
	(c)	Other instruments
	(d)	Total letters of credit, guarantees and other instruments: The total of (a) to (c).
	Such assets may, with the approval of the Authority obtained on an application made for that purpose, be recorded and the capital increased by a corresponding amount. Letters of credit, guarantees or other instruments in favour of the insurer which relate to insurance or reinsurance contracts shall not be recorded.	
15. Total Assets	This shall be the total of lines 1 to 14 inclusive.	
Long-term Business Insurance Technical Provisions		
20. Best Estimate Reserves for reported claims	Best estimate reserves, calculated in line with Economic Balance Sheet valuation principles under Part XXVI, to meet unpaid claims at the valuation date and made under long-term insurance policies in respect of incidents occurring and reported to the insurer before	

	the valuation date, net of any expected recoverable amounts.	
21. Best Estimate Reserves for unreported claims	Best estimate reserves, calculated in line with Economic Balance Sheet valuation principles under Part XXVI, to meet unpaid claims at the valuation date and made under long-term insurance policies in respect of incidents occurring but not reported to the insurer before the valuation date, net of any expected recoverable amounts.	
22. Best Estimate Policy reserves – life	Best estimate provisions, calculated in line with Economic Balance Sheet valuation principles under Part XXVI, in respect of future guaranteed benefits as they become payable under the provisions of life insurance policies in force, including any 'bound but not incepted' business. These may also include amounts applicable to other life contract benefits (such as disability waiver of premium, disability income benefits and additional accidental death benefits). These amounts are net of any expected recoverable balances.	
23. Best Estimate Policy reserves – accident and health	Best estimate provisions, calculated in line with Economic Balance Sheet valuation principles under Part XXVI, in respect of accident and health policies, including any 'bound but not incepted business. These amounts are net of any expected recoverable balances	
24. Best Estimate Policyholders' funds on deposit	These consist of premiums paid in advance of the due date, and shall be valued in line with Economic Balance Sheet valuation principles under Part XXVI.	
25. Best Estimate Liability for future policyholders' dividends	Best estimate dividends payable, as declared by the directors, on participating life policies which qualify for such dividends, and valued in line with Economic Balance Sheet valuation principles under Part XXVI.	
26. Best Estimate Other long-term business insurance reserves	Best estimate reserves not included in lines 20 to 25 and valued in line with Economic Balance Sheet valuation principles, including any 'bound but not incepted' business.	
27. Total Best Estimate long-term business insurance provisions	Best estimate long-term business insurance provisions calculated in line with Economic Balance Sheet valuation principles under Part XXVI (and that are not included on Form 1EBS, Line 27B). It comprises the total of lines 20 to 26 inclusive, showing an analysis between the gross and net positions. There shall be disclosed severally -	
	(a)	Total gross long-term business insurance provisions: Gross unpaid loss and loss expenses on the Economic Balance Sheet valuation principles under Part XXVI.
	(b)	Less: reinsurance recoverable balances: The amount of recoverables shall be assessed on the Economic Balance Sheet valuation principles under Part XXVI. on a basis consistent with the gross assessment. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. Allowance shall be made for expected uncollectable amounts (for whatever reason). The amount shall be subdivided between:
	(i)	Foreign affiliates
	(ii)	Domestic affiliates
	(iii)	Pools and associations
	(iv)	All other reinsurers
	(c)	Total reinsurance recoverable balance: The total of (b) (i) to (iv). The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default shall be disclosed in a supplementary notice.

		The amount of any collateral placed in favour of the insurer shall be disclosed in a supplementary note.
	(d)	Net long term business provisions: The total of (a) and (c) – which is also the same as the sum of lines 20 to 26 inclusive.
27A. Risk Margin – Long-term insurance business	The risk margin shall be calculated using the cost of capital method, as per the Economic Balance Sheet valuation principles under Part XXVI. It shall not be split between the line items 20-26.	
27B. Long-term technical provisions calculated as a whole	Long-term technical provisions are calculated as a whole in line with the Economic Balance Sheet valuation principles under Part XXVI. This line shall contain the total of all technical provisions calculated as a whole which have been determined based on the market price of financial instruments that reliably replicate the cash flows of the insurance obligations.	
	(a)	Total gross long-term business insurance technical provisions: Gross unpaid loss and loss expenses
	(b)	Less: reinsurance recoverable balances: The amount of recoverables shall be assessed on the Economic Balance Sheet valuation principles on a basis consistent with the gross assessment. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. Allowance shall be made for expected uncollectable amounts (for whatever reason). The amount shall be subdivided between:
	(i)	Foreign affiliates
	(ii)	Domestic affiliates
	(iii)	Pools and associations
	(iv)	All other reinsurers
	(c)	Total reinsurance recoverable balance: The total of (b) (i) to (iv). The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default shall be disclosed in a supplementary note. The amount of any collateral placed in favour of the insurer shall be disclosed in a supplementary note.
	(d)	Net long term business provisions: The total of (a) and (c).
27C. Total Long-term insurance business technical provisions	This shall be the total of lines 27(d), 27A and 27B(d).	
Other Liabilities		
28. Insurance and Reinsurance balances payable	These are amounts payable to reinsurers (e.g., premiums received in advance, reinsurance premiums payable. etc.) Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
29. Commissions, expenses, fees and taxes payable	All unearned commissions shall be included here. Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
30. Loans and notes payable	Loans and notes payable shall be included here. This shall include subordinated debt.	

	Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
31. Tax liabilities		Amounts payable in more than one year shall be discounted at the relevant risk free rate. There shall be disclosed severally:
	(a)	Income taxes payable
	(b)	Deferred income taxes
32. Amounts due to affiliates	All amounts due to affiliates shall be included here. Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
33. Accounts payable and accrued liabilities	All accounts payable and accrued liabilities shall be included here Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
34. Funds held under reinsurance contracts	Funds held under reinsurance contracts shall be included here, and shall be included at amounts consistent with the fair value of the underlying assets.	
	(a)	Affiliated reinsurers
	(b)	Non-affiliated reinsurers
	(c)	This shall be the total of (a) and (b)
35. Dividends payable	All dividends payable shall be included here	
36. Sundry liabilities	There shall be disclosed severally:	
	(a)	Those derivative instruments which are held for hedging purposes, with an unfavourable position shall be included here.
	(b)	Other derivative instruments (ie those which are not held for hedging purposes), with an unfavourable position shall be included here.
	(c)	Segregated accounts – LT business – variable annuities
	(d)	Segregated accounts – LT business - other
	(f)	Deposit liabilities
	(g)	Pension benefit obligations
	(h)	Balances payable for purchase of investments
	(i)	Any other liabilities – please provide details in a supplementary note
	(j)	This shall be the total of (a) to (i) inclusive
37. Letters of credit, guarantees and other instruments	All contractual liabilities or contingent liabilities arising from off-balance sheet arrangements are reported in this line. A liability is recorded decreasing the statutory capital and surplus equal to the expected present value of such contingent obligations discounted to take into consideration the time value of money at an appropriate rate (to be disclosed). Material contingent liabilities shall be recognised and recorded on this line. The Contingent liabilities shall be valued based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate. Where the present value of contingent obligations cannot be determined, the amount of the liability must be recorded at its undiscounted value. Letters of credit, guarantees or other instruments not in favour of the insurer which relate to the insurer's insurance or reinsurance contracts shall not be recorded.	

	Details of the basis used to derive the amounts disclosed on this line, including the undiscounted amounts of the liabilities shall be shown in a supplementary note. There shall be disclosed severally -	
	(a)	Letters of credit
	(b)	Guarantees
	(c)	Other instruments
	(d)	This shall be the total of (a) to (c) inclusive
38. Total other liabilities	This shall be the total of lines 28 to 37 inclusive	
39. Total insurance technical provisions and other liabilities	This shall be the total of lines 27C and 38 inclusive	
40. Total statutory economic capital and surplus	This is the capital and surplus total as at the valuation date. It is derived as Line 15 less Line 39. A reconciliation between this amount and Line 40 for Form 4 as required under Schedule I of the Insurance Accounts Regulations 1980 shall be shown in a supplementary note.	
41. Total	This shall be the total of lines 39 and 40 It should equal line 15	

PART XV (Paragraph 6)

APPROVED ACTUARY'S OPINION

1 The approved actuary's Opinion must state whether or not, in the opinion of the approved actuary, the aggregate amount of technical provisions shown at Line 27C in the Statutory Economic Balance Sheet as at the end of the relevant financial year—

(a) meets the requirements of the Insurance Act 1978 and related rules and regulations;

(b) makes reasonable provision for the total technical provisions of the insurer under the terms of its insurance contracts and agreements.

2 The approved actuary shall state their own best estimates (and/or ranges for the best estimates) and confirm that such estimates have been determined in accordance with the requirements set out in the Economic Balance Sheet valuation principles under Part XXVI of Schedule XIII. The approved actuary shall also state (but is not limited to) their best estimates for the following (as applicable)—

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

3 The approved actuary is required to state their estimates for the risk margin (Line 27A) and state whether or not, in their opinion, this amount has been calculated in accordance with the requirements set out in the Economic Balance Sheet valuation principles under Part XXVI of Schedule XIII .

4 In relation to Lines 27(a) and 27B(a), the approved actuary shall provide commentary on the assumptions made in relation to Bound But Not Incepted business as described in paragraph 33 (8) to (10), inclusive, set out in the Economic Balance Sheet valuation principles under Part XXVI of Schedule XIII.

5 The approved actuary shall provide commentary for Lines 27(d) and 27B(d on the assumptions made for expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual dispute) in relation to reinsurance recoveries.

6 In relation to Lines 27B (a) and 27B(d), the approved actuary shall provide commentary on the nature of the business valued 'as a whole' and whether or not their approach is in accordance with the requirements set out in the Economic Balance Sheet valuation principles under Part XXVI of Schedule XIII .

7 Where the approved actuary has not used risk discount curves provided by the Authority they shall state the rates used for calculation and provide commentary on how they were derived.

8 Where the Insurer has made use of the 16 year transitional arrangements for certain insurance business, the approved actuary shall provide estimates for that business for both the EBS approach and the approach consistent with the valuation approach in force before EBS requirements came into force as referred to in the Instructions Affecting Part XXVI of Schedule XIII, the Economic Balance Sheet valuation principles.

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

10 The approved actuary's Opinion shall further confirm—

(a) the approved actuary's name, employer and professional designations attained (which qualifies them to issue the opinion and formed the basis for their application to the Authority for approval as Approved Actuary);

(b) whether or not the approved actuary continues to be a qualified member in good standing of all official actuarial bodies included in their application to the Authority for approval;

(c) whether or not the approved actuary is in full compliance with the most recent Continuing Professional Development requirements of their official actuarial body;

(d) whether or not the approved actuary has any perceived conflicts of interest relative to providing the opinion.

(e) whether or not the work supporting the Opinion complies with applicable standards of actuarial practice.

11 Working papers supporting the approved actuary's Opinion are required to be made available to the Authority by the approved actuary upon request and should be sufficient in and of themselves to enable the completion of an independent review of the Opinion and supporting analysis by another unrelated but experienced actuary.

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

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D and CLASS E SOLVENCY REQUIREMENT) RULES 2011

PART XVI **(Paragraph 6)**

Schedule Of Regulated Non-Insurance Financial Operating Entities

Entity name	Jurisdiction	Sector classification	Strategic purpose	Entity type	Products & services offered	Participation	Percentage of participating interest	Total assets	Investment amount (equity method)	Regulatory capital requirement for regulated entities (RCR) (100%)	Applicable share of the RCR
							x.x%	XXX	XXX	XXX	XXX
							x.x%	XXX	XXX	XXX	XXX
							x.x%	XXX	XXX	XXX	XXX
								XXX	**XXX**	**XXX**	**XXX**

INSTRUCTIONS AFFECTING PART XVI:

(a) the insurer's regulatory capital requirement for regulated non-insurance financial operating entities, where the insurer exercises either control or significant influence, shall be calculated in accordance with Schedule XIII and shall form part of the insurer's BSCR – where "control" and "significant influence" has the same meaning given in sub-paragraph 19(4) of the Insurance (Group Supervision) Rules 2011";

(b) the name of the entity and its jurisdiction of incorporation are required to be provided;

(c) the "Sector" and "Industries in Sector" classification of each of the insurer's "Regulated non-insurance financial operating entities" are as follows:

Sector	Industries in Sector
Energy	Oil, gas, consumable fuels and energy equipment
Materials	Chemicals; Construction materials, containers and packing; Metals and mining; and Paper and forest products
Industrial	Machinery and equipment; Construction, engineering and building products; Commercial and professional services; and Transportation (air, road and water)
Consumer Discretionary	Automobile and components; Consumer durables and textile apparel; Hotels and restaurants; Consumer services; and retailing Media
Consumer Staples	Food and staples retailing; Agricultural products; beverage and tobacco; Household and personal products
Healthcare	Healthcare equipment and services; Pharmaceuticals, biotechnology and life sciences
Financial	Banks; Diversified financials; Insurance; Real Estate; Capital markets

Information Technology	Software and internet services; Technology hardware and equipment; IT services, computer components and semiconductor equipment
Telecommunications Services	Telecommunications services
Utilities	Electric, water and gas utilities
Other	Unspecified industry group

(d) the description of the strategic purpose of each entity is required to be provided;

(e) the entity type is required to be provided(i.e., holding company; operating entity or branch);

(f) the description of the products and services offered to external parties of each entity is required to be provided;

(g) the insurer's participation should be categorized as to whether control or significant influence is exerted over each entity is listed;

(h) the percent of participating interest of the insurer on each entity is required to be provided;

(i) the total assets of each entity is required to be provided;

(j) the investment amount shall be the equity value of the insurer's investment in such entities where the insurerinsurer has significant influence and has accounted under the equity method of accounting as aggregated in Form 1EBS, Line 4(d); and the net asset value of the insurer's investment in such entities where the insurer exercises control or significant influence shall be provided;

(k) the regulatory capital requirement (RCR) shall be provided based on the jurisdiction's solvency laws for the regulated sector in which the entity is licensed to conduct non-insurance financial business;

(l) the insurer's proportionate share of each entity's RCR.

PART XVII (paragraph 6)

SCHEDULE OF SOLVENCY

[*blank*] name of Insurer

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

All amounts are expressed in _(currency used)

.

Affiliate Name	**Jurisdiction**	**Entity Type**	**Percent of Participation Interest**	**Gross Premiums Written**	**Net Premiums Written**	**Total Assets**	**Net Assets**	**Regulatory Capital Requirement**

INSTRUCTIONS AFFECTING PART XVII:

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

(a) name of the entity over whom the insurer exercises control or significant influence;

(b) name of the jurisdiction in which the entity is registered;

(c) entity type (i.e., holding company; operating entity or branch);

(d) percentage of participation interest by the insurer in each entity;

(e) gross and net premium written for each the entity;

(f) total assets of the subsidiaries of the insurer using the valuation basis required in the jurisdictions where the subsidiary is licensed;

(g) "net asset valuation" of the subsidiaries of the insurer using the valuation basis required in the jurisdictions where the subsidiary is licensed;

(h) regulatory capital requirement for each registered entity as determined by the jurisdiction where the entity is licensed or registered.

PART XVIII - Schedule of Particulars of Ceded Reinsurance

(Paragraph 6)

[blank] name of Company

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

All amounts expressed in ..... (currency used)

		(A)	(B)	(C)	(D)	(E)
Name of Reinsurer	**BSCR Rating**	**Reinsurance Assets** Form 1EBS Lines 11(e), 12(c) and 27(c)	**Reinsurance Payable** Form 1EBS Line 28, 29, 33 and 34(c)	**Collateral** Notes to Form 1EBS Line 11(e) and Line 27(c)	**Qualifying Collateral**	**Net Qualifying Exposure**

Exposure By BSCR Rating	**Reinsurance Assets**	**Reinsurance Payable**	**Collateral**	**Qualifying Collateral**	**Net Qualifying Exposure**
BSCR Rating 0					
BSCR Rating 1					
BSCR Rating 2					
BSCR Rating 3					
BSCR Rating 4					
BSCR Rating 5					
BSCR Rating 6					
BSCR Rating 7					
BSCR Rating 8					
Single Consolidated Exposure					

INSTRUCTIONS AFFECTING PART XVIII:

(a) 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 basis —

(i) the name of reinsurer;

(ii) the BSCR rating;

(iii) the amount of reinsurance balances receivable, funds held by ceding reinsurers, and reinsurance recoverable balance (as reflected in Form 1EBS, Lines 11(e), 12(c) and 27(c));

(iv) funds held by ceding reinsurers (as reflected in Form 1EBS, Line 12(c), in paragraph (iii) above), shall be included only to the extent that they are not already included under Schedule IIA;

(v) the amount of reinsurance balances payable and other payables (as reflected in Form 1EBS, Lines 28, 29, 33, and 34(c)) to the extent that they are attributable to that particular reinsurer or reinsurance exposure balance;

(vi) the amount of any collateral placed in favour of the insurer relating to the reinsurance balances (as reflected in Notes to Form 1EBS, Lines 11(e) and 27(c));

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

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

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

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

(B) where the letters of credit does not relate to the entire reinsurance exposure, the reinsurance exposure should be 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;

(C) where the reinsurer is a domestic affiliate, it shall be assigned a BSCR rating of 0 regardless of

(D) 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

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

Part XIX - Schedule of Cash and Cash Equivalent Counterparty Analysis

(Paragraph 6)

[blank] name of Company

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

All amounts expressed in ..... (currency used)

Cash and Cash Counterparty Balance for 10 Largest Exposures	**BSCR Rating**	**Asset Value** **(A)**

Exposure By BSCR Rating	**Asset Value** **(A)**
BSCR Rating 0	
BSCR Rating 1	
BSCR Rating 2	
BSCR Rating 3	
BSCR Rating 4	
BSCR Rating 5	
BSCR Rating 6	
BSCR Rating 7	
BSCR Rating 8	
Single Consolidated Exposure	

INSTRUCTIONS AFFECTING PART XIX:

(i) cash and cash equivalent balances are to be reported based on its BSCR Rating;

(ii) an insurer may disclose at least the top 10 cash and cash counterparty exposures (as reflected in Form 1EBS and Schedule IIA Column 1, Line 27);

(iii) the remaining balance may be grouped according to BSCR rating;

(iv) all unreconciled balances shall be allocated to the single consolidated exposure balance that receives a BSCR Rating of 8;

(v) cash and cash equivalents issued by a country that is rated AA- or better in its own currency shall be classified under BSCR rating class 0;

(vi) A list of credit ratings agencies and the manner in which short term ratings issued by such agencies must be applied, shall be prescribed by the Authority and applied in determining the appropriate BSCR rating for cash and cash equivalent balances. Where the Authority prescribes long-term ratings, such ratings may be alternately applied; and

(vii) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

Part XIXA - Part of Cash and Cash Equivalent Counterparty Analysis

(Paragraph 6)

[blank] name of Insurer

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

All amounts expressed in ..... (currency used)

Cash and Cash Counterparty Balance for 10 Largest Exposures	**BSCR Rating**	**Asset Value** **(A)**

Exposure By BSCR Rating	**Asset Value** **(A)**
BSCR Rating 0	
BSCR Rating 1	
BSCR Rating 2	
BSCR Rating 3	
BSCR Rating 4	
BSCR Rating 5	
BSCR Rating 6	
BSCR Rating 7	
BSCR Rating 8	
Single Consolidated Exposure	

INSTRUCTIONS AFFECTING PART XIXA:

(i) cash and cash equivalent balances are to be reported based on its BSCR Rating;

(ii) an insurer may disclose at least the top 10 cash and cash counterparty exposures (as reflected in Form 1EBS and Parts IIB to IIF Column 1, Line 58);

(iii) the remaining balance may be grouped according to BSCR rating;

(iv) all unreconciled balances shall be allocated to the single consolidated exposure balance that receives a BSCR Rating of 8;

(v) cash and cash equivalents issued by a country that is rated AA- or better in its own currency shall be classified under BSCR rating class 0;

(vi) A list of credit ratings agencies and the manner in which short term ratings issued by such agencies must be applied, shall be prescribed by the Authority and applied in determining the appropriate BSCR rating for cash and cash equivalent balances. Where the Authority prescribes long-term ratings, such ratings may be alternately applied; and

(vii) amounts shall be reported on an EBS Valuation basis.

Part XX - Schedule of Currency Risk

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

Currency	$GrossCurrast_i$ (A)	$Currast_i$ (B)	$GrossCurrliab_i$ (C)	$Currliab_i$ (D)
Financial Year	**Liabilities**	**ECR Charge**		
	Form 1EBS, Line 39	Summary Schedule		
XXX-1				
XXX-2				
XXX-3				

INSTRUCTIONS AFFECTING PART XX:

(i) Insurers are to report currencies representing at least 95% of their economic balance sheet liabilities;

(ii) $GrossCurrast_i$ and $GrossCurrliab_i$ shall be valued in line with the Economic Balance Sheet principles set out in Part XXVI;

(iii) where an insurer uses currency hedging arrangements to manage its currency risk, then $Currast_i$ and $Currliab_i$ may be adjusted to reflect the impact of those arrangements on $GrossCurrast_i$ and $GrossCurrliab_i$ of a 25% adverse movement in foreign exchange rates, otherwise the amounts $GrossCurrast_i$ and $GrossCurrliab_i$ shall apply;

(iv) a 'currency hedging arrangement' means derivative or other risk mitigation arrangements designed to reduce losses due to foreign currency exchange movements, and which meet the Authority's requirements to be classed as such"; and

(v) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

Part XXA - Part of Currency Risk

[blank] name of Insurer													
As at [blank] (day/month/year)													
All amounts expressed in ..... (currency used)													
	MARKET VALUE BEFORE SHOCK						**MARKET VALUE AFTER SHOCK**						
		Long Exposures		**Short Exposures**				**Long Exposures**		**Short Exposures**			
Currency	Assets - Excluding currency-derivatives	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Liabilities without Management Actions	Assets - Excluding currency-derivatives	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Liabilities without Management Actions	Liabilities with Management Actions
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
United States Dollars													
Bermuda Dollars													
Qatari Riyals													
Hong Kong Dollars													
Euros													
Danish Krones													
Bulgarian Levs													
West African CFA Francs													
Central African CFA Francs													
Comorian Francs													
United Kingdom Pounds													
Canada Dollars													

Japan Yens													
Other currency 1													
Other currency 2													
Other currency 3													
Other currency 4													
Other currency 5													
Other currency 6													
Other currency 7													
Other currency 8													
Other currency 9													
Other currency 10													
Financial Year	**Liabilities**		**ECR Charge**										
	Form 1EBS, Line 39		Summary Part										
XXX-1													
XXX-2													
XXX-3													

INSTRUCTIONS AFFECTING PART XXA:

(i) insurers shall report currencies representing not less than 95% of their economic balance sheet liabilities;

(ii) assets qualifying as held for risk mitigation purposes; assets not qualifying for risk mitigation purposes and liabilities without management actions shall be valued in line with the Economic Balance Sheet principles set out in Part XXVI and in accordance with criteria prescribed by the Authority;

(iii) liabilities with management actions shall be valued in in accordance to with criteria prescribed by the Authority in relation to the valuation of future bonuses and other discretionary benefits; and

(iv) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

Part XXI - Schedule of Concentration Risk

(Paragraph 6)

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

All amounts expressed in ..... (currency used)

Name of Exposure	**Asset Type (A)**	**Asset sub-type (B)**	**BSCR Rating (C)**	**Asset Value (D)**

INSTRUCTIONS AFFECTING PART XXI:

(i) Disclosure of an insurer's 10 largest exposures to single counterparty risk by reporting the name, the exposure and allocation by asset type, bond / mortgage type (if applicable), BSCR Rating (if applicable) and asset value consistent with Form 1EBS.

(ii) a counterparty shall include all related/connected counterparties defined as:

(A) Control relationship: if the counterparty, directly or indirectly, has control over the other(s); or

(B) Economic interdependence: if one of the counterparties were to experience financial problems, in particular funding or repayment difficulties, the other(s) as a result, would also be likely to encounter funding or repayment difficulties.

(iii) Asset Type (Column A) shall be one of the following lines taken from Form 1EBS;

(A) Cash and cash equivalents (Line 1)
(B) Quoted Investments (Line 2)
(C) Unquoted investments (Line 3)
(D) Investments in and Advances to Affiliates (Line 4)
(E) Investments in Mortgage Loans on Real estate (Line 5)
(F) Policy Loans (Line 6)
(G) Real Estate (Line 7)
(H) Collateral Loans (Line 8)
(I) Funds held by ceding reinsurers (Line 12)

(iv) Asset sub-type (Column B) shall provide further details of the type of asset as included in Table 1, Table 2 or Table 8 as appropriate;

(v) BSCR Rating (Column C) shall be the BSCR rating that was allocated to the asset when it was included in Table 1, Table 2 or Table 8 as appropriate;

(vi) Asset Value (Column D) shall be the value of the asset as required by the Economic Balance Sheet valuation principles as set out in Part XXVI; and

(vii) Amounts shall be reported on both an EBS Valuation and unconsolidated basis.

Part XXIA - Part of Concentration Risk

(Paragraph 6)

[blank] name of Insurer

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

All amounts expressed in ..... (currency used)

Name of Exposure	Asset Type (A)	Asset sub-type (B)	BSCR Rating (C)	Asset Value (D)

INSTRUCTIONS AFFECTING PART XXIA:

(a) disclosure of an insurer's ten largest exposures to single counterparty risk by reporting the name, the exposure and allocation by asset type, bond or mortgage type (if applicable), BSCR Rating (if applicable) and asset value consistent with Form 1EBS.

(b) for the purposes of this Part, a counterparty shall include all related or connected counterparties captured by either of the following criteria:

(i) Controller relationship: if a counterparty, directly or indirectly, has control of (as a result of its majority shareholding in or significant influence) the other counterparties; or

(ii) Economic interdependence: if one of the counterparties were to experience financial difficulties which directly or indirectly affect the ability of any or all of the remaining counterparties to perform their financial obligations (for example where a counterparty becomes unable to fund or repay certain financial contractual obligations, and as a result, other counterparties, are likely to be unable to fund or repay certain obligations imposed on them);

(c) asset Type (Column A) shall be determined by the insurer as one of the following:

(i) cash and cash equivalents (as defined in Part XIX Column B Parts IIB, IIC, IID, IIE, and IIF Column (1), Line 68);

(ii) quoted and Unquoted Investments (as defined in Parts IIB, IIC, IID, IIE, and IIF Column (11), Line 14);

(iii) equity holdings (as defined in Parts IIB, IIC, IID, IIE, and IIF Column (11), Line 37);

(iv) credit derivatives (as defined in Parts IIB, IIC, IID, IIE, and IIF Columns (1), (3), (5), (7) Lines 47 and 57);

(v) advances to Affiliates (reported on Form 1EBS, Line 4(g));

(vi) policy Loans (reported on Form 1EBS, Line 6);

(vii) real Estate 1 (reported on Form 1EBS, Line 7(a));

(viii) real Estate 2 (reported on Form 1EBS, Line 7(b));

(ix) collateral Loans (reported on Form 1EBS, Line 8); and

(x) for equity exposures that are grandfathered according to paragraph 23A of Schedule XIII, the appropriate asset type given in Instructions affecting Part XXI, point (iii).

(d) when reporting asset sub-type (under Column B) shall provide further details of the type of asset as included in Table 1, Table 2 or Table 8 as appropriate;

(e) when applying the BSCR Rating (under Column C) the insurer shall apply the BSCR rating that was allocated to the asset when it was included in Table 1, Table 2 or Table 8 as appropriate;

(f) asset value (under Column D) shall be the value of the asset as required by the Economic Balance Sheet valuation principles as set out in Part XXVI; and

(g) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

PART XXIB **(Paragraph 7A)**

SCHEDULE OF ASSET AND LIABILITY STATEMENT

1. Every Class C insurer, other than those that carry on domestic business, shall provide the completed 'Asset and Liability Statement' as prescribed by the Authority.

PART XXII
SCHEDULE OF ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING ("AML/ATF")

Every insurer that writes long-term business shall be required to complete the questions set out in the Schedule of Anti-Money Laundering/Anti-Terrorist Financing ("Schedule") in relation to its long-term business but excluding any reinsurance business and provide particulars of its gross written premiums on a consolidated basis for the relevant year. The Schedule is comprised of the following:

(a) Table I – Insurers are required to complete in order to provide the Authority with the data required to determine the extent of an insurer's exposure or potential exposure to Money Laundering ("ML") and Terrorist Financing ("TF") risks.

(b) Table II - Insurers are required to complete in order to provide the Authority with an understanding of the insurer's AML/ATF corporate governance framework, including but not limited to; employee training, knowledge, integrity, and compliance with established AML/ATF policies and procedures.

Table I

AML/ATF

INSURER INFORMATION

1. Confirm if the insurer is registered as a segregated accounts company ("SAC") in accordance with the requirements of the Segregated Accounts Act 2000 or has created separate accounts in accordance with the provisions relating to the business of the insurer under any Private Act. If the answer is "yes", provide the number of:

   (a) active accounts; and

   (b) non-active accounts.

2. Provide the Gross Premium Written (GPW) for the relevant year. In addition:

   (a) provide the percentage of GPW corresponding to any unrelated business written by the insurer.

   (b) if applicable, confirm the percentage of incidental general business written by the insurer.

   (c) provide GPW by line of business:

	Insurance		Reinsurance	
Lines of Business	GPW US$	Number of Policies	GPW US$	Number of Policies
(a) Mortality				
(i) Term assurance	XXX	XXX	XXX	XXX
(ii) Whole Life	XXX	XXX	XXX	XXX
(iii) Universal Life	XXX	XXX	XXX	XXX
(b) Critical illness (including accelerated critical illness products)	XXX	XXX	XXX	XXX
(c) Longevity (immediate pay-out annuities,	XXX	XXX	XXX	XXX

contingent annuities, pension pay-outs)				
(d) Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs)	XXX	XXX	XXX	XXX
(e) Annuities certain only	XXX	XXX	XXX	XXX
(f) Deferred accumulation annuities	XXX	XXX	XXX	XXX
(g) Disability income: active lives - including waiver of premium and long-term care	XXX	XXX	XXX	XXX
(h) Disability income: active lives - other accident and sickness	XXX	XXX	XXX	XXX
(i) Disability income: claims in payment - including waiver of premium and long-term care	XXX	XXX	XXX	XXX
(j) Disability income: claims in payment - other accident and sickness	XXX	XXX	XXX	XXX
(k) Group Life	XXX	XXX	XXX	XXX
(l) Group Disability	XXX	XXX	XXX	XXX
(m) Group Health	XXX	XXX	XXX	XXX
(n) Stop Loss	XXX	XXX	XXX	XXX
(o) Rider (other product riders not included above)	XXX	XXX	XXX	XXX
(p) Variable Annuities	XXX	XXX	XXX	XXX
(q) Other Lines of Business				
(i) General Business	XXX	XXX	XXX	XXX
(ii) Any other lines of business	XXX	XXX	XXX	XXX
Total	**XXX**	**XXX**	**XXX**	**XXX**

3. Confirm if the insurer has in force designated investment contracts approved by the Authority in accordance with the provisions of section 57A of the Act ;or in accordance with the provisions of any Private Act relating to the business of the insurer. If yes, provide the:

   (a) number of designated investment contracts approved;

   (b) net account value of the designated investments contracts at year-end.

4. Provide claims paid (gross) for the reporting period. Additionally, provide claims paid by line of business:

	Insurance		Reinsurance	
Lines of Business	Paid US$	Number of Policies	Paid US$	Number of Policies
(a) Mortality				
(i)Term Assurance	XXX	XXX	XXX	XXX
(ii) Whole Life	XXX	XXX	XXX	XXX
(iii) Universal Life	XXX	XXX	XXX	XXX
(b) Critical Illness (including accelerated critical illness products)	XXX	XXX	XXX	XXX
(c) Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs)	XXX	XXX	XXX	XXX
(d) Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs)	XXX	XXX	XXX	XXX
(e) Annuities certain only	XXX	XXX	XXX	XXX
(f) Deferred accumulation annuities	XXX	XXX	XXX	XXX
(g) Disability Income: active lives - including waiver of premium and long-term care	XXX	XXX	XXX	XXX
(h) Disability income: active lives - other accident and sickness	XXX	XXX	XXX	XXX
(i) Disability income: claims in payment - including waiver of premium and long-term care	XXX	XXX	XXX	XXX
(j) Disability income: claims in payment - other accident and sickness	XXX	XXX	XXX	XXX
(k) Group Life	XXX	XXX	XXX	XXX
(l) Group Disability	XXX	XXX	XXX	XXX
(m) Group Health	XXX	XXX	XXX	XXX
(n) Stop Loss	XXX	XXX	XXX	XXX
(o) Rider (other product riders not included above)	XXX	XXX	XXX	XXX
(p) Variable Annuities	XXX	XXX	XXX	XXX
(q) Other Lines of Business				
(i) General Business	XXX	XXX	XXX	XXX
(ii) any other lines of business	XXX	XXX	XXX	XXX
Total	**XXX**	**XXX**	**XXX**	**XXX**

5. Confirm if the corporate governance framework or procedure manuals of the insurer relating to ML/AF risks are up to date and aligned with current AML/ATF requirements.

6. Confirm the frequency with which the AML/ATF policies, procedures or manual are reviewed by the insurer.

7. Confirm if the insurer provides employees with training in relating to money laundering ("ML") and terrorism financing ("TF"). If yes, confirm if:

(a) ML/TF training is included in the induction program of new employees.

(b) the ML/TF training provided is specific to the business of insurance conducted by the insurer or is of general application.

(c) the frequency that employees must undertake ML/TF training.

8. Provide the experience and professional designations of the following employees:

	Number of Years in Current Role	Number of Years of AML/ATF Experience	Professional Designation
Senior Compliance Officer	XXX	XXX	XXX
Reporting Officer ("ML/TF Reporting Officer")	XXX	XXX	XXX

9. Confirm if the insurer's Senior Compliance Officer is located in Bermuda.

10. Confirm if the insurer's ML/TF Reporting Officer is located in Bermuda.

11. Confirm if the insurer's Senior Compliance Officer is a member of the senior management of the insurer.

12. Confirm the actions taken by an insurer prior to hiring employees:

Verification of:	Yes/No
Name	XXX
Residential address	XXX
Whether the individual should be considered as or is, a PEP	XXX
Whether individual is subject to international sanctions lists	XXX
Whether there is negative press concerning the proposed employee	XXX
Employment history	XXX
Professional references	XXX
Whether details have been requested regarding regulatory action taken against the individual	XXX
Details of any criminal conviction for fraud or other dishonesty	XXX
The individual's financial solvency	XXX

13. Confirm if the insurer monitors the transactions of its policyholders against their risk profile for suspicious activity.

14. Confirm if the insurer is registered with the Financial Intelligence Agency's ("FIA") "Go AML" Program and if so, provide the date of registration.

15. Confirm the number of Suspicious Activity Reports filed by the insurer from the year 2011 to date.

	Filed Internally	With FIA
201X	XXX	XXX
201X-1	XXX	XXX
201X-2	XXX	XXX
201X-3	XXX	XXX
201X-4	XXX	XXX
Total	XXX	XXX

POLICYHOLDER AND BENEFICIARY INFORMATION

16. Provide the following information based on the policyholder's residence (in accordance with the underwriting geographical zones set out in Table 6A); and the GPW for the relevant year:

Geographic Zone	GPW US$	Number of Policies
Zone 1	XXX	XXX
Zone 2	XXX	XXX
Zone 3	XXX	XXX
Zone 4	XXX	XXX
Zone 5	XXX	XXX
Zone 6	XXX	XXX
Zone 7	XXX	XXX
Zone 8	XXX	XXX
Zone 9	XXX	XXX
Zone 10	XXX	XXX
Zone 11	XXX	XXX
Zone 12	XXX	XXX
Zone 13	XXX	XXX
Zone 14	XXX	XXX
Zone 15	XXX	XXX
Zone 16	XXX	XXX
Zone 17	XXX	XXX
Zone 18	XXX	XXX
Zone 19	XXX	XXX
Zone 20	XXX	XXX
Total	**XXX**	**XXX**

17. Provide the following information, based on the residence of beneficiaries (in accordance with the underwriting geographical zones set out in Table A); and the claims paid for the relevant year:

Geographic Zone	Claims paid US$	Number of Policies
Zone 1	XXX	XXX
Zone 2	XXX	XXX

Zone 3	XXX	XXX
Zone 4	XXX	XXX
Zone 5	XXX	XXX
Zone 6	XXX	XXX
Zone 7	XXX	XXX
Zone 8	XXX	XXX
Zone 9	XXX	XXX
Zone 10	XXX	XXX
Zone 11	XXX	XXX
Zone 12	XXX	XXX
Zone 13	XXX	XXX
Zone 14	XXX	XXX
Zone 15	XXX	XXX
Zone 16	XXX	XXX
Zone 17	XXX	XXX
Zone 18	XXX	XXX
Zone 19	XXX	XXX
Zone 20	XXX	XXX
Total	**XXX**	**XXX**

18. Provide the information based on the residence of politically exposed persons (in accordance with the underwriting geographical zones set out in Table A); and the GPW for the relevant year:

Geographic Zone	Number of PEPs
Zone 1	XXX
Zone 2	XXX
Zone 3	XXX
Zone 4	XXX
Zone 5	XXX
Zone 6	XXX
Zone 7	XXX
Zone 8	XXX
Zone 9	XXX
Zone 10	XXX
Zone 11	XXX
Zone 12	XXX
Zone 13	XXX
Zone 14	XXX
Zone 15	XXX
Zone 16	XXX
Zone 17	XXX
Zone 18	XXX
Zone 19	XXX
Zone 20	XXX
Total	**XXX**

19. Confirm if the insurer screens policyholders and beneficiaries to determine if they are subject to directives imposed under Bermuda sanctions regime.

20. Provide the number of policyholders by the following risk assessment:

	Number of Policyholders	% of GPW
Low Risk	XXX	XXX
Medium Risk	XXX	XXX
High Risk	XXX	XXX
Unknown	XXX	XXX
Total	**XXX**	**XXX**

21. Confirm the frequency with which the insurer rates the AML/ATF risks of its policyholders.

22. Confirm whether senior management approval is required to approve new business, if the policyholder has been risk rated as:

Low	Medium	High
XXX	XXX	XXX

23. Confirm if senior management approval is required to retain an existing policyholder if the policyholder's risk rating has changed to:

Low	Medium	High
XXX	XXX	XXX

24. Confirm the manner in which the insurer conducts business with its policyholders by percentage of the total business:

	% of policyholder
Directly with the policyholder	XXX%
Via intermediary arrangement	XXX%
Via unrelated intermediary arrangement	XXX%
Introduced from a member of an insurer	XXX%
Other (provide examples)	XXX%
Total	**XXX%**

25. Provide the percentage of business conducted by each of the following methods:

	% of policyholders
Face to face with policyholders	XXX%
Via intermediary	XXX%
By phone, email, fax, or post	XXX%
Other (provide examples)	XXX%
Total	**XXX%**

26. If the insurer engages intermediaries, confirm if the insurer performs AML/ATF due diligence prior to the engagement.

27. Confirm the following information for each type of policyholder that is verified by an insurer prior to commencement of new business.

	Low Risk Policyholder	Medium Risk Policyholder	High Risk Policyholder	Non-Risk Rated Policyholder
Public company (i.e., Policyholders quoted on a stock exchange)				
Full legal name	XXX	XXX	XXX	XXX
Address of Policyholder	XXX	XXX	XXX	XXX
Nature of business	XXX	XXX	XXX	XXX
Evidence of exchange listing	XXX	XXX	XXX	XXX
Private company (i.e. Policyholders not quoted on a stock exchange)				
Legal name	XXX	XXX	XXX	XXX
Trading name	XXX	XXX	XXX	XXX
Registered trading address	XXX	XXX	XXX	XXX
Nature of business	XXX	XXX	XXX	XXX
Jurisdiction of operations	XXX	XXX	XXX	XXX
Identity of beneficial owner and whether identify is verified	XXX	XXX	XXX	XXX
Address of beneficial owners.	XXX	XXX	XXX	XXX
Identity of directors/senior executives and whether identity is verified.	XXX	XXX	XXX	XXX
Address of directors/senior executives	XXX	XXX	XXX	XXX
Natural Person				
Name	XXX	XXX	XXX	XXX
Address	XXX	XXX	XXX	XXX
D.O.B	XXX	XXX	XXX	XXX
Nationality	XXX	XXX	XXX	XXX
Gender	XXX	XXX	XXX	XXX
Occupation	XXX	XXX	XXX	XXX
Salary	XXX	XXX	XXX	XXX
Employer	XXX	XXX	XXX	XXX
Source of funds	XXX	XXX	XXX	XXX
Source of wealth	XXX	XXX	XXX	XXX
Reason for application	XXX	XXX	XXX	XXX
Expected activities	XXX	XXX	XXX	XXX

28. Confirm the mechanism(s) used by the insurer to receive premium and pay claims:

	Premium	Claims
Bank transfer	XXX	XXX
Cash	XXX	XXX
Cheque	XXX	XXX
Credit/debit card	XXX	XXX
Virtual currencies	XXX	XXX
Other (provide examples)	XXX	XXX

29. Provide any additional information or comments that could be relevant to this report or which may further clarify any information provided by the insurer.

Table A – Underwriting Geographical Zones

Underwriting Zone	Location
Zone 1 - Central & Western Asia	Armenia, Azerbaijan, Bahrain, Georgia, Iraq, Israel, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Saudi Arab Republic, Tajikistan, Turkey, Turkmenistan, United Arab Emirates and Uzbekistan
Zone 2 - Eastern Asia	China, Hong Kong, Japan, Macao, Mongolia, North Korea, South Korea, and Taiwan
Zone 3 - South and South-Eastern Asia	Afghanistan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, India, Indonesia. Iran, Lao PDR, Malaysia, Maldives, Myanmar, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Timor-Leste, and Vietnam
Zone 4 - Oceania	American Samoa, Australia, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, New Zealand, Niue, Norfolk Island, N. Mariana Islands, Palau, Papua New Guinea, Pitcairn, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis & Futuna Island
Zone 5 - Northern Africa	Algeria, Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Cote d' Ivoire, Egypt, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Libya, Mali, Mauritania, Morocco, Niger, Nigeria, Saint Helena, Senegal, Sierra Leone, Sudan, Togo, Tunisia, and Western Sahara
Zone 6 - Southern Africa	Angola, Botswana, Burundi, Democratic Republic of Congo, Comoros, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mayotte, Mozambique, Namibia, Republic of Congo, Reunion, Rwanda, Sao Tome & Principe, Seychelles, Somalia, South Africa, Swaziland, Uganda, United Republic of Tanzania, Zambia, and Zimbabwe
Zone 7 - Eastern Europe	Belarus, Bulgaria, Czech Republic, Hungary, Moldova, Poland, Romania, Russian Federation, Slovakia, and Ukraine
Zone 8 - Northern Europe	Aland Islands, Channel Islands, Denmark, Estonia, Faeroe Islands, Finland Guernsey, Iceland, Republic of Ireland, Isle of Man, Jersey, Latvia, Lithuania, Norway, Svalbard, Jan Mayen, Sweden, United Kingdom
Zone 9 - Southern Europe	Albania, Andorra, Bosnia, Croatia, Cyprus, Gibraltar, Greece, Italy fYR of Macedonia, Malta, Montenegro, Portugal, San Marino, Serbia, Slovenia, Spain, and Vatican City
Zone 10 - Western Europe	Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Monaco, Netherlands, and Switzerland
Zone 11 - Northern America (Excluding USA)	Canada, Greenland, and St Pierre & Miquelon
Zone 12 - Caribbean	Anguilla, Antigua & Barbuda, Aruba, Bahamas, Barbados, British Virgin Islands, Cayman Islands, Cuba, Dominica, Dominican, El Salvador, Grenada, Guadeloupe, Haiti, Montserrat, Netherlands Antilles, Puerto Rico, St. Barthelemy, St Kitts & Nevis, St Lucia, St Martin, St Vincent, Trinidad & Tobago, Turks & Caicos Islands, and US Virgin Islands
Zone 13 - Eastern South America	Brazil, Falkland Islands, French Guiana, Guyana, Paraguay, Suriname, and Uruguay
Zone 14 - Northern, Southern and Western South America	Argentina, Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela
Zone 15 - North-East United States	Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont
Zone 16 - South-	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana,

East United States	Mississippi, North Carolina, Puerto Rico,South Carolina, Tennessee, Virginia, and West Virginia
Zone 17 - Mid-West United States	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, and Wisconsin
Zone 18 - Western United States	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming
Zone 19 - Central America	Belize, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua, Panama
Zone 20 - Bermuda	Bermuda

Table II
AML/ATF

The insurer shall confirm the following information as at the reporting period:

	Corporate Governance
1	Whether the powers, roles, responsibilities and accountabilities between the board of directors of the insurer ("Board") and senior management are clearly defined, segregated and understood.
2	Whether the Board and senior management understand how the insurer operates through structures which may impede transparency.
3	That the insurer reviews and monitors the structure, size and composition of the Board and recommends improvements to ensure its compliance with the applicable laws, regulations, listing rules and insurer's policies.
4	That the Audit and Risk Management Committee of the Board or any related Board committee, assists the Board in fulfilling its oversight function through the review and evaluation of the financial reporting process and adequacy and effectiveness of the system of internal controls; including financial reporting and information technology security controls.
5	Confirmation that the Board receives sufficient AML/ATF information to assess and understand the senior executive's process for evaluating the insurer's system of internal controls.
6	Whether the Board ensures that the insurer complies with all relevant laws and regulations and endeavors to adopt accepted best business practices.
7	That the Board and senior management declare any personal dealings to HR and the Compliance department when applicable or required.
8	That the Board provides oversight to the insurer with regard to enterprise risk management and identifies key risk areas and key performance indicators and monitor these factors with due diligence.
9	Whether Board members ensure there is appropriate oversight by the senior management that is consistent with the insurer's policies and procedures.
10	Whether the Board sets and enforces clear lines of responsibility and accountability throughout the organization.
11	That at least annually the Board monitors the senior management's compliance with policies set by the Board and its performance based on approved targets and objectives.
12	That the Board receives advice on all major financing transactions, principal agreements and capitalization requiring Board approval and makes appropriate recommendations for their consideration

13	Whether the compliance and audit function are independent of all operational and business functions as far as practicable and have direct lines of communication to the senior management.
14	That the insurer has instituted policies or procedures to provide for the Senior Compliance Officer to have regular contact with and direct access to, the senior management; to ensure that the senior management is able to satisfy itself that the insurer's statutory obligations are being met and the measures taken to prevent risks of ML/TF are sufficiently robust
Employee Integrity	
15	Whether the insurer has established and, maintains and operates appropriate procedures in order to be satisfied of the integrity of new employees.
16	That appropriate mechanisms have been established to ensure the protection of the insurer's employee to report suspicious transactions and other actions to comply with AML/ATF/AFT obligations.
17	That adequate procedures or management information systems are in place to provide relevant employees with timely information which may include information regarding connected accounts or relationships.
18	Whether adequate procedures or document information systems are in place to ensure relevant legal obligations are understood and practiced by employees and adequate guidance and training is provided by the insurer to employees.
19	Whether the incidences of financial crime committed by employees (e.g. theft, fraud) is low.
Employee Knowledge	
20	That all employees are aware of the identity of the Reporting Officer and how to report suspicious activity.
21	Confirm whether training programs are designed to cover the AML/ATF/ risks of the insurer.
22	Whether the insurer has an appropriate number of suitably trained employees and other resources necessary to implement and operate its AML/ATF program.
23	Whether employees fully comply with all AML/ATF procedures in respect of customer identification, account monitoring, record keeping and reporting.
24	That employees are expected to remain vigilant to the possibility of ML.
25	Whether employees who violate any of the AML/ATF regulations and or policies and procedures outlined in the insurer's handbook will be subject to disciplinary action.
26	That all employees are required to (at least annually) undertake training to ensure that their knowledge of AML/ATF laws, policies and procedure is current
27	Whether employees are updated on money laundering schemes and typologies on a regular basis.
28	That employees are required to declare personal dealings relevant in the jurisdictions that the insurer operates in on a regular basis (at least annually).
Employee Compliance	
29	Whether the insurer ensures that the Senior Compliance Officer is the focal point for the oversight of all activities relating to the prevention and detection of ML/TF.
30	That the Senior Compliance Officer is fully conversant and trained in up to date regulatory requirements and ML/TF risks arising from the insurer's business.
31	That the Board monitors compliance with corporate governance regulations and guidelines.

32	Whether the Board supports the senior management's scope of AML/ATF internal control assessment and receives regular (at least annually) reports from the senior management..
Insurer Data	
33	the date the insurer last performed an entity-wide AML/ATF risk assessment.
34	the date the insurer last had an independent review of its AML/ATF program.
35	the date of the last Compliance/ Reporting Officer report on the operation and effectiveness of the insurer's AML/ATF policies, procedures and controls.
36	if the insurer documents the ML/TF risk assessment associated with a product/service prior to launch.
37	if the insurer is listed on a stock exchange.
	If yes, please provide details of the stock exchange(s).

Please include any additional information/comments which the insurer is of the view may be relevant.

INSTRUCTIONS TO the Schedule:

For the purposes of this Schedule, "relevant year" means in relation to an insurer its financial year.

"POCA Regulations" means the Proceeds of Crime (Anti-money laundering and Anti-Terrorist Financing) Regulations 2008

For the purposes of Table I:

a) In Paragraph 1 "active SAC" means a segregated account cell that is undertaking transactions of business and "non active SAC" means a segregated account cell that is not undertaking any transactions of business.

b) In paragraph 2 "unrelated business" means insurance business consisting of insuring risks of persons who are not shareholders or affiliates of the insurer.

c) in paragraph 2 "incidental general business" has the limitations imposed on the meaning of "general business" and "long-term business" as set out under section 1(4)(aa) of the Act;

d) "reporting officer" for the purposes of paragraph 7 has the meaning given under paragraph 2 of POCA Regulations;

e) in paragraph 11, "negative press" means any public information about the proposed employee that raises concerns about, amongst other things, the probity, fitness for the position or source of wealth of such person;

f) for the purposes of completing 11, "criminal conviction" means all non-expunged criminal offences;

g) for the purposes of completing the questions under paragraphs 10 and 19; "senior management" shall be interpreted in accordance with the provisions of POCA Regulations

h) in paragraph 15, "policyholder" means the individual or entity covered by an insurance policy issued by the insurer;

i) for the purposes of paragraph 16, a "beneficiary" means a beneficiary as defined under paragraph 6(7) of POCA Regulations;

j) in paragraph 19, "risk assessment" means the assessment of AML/ATF risks determined by the insurer of a policy holder of the insurer in accordance with POCA Regulations and the relevant Guidance Notes issued by the Authority.

k) for the purposes of paragraph 23, ”non-risk rated policyholder” means a policyholder who has not been “risk rated” in line with the AML/ATF risk assessment requirement imposed under POCA Regulations and the relevant Guidance Notes issued by the Authority.

INSTRUCTIONS TO TABLE II:

For the purposes of Table II:

In paragraphs 21 and 35 “reporting officer” has the meaning given under paragraph 2 of POCA.

Part XXIII - Part of Interest Rate Sensitive Assets and Liabilities

	INTEREST RATE DOWN SHOCK												
	Exposures other than derivatives					**Derivative exposures**							
Currency	**Assets**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**	**Assets – Not Qualifying as held for risk-mitigation purposes**		**Assets – Not Qualifying as held for risk-mitigation purposes**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**	
	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock	
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	
United States Dollars													
Euro													
United Kingdom Pounds													
Japan Yen													
Canada Dollars													
Swiss Francs													
Australia Dollar													
New Zealand Dollar													
Other currency 1													
Other currency 2													
Other currency 3													
Other currency 4													
Other currency 5													
Other currency 6													
Other currency 7													
Other currency 8													
Other currency 9													
Other currency 10													
Interest Down Shock Total													

	INTEREST RATE UP SHOCK											
	Exposures other than derivatives					**Derivative exposures**						
Currency	**Assets**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**	**Assets – Not Qualifying as held for risk-mitigation purposes**		**Assets – Not Qualifying as held for risk-mitigation purposes**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**
	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
United States Dollars												
Euros												
United Kingdom Pounds												
Japan Yens												
Canada Dollars												
Swiss Francs												
Australia Dollars												
New Zealand Dollars												
Other currency 1												
Other currency 2												
Other currency 3												
Other currency 4												
Other currency 5												
Other currency 6												
Other currency 7												
Other currency 8												
Other currency 9												
Other currency 10												
Interest Up Shock Total												

INSTRUCTIONS AFFECTING PART XXIII:

(a) insurers are required to report all interest rate sensitive assets including but not limited to fixed income assets, hybrid instruments, deposits, loans (including mortgage and policyholder loans), reinsurance balance receivables and exposures as determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for the following items:

i. collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
ii. segregated account companies assets;
iii. deposit asset;
iv. other sundry;
v. derivatives;
vi. funds held by ceding insurers.

(b) insurers are required to report all interest rate sensitive liabilities including but not limited to best estimate of insurance liabilities, other liabilities and liability exposures as determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for the following items:

i. segregated account companies liabilities;
ii. deposit liabilities;
iii. other sundry liabilities;
iv. derivatives;
v. funds held under retrocession.

(c) Assets qualified as held for risk mitigating purposes and assets not qualified as held for risk mitigating purposes shall be determined in accordance with criteria prescribed by the Authority.

(d) liabilities with management actions shall be determined in accordance with criteria prescribed by the Authority.

(Paragraph 6)

PART XXV

SCHEDULE OF ADJUSTMENTS

1. An insurer may make an application to the Authority in accordance with section 6D (7) of the Act, to request for any of the following adjustments, to be made to the insurer's enhanced capital requirement, available statutory capital and surplus, total statutory capital and surplus or available statutory economic capital and surplus, and any adjustment approved by the Authority shall take effect on the date determined by the Authority—

   (a) to allow for the recognition of material limits and other risk mitigation techniques when not adequately captured by the insurer's ECR calculation;

   (b) *to s*et the '*TransitionalFactor*' of the BSCR calculation to 100%;

   (c) to allow the use of alternative credit ratings for determining the BSCR Ratings within the BSCR calculation;

   (d) to allow the modelling of variable annuity guarantee risk using internal models;

   (e) to assess correct classification of specific assets or liabilities;

   (f) to adjust the insurance reserves;

   (g) to modify the calculation of the minimum margin of solvency requirement;

   (h) to switch to the alternative BSCR methodology for the interest rate/liquidity risk charge calculation (as per paragraph 24 of Part I)

2. The Authority may request an insurer to provide it with any information and documents required in order to appropriately assess an application made to it by an insurer under paragraph 1.

3. In reviewing an application for an adjustment by an insurer under paragraph 1, the Authority shall take into consideration the nature, scale, risk profile and complexity of the insurer's business.

4. Further consideration may be made by the Authority to the following matters, which include but are not limited to the following—

   (a) materiality of the adjustment;

   (b) scope and reasoning for the adjustment;

   (c) quality of supporting analysis provided;

   (d) data completeness, accuracy and appropriateness;

   (e) consistency in the design, assumptions, methodologies and calibration of the BSCR;

   (f) solvency position of the insurer pre and post the proposed adjustment;

   (g) appropriateness and suitability of the methodologies utilised in preparing the adjustment requested (for example calibration and statistical analysis applied);

(h) validation and documentation;

(i) governance and risk management requirements of the insurer and whether such aligns with the proposed adjustment;

(j) governance relating to the production, review and use of the proposed adjustment;

(k) adjustments already granted to the insurer;

(l) the extent to which the model underpinning the proposed adjustment is used in and plays an important role in the insurer's system of governance.

5. Where an application for approval has been granted by the Authority under section 6D (7) prior to 31 December 2023, insurers shall apply the following calculations to any transitional arrangements agreed by the Authority. For an insurer with a liability duration of—

(a) < (less than) 5 years, a five-year transition will apply; and

(b) >= (greater than or equal to) 5 years, a transition period equal to the insurers' liability duration will apply up to ten years.

6. The Authority, at its discretion, may approve applications under subsection 6D(7) for adjustments outside the scope set out in paragraph 1. The conditions that apply to adjustments made under paragraph 1 will also apply to adjustments made under this paragraph. Additionally—

(a) in determining whether to approve such applications, the Authority will also consider the extent to which the scope of the proposed adjustment overlaps with the scope of the adjustments listed in paragraph 1; and

(b) where an approval is granted by the Authority to adjust an insurer's ECR with an adjustment that does not fall under the adjustments listed under paragraph 1, a floor equal to 90% of the unadjusted ECR will apply for the duration of the adjustment.

(Paragraph 6)

PART XXVI

SCHEDULE OF ECONOMIC BALANCE SHEET VALUATION PRINCIPLES

PART 1: ECONOMIC BALANCE SHEET – VALUATION PRINCIPLES

1 The economic balance sheet (EBS) shall be produced on a consolidated basis in line with GAAP principles adopted by the insurer, as notified and agreed by the Authority ("GAAP Principles"). Except where specifically mentioned below, the consolidated assets and liabilities shall be assessed and fair-valued in line with the GAAP principles adopted by the Insurer, as notified to and agreed by the Authority.

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

3 For cases where the GAAP principles do not require an economic valuation the insurer shall fair value the asset or liability using the following hierarchy of high-level principles of valuation of assets and liabilities:

(a) quoted market prices in active markets for the same or similar assets or liabilities must be used whenever possible;
(b) an active market for the purposes of this Part is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis;
(c) where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used;
(d) if there are no quoted market prices in active markets available, mark-to-model techniques, which are alternative valuation techniques that have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input, should be used; and
(e) maximum use must be made of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimising the use of unobservable inputs.

4 When valuing liabilities, no adjustments shall be made to take account of the own credit standing of the insurer.

5 Insurers shall follow the GAAP principles it has adopted in the treatment of insurance contracts that do not transfer significant insurance risk.

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

7 All contractual liabilities or contingent liabilities arising from off-balance sheet arrangements are to be recognised on the EBS. Contractual liabilities should be valued consistently with GAAP principles. In cases where the GAAP principles do not require fair value, the insurer should value the contractual liabilities using the valuation hierarchy in paragraph 3. Contingent liabilities shall be valued based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate. Where the present value of contingent obligations cannot be determined, the liability should be valued at its undiscounted value.

PART 2: TECHNICAL PROVISIONS – APPLICATION PRINCIPLES

Proportionality, nature, scale, complexity and simplifications

8 (1) Insurers shall use methods to calculate technical provisions which are proportionate to the nature, scale and complexity of the risks underlying their insurance obligations.

(2) In determining whether a method of calculating technical provisions under subparagraph (1) is proportionate, insurers shall carry out—

(a) an assessment, which includes an assessment of the nature, scale and complexity of the risks underlying their insurance obligations; and

(b) an evaluation of the error introduced in the results of the method due to any deviation between the following —

(i) the assumptions underlying the method in relation to the risks; and

(ii) the results of the assessment referred to in subparagraph (3).

(3) The assessment referred to in subparagraph (2)(b)(ii) shall include all risks which affect the amount, timing or value of the cash in- and out-flows required to settle the insurance obligations over their lifetime. This shall include the following risk characteristics, where applicable —

(a) the degree of homogeneity of the risks;
(b) the variety of different sub-risks or components of which the risk is comprised;
(c) the manner in which sub-risks referred to in sub-subparagraph (b) are interrelated;
(d) the level of uncertainty of cash flows, including the extent to which future cash flows can be estimated;
(e) the nature of the occurrence or crystallisation of the risk in terms of frequency and severity;
(f) the manner in which claims develop over time;
(g) the extent of potential loss, including the tail of the claims distribution;
(h) the type of business from which risks originate;
(i) the degree of dependency between different risk types, including the tail of the risk distribution; and
(j) risk mitigation instruments applied, if any, and their impact on the underlying risk profile.

(4) The method of calculating technical provisions under subparagraph (1), shall be considered by the Authority to be disproportionate to the nature, scale and complexity of the risks of the insurer's business if the error introduced in accordance with subparagraph (2) (b), leads to a misstatement of technical provisions or their components that could influence the decision-making or judgment of the intended user of the information relating to the value of technical provisions, unless one of the following conditions are met—

(a) no other method with a smaller error is available and the method is not likely to result in an underestimation of the amount of technical provisions; and

(b) the method leads to an amount of technical provisions that is higher than an amount that would result from the application of a proportionate method and

the method does not lead to an underestimation of the risk inherent in the insurance obligations that it is applied to.

(5) Insurers may make suitable simplifications in the calculation of technical provisions as follows —

(a) simplification methods referred to in subparagraph (5) may include —

(i) scaling, mapping to similar products to gross up;

(ii) using a deterministic model instead of stochastic model;

(iii) performing an aggregate calculation instead of policy by policy calculation;

(b) simplification methods may also apply to the determination of best estimate liabilities and risk margin, including but not limited to expected losses on reinsurance recoverables due to counterparty default, reinstatement premiums on reinsurance recoverables, or application of contract boundaries.

Application of assumptions and expert judgement relating to technical provisions

9 (1) Insurers may utilise expert judgement when applying data used in the calculation of the technical provisions, the assumptions underlying the calculations, and the method applied to derive the technical provisions.

(2) Where expert judgement is utilised by an insurer to calculate the technical provisions in accordance with subparagraph (1), the following additional requirements apply —

(a) the use of expert judgement shall not replace appropriate collection, processing and analysis of data;

(b) expert judgement shall not be used in isolation unless there is no reliable alternative;

(c) where expert judgement is solely utilised in accordance with subparagraph (2)(b), or results in a material impact on the derived best estimate, reasonable alternative assumptions are required to be tested by the insurer to ensure the selected assumption appropriately reflects the uncertainty in the outcome; and

(d) persons applying expert judgment shall have adequate experience and sufficient relevant knowledge and understanding of the subject.

(3) Insurers shall ensure that internal users, which includes, but is not limited to, external service providers to whom functions or activities have been outsourced, of relevant assumptions are informed about the content, reliability and limitations of such assumptions.

(4) Where an insurer uses a model to produce projections of future financial market parameters, such model shall comply with the following requirements, it shall—

(a) be risk neutral;
(b) generate prices that are consistent with deep, liquid, and transparent financial markets;
(c) assume no arbitrage opportunity; and
(d) ensure that the calibration of the parameters and scenarios used is consistent with the relevant risk-free interest rate term structure used to calculate the best estimate.

(5) Assumptions applied by insurers in the calculation of technical provisions shall meet the following minimum requirements, whereby they are —

(a) clear and justified, whereby insurers have taken into account —

(i) the significance of the assumption;
(ii) any uncertainty in the use of the assumption ; and
(iii) any relevant alternative assumption.

(b) consistent with the characteristics of the portfolio of the insurer's insurance obligations;

(c) applied by the insurer consistently over time and within homogeneous risk groups and lines of business, without arbitrary change; and

(d) adequately reflective of any uncertainty underlying the insurer's cash flows.

PART 3: TECHNICAL PROVISIONS – GENERAL CALCULATION PRINCIPLES

General

10 (1) Every insurer shall establish technical provisions under these Rules, with respect to insurance obligations relating to insurance contracts.

(2) The value of technical provisions shall be equal to the sum of a best estimate and a risk margin. The two components shall be calculated separately unless the technical provisions as a whole approach, under paragraph 37, is applied.

(3) Notwithstanding subparagraph (1), where cash flows associated with insurance obligations can be replicated using financial instruments, then insurers may use the market values of those financial instruments as the technical provisions.

(4) The value of technical provisions shall correspond to the current amount insurers would have to pay if they were to transfer their insurance obligations immediately to another insurer in an arm's length transaction.

(5) Insurers shall ensure that the calculation of the technical provisions shall include and be consistent with up-to-date financial market information and generally available data on insurance risks.

Segmentation

11 Insurers shall segment insurance obligations into homogeneous risk groups when calculating the technical provisions.

Insurance obligation recognition and contract boundaries

12 (1) When calculating the technical provisions, insurers shall recognise an insurance obligation at the date a member of the insurer becomes a party to the contract of insurance that gives rise to the obligation or the date the insurance cover begins, whichever date occurs earlier. Insurers shall only recognise the obligations within the boundary of the contract.

(2) An insurer, when determining whether to include a contract of insurance within the technical provisions, shall consider—

(i) whether or not such contract is legally enforceable; or

(ii) on what terms the insurer could avoid the liability associated with the exposure.

(iii) whether or not the insurer is able to materially change the terms or premium associated with the contract of insurance, where an insurer that is legally required under law to provide the insurance cover.

(3) Insurers shall no longer recognise insurance obligations referred to in subparagraph (1), from the date such obligations become extinguished, including but not limited to, where they are discharged, cancelled or upon the date of expiration of the contract of insurance.

(4) All obligations relating to a contract of insurance will be considered by an insurer to be within the boundaries of such contract until any of the following matters arise —

(a) an insurer is no longer required to provide coverage under the contract of insurance;

(b) an insurer has the contractual right or ability to reassess the risk of a policyholder or beneficiary of a contract of insurance and, as a result, can set a price that fully reflects the revised risk; or

(c) where an insurer has the ability to reassess the risk of the portfolio that contains a contract of insurance and, as a result can set a price that fully reflects the risk of that portfolio.

Data

13 (1) Insurers shall implement internal processes and procedures to ensure the appropriateness, completeness and accuracy of the data utilised in the calculation of technical provisions applicable to them.

(2) Where insurers have insufficient quality data to apply a reliable actuarial method to a set or subset of insurance obligations, or amounts recoverable from outwards reinsurance contracts, approximations may be used in the calculation of the best estimate.

Comparison against experience

14 (1) Insurers shall implement processes and procedures to ensure that the best estimate calculation, and the assumptions underlying such calculation, are regularly compared against experience.

(2) Where the review identifies systematic deviation between experience and the best estimate calculations conducted in accordance with the technical provisions Rules, the insurer shall make appropriate adjustments to the actuarial methods being used or the assumptions being made.

PART 4: TECHNICAL PROVISIONS - BEST ESTIMATE

Overview

15 (1) Insurers shall ensure that the best estimate calculation that is applied shall—

(a) correspond to the probability-weighted average of future cash flows discounted, using the relevant interest rate term structure.

(b) take into account the time value of money, using the relevant risk-free interest rate term structure with an appropriate illiquidity adjustment.

(c) allow for uncertainty in future cash flows, and reflect the full potential range of possible outcomes, each weighted to reflect their respective probability of occurrence.

(d) be based upon up-to-date, reliable, and credible information and realistic current assumptions and be performed using adequate, applicable and relevant actuarial and statistical methods. At each valuation date, the insurer shall consider whether the assumptions and methods applied continue to be appropriate and justify changes or no-changes.

(2) The best estimate gross of any recoverable amounts from outwards reinsurance contracts, and the corresponding best estimate of the recoverable amounts, shall be calculated and shown separately.

Cashflows and uncertainty in future cashflows

16 (1) The cash flows applied in the calculation of the best estimate shall include all future cash inflows and outflows required to settle insurance obligations that are within the contract boundaries (as defined in paragraph 12) of the existing insurance contracts.

(2) In relation to cash flows used in the calculation of best estimates in subparagraph (1), insurers shall take into account of the following types of cashflows, including but not limited to—

(a) premium payments, including outwards (reinstatement or otherwise) premiums, and any additional cash flows resulting from such premiums;

(b) benefit payments, including discretionary benefits, to cedents, policyholders and beneficiaries;

(c) payments that the insurer will incur in providing contractual benefits in kind;

(d) expenses (including payments to intermediaries, claim costs, servicing costs and profit commissions) incurred in servicing insurance obligations over their lifetime;

(e) investment costs including payments between the insurer and investment firms in relation to contracts with index-linked and unit-linked benefits;

(f) payments between the insurer and intermediaries related to insurance obligations;

(g) payments for salvage and subrogation to the extent that such do not qualify as separate assets or liabilities in accordance with international accounting standards (such as IFRS or GAAP);

(h) taxation payments which are, or are expected to be, charged to policyholders and beneficiaries or are required to settle the insurance obligations;

(i) payments between the insurer and its reinsurers or other providers of risk mitigation, making due allowance for any expected shortfall in amounts to be received due to counterparty default (for whatever reason, including, but not limited to counterparty insolvency or contractual dispute); and

(j) Any other cashflow items which are expected to be charged to policyholders or required to settle the obligations.

(3) cash flow projections applied in the calculation of the best estimate shall, take account of uncertainties in the cash flows, including uncertainties —

(a) in the timing, frequency and severity of insured events;

(b) in claim amounts, including uncertainty in claims inflation, and in the period needed to settle and pay claims;

(c) in the amount of expenses;

(d) in the expected future developments;

(e) in policyholder behaviour;

(f) in the dependency between two or more causes of uncertainty;

(g) in the dependency of cash flows on circumstances prior to the date of the cash flow.

Expenses

17 (1) The best estimate shall reflect all cash-flows arising from expenses that will be incurred in servicing insurance obligations. This shall include but not be limited to the following expenses—

(a) administrative;
(b) claims management;
(c) acquisition;
(d) investment;
(e) overhead.

(2) In relation to subparagraph (1)(e), overhead expenses shall include but are not limited to:

(a) salaries of general managers,
(b) auditing costs;
(c) day-to-day costs;
(d) new business development expenses;
(e) advertising and improvements of internal processes.

(3) Insurers shall consider whether sufficient future new business will be sold to enable existing per policy expenses to be maintained with an appropriate rate of inflation. For closed books or declining business, consideration shall be given to whether additional expense reserves are required to reflect increasing per policy expenses as the business runs off.

(4) In the calculation of the best estimate, insurers may include investment- related expenses as a separate series of cashflows or such may be offset against the discount rate.

(5) The investment expenses in relation to subparagraph (1)(d) may be based on the hypothetical costs relating to a theoretical investment portfolio for business for which the standard approach, as defined in paragraph 27 has been adopted. Where the scenario based approach (as set out in paragraph 28) is applied, then investment expenses shall be based on the costs associated with the insurer's actual investment portfolio.

(6) Current administrative, claims management, investment as defined under subparagraph (1) and overhead expenses as defined in subparagraph (1) shall be projected forward by insurers using appropriate rates of expense inflation.

Different currencies application- best estimate calculation

18 (1) The time value of money of future cash-flows in different currencies shall be calculated by
insurers using the relevant interest rate term structure for each relevant currency.

(2) Insurers shall ensure that discounted future cash-flows are converted to the reporting currency at the exchange rates in effect as of the valuation date, to obtain the best estimate.

(3) Best estimates to be calculated by currency shall be produced using material currencies and the insurer's reporting currency.

(4) Insurers shall consider data availability in creating and applying homogeneous risk groups by currency, to ensure that appropriate discount rates are available in the calculation the best estimate.

Allowance for recoveries from outwards (re)insurance contracts

19 (1) The best estimate of inflows and outflows from outwards (re)insurance contracts shall be based on principles consistent with those underlying the gross (of outwards (re)insurance) best estimate.

(2) Relevant cash flows, relating to outwards (re)insurance contracts, to be considered for calculation of the best estimate requirement shall include, where applicable, reinstatement premiums required to be paid to a (re)insurer, and expenses in relation to the management and administration of outwards (re)insurance claims.

(3) Insurers shall include projected outwards reinstatement premiums within the premium provisions. When calculating the best estimate of the reinstatement premiums under subparagraph (2), insurers shall ensure that -

(a) they capture the uncertainty of claims experience, taking into account the likelihood and severity of all outcomes; and
(b) the approach used to assess the level of reinstatement premiums is consistent with the valuation of the best estimate claims costs allowed for in the premium provisions; and
(c) the administrative expenses associated with the cost of handling the reinstatement is also included in the premium provisions.

(4) Where recoveries from outwards (re)insurance contract are not dependent directly on gross claims payments, then the insurer shall take into account any structural mismatch between gross claims payments and amounts recoverable in determining their best estimate.

(5) Insurers shall consider the potential impact of timing differences between payment of gross claims and receiving related recoveries from (re)insurers.

Allowance for counterparty default

20 (1) The best estimate of outwards (re)insurance recoveries shall be adjusted to take account of expected losses due to counterparty default for whatever reason, including (re)insurer insolvency and contractual dispute.

(2) The adjustment shall be calculated separately as the expected present value of the change in cash-flows underlying the amounts recoverable from the counterparty, resulting from a default of the counterparty at a certain point in time. This calculation shall therefore take into account possible default events over the lifetime of the rights arising from the corresponding outwards reinsurance contract and the dependence on time of the probability of default.

(3) Insurers may make allowance for counterparty credit risk mitigation techniques they have adopted as follows—

(a) where such allowance involves the use of collateral assets, then the potential market risk on the relevant assets shall be taken into account; and
(b) where security has been obtained by way of letter of credit, guarantee or similar arrangement, then insurers shall replace the rating of the reinsurer with the rating of the security provider.

Expected future developments

21 (1) An insurer's calculation of the best estimate shall take into account future developments, including trends, that may have a material impact on the cash inflows and outflows required to settle insurance obligations of a contract for insurance for the duration of the contract.

(2) Insurers shall regard future developments for the purposes of calculation of the best estimate requirement in subparagraph (1), to include demographic, legal, medical, technological, social, environmental and economic developments including inflation.

Allowance for management actions

22 (1) Insurers shall ensure that the best estimate calculation reflects potential management actions (that is any action the officers of an insurer may expect to carry out under specific future circumstances) and where and to the extent required, potential changes in policyholder behaviour.

(2) Management actions shall be reflected by insurers in the valuation of the best estimate provided that the management actions:

(a) are clearly documented;
(b) have been approved by the chief executive or senior executive;
(c) are consistent with representations made to policyholders;
(d) are realistic and consistent with the insurer's current business practice and business strategy, including the use of risk-mitigation techniques where there is sufficient evidence that the insurer will change its practices or strategy, the assumed management actions are consistent with the changed practices or strategy;
(e) reflect the time and cost required to implement;
(f) are consistent with past evidence of similar actions in similar circumstances;
(g) are not contrary to any obligations towards policyholders and beneficiaries or to legal requirements applicable to the insurer;
(h) are consistent with each other; and
(i) are defined clearly as to when each would be taken.

(3) Assumptions relating to management actions shall be relevant to the insurers operations and shall take into account all of the following matters —

(a) a comparison of assumed future management actions with management actions taken previously by the insurer;
(b) a comparison of future management actions taken into account in the current and in the past calculations of the best estimate;
(c) an assessment of the impact of changes in the assumptions on future management actions on the value of the technical provisions; and
(d) the time needed to implement the management actions and any expenses relating to them.

(4) Use of management actions shall not apply to reinvestment and disinvestment assumptions in the scenario-based approach. For liabilities valued using the scenario-based approach, insurers shall apply the requirements set out in paragraph 28 in relation to the application of such assumptions.

Policyholder Behaviour

23 (1) When determining the likelihood that policyholders will exercise contractual options, including lapses and surrenders, insurers shall conduct an analysis of past policyholder behaviour and a prospective assessment of expected policyholder behaviour.

(2) The analysis required in subparagraph (1) shall take into account all of the following matters—

(a) analysis of previous data on policyholder actions, if available;

(b) analysis of the degree to which it would be in the policyholder's interest to exercise the available option;

(c) changes in the operating environment;

(d) potential interaction with management actions;

(e) the influence of economic conditions;

(f) any other circumstances that are likely to influence decisions by policyholders on whether to exercise the option; and

(g) possibility of recaptures for reinsurance transactions.

(3) An insurer shall consider whether the insurance liabilities may be materially affected by either management actions or policyholder behaviour across a range of potential future economic scenarios.

(4) In relation to liabilities that may be materially affected by management action and policyholder behaviour, assumptions are required to be taken into account by an insurer across a range of economic scenarios. Where such assumptions already exist, these are required to be reviewed by an insurer to ensure they are appropriate to be taken into account.

(5) The allowance for management action and policyholder behaviour shall be disclosed, together with information indicating the possible materiality on the calculation of the best estimate.

Discretionary benefits

24 Where future discretionary benefits depend on the assets held by the insurer, insurers shall base the calculation of the best estimate on the assets currently held by the insurer and shall assume future changes of their asset allocation in accordance with the requirements relating to management actions. Insurers shall ensure that assumptions applied on the future returns of the assets are consistent with the relevant interest rate term structure utilised.

Valuation of material guarantees and contractual options

25 (1) When calculating the best estimate, insurers shall identify and take into account all material financial guarantees, non-financial guarantees and contractual options included in insurance contracts (whether such are contained in the insurance liabilities or the assets backing the insurance liabilities).

(2) When calculating the best estimate, insurers shall take into account all factors which may affect the likelihood that policy holders will exercise contractual options or realise the value of financial guarantees.

Best estimate calculation method

26 (1) The best estimate shall be calculated in such a way as to ensure that the calculation method and the results that derive from it are capable of review by a competent person.

(2) The selection of actuarial and statistical methods utilised by insurers for the calculation of the best estimate requirement, shall—

(a) reflect the risks affecting the underlying cash flows and the nature of the insurance obligations of insurer's contracts;

(b) be consistent with and make use of, all relevant data available for the calculation of the best estimate.

(3) Where a calculation method is based on grouped policy data, insurers shall ensure that the grouping of policies creates homogeneous risk groups that appropriately reflect the risks of the individual policies included in such groups.

(4) Insurers shall analyse the extent to which the present value of cash flows depend both on the—

(a) the expected outcome of future events and developments; and

(b) how the actual outcome in certain scenarios could deviate from the expected outcome.

(5) Where the present value of cash flows depends on future events and developments in accordance with subparagraph (4), insurers shall calculate the best estimate for cash flows applying methods which reflect such dependencies.

Discounting - 'Standard Approach'

27 (1) When calculating the best estimate, insurers shall take into account the time value of money using an applicable risk-free interest rate term structure with an appropriate illiquidity adjustment. The interest rate term structure applied shall take into account a partial reflection of the illiquidity premium existing in underlying assets held and mitigate artificial volatility on its balance sheets.

(2) Risk-free discount curves and illiquidity premium adjusted risk-free discount curves relating to certain currencies shall be prescribed by the Authority on its website at *www.bma.bm/* and shall be applied by the insurers that use the standard approach in determining the best estimate for some or part of their liabilities.

(3) When insurers have liabilities in a currency where discount curves are not available under subparagraph (2), they should apply to the Authority under Section 6D of the Act for determining suitable discount curves for that currency.

(4) Where assumptions on investment returns are required for the purposes of calculating the best estimate, the investment returns shall be consistent with the relevant risk-free term structure applied by the insurer and shall take into account the illiquidity premium adjusted risk-free discount curves (as determined by the Authority) under subparagraph (2).

Discounting – 'Scenario-based approach'

28

(1) When determining the best estimate liabilities, insurers may elect to apply the scenario-based approach or the standard approach to some or all of long-term business written by members of the insurer, subject to liabilities meeting the requirements of this paragraph and paragraph 29(1).

(2) The Authority may, at its discretion, determine that an insurer must apply either the scenario-based approach or the standard approach to some or all of the long term business written by members of the insurer.

(3) In making a determination under subparagraph (2), the Authority shall consider the following matters which include, but are not limited to—

(a) the degree of asset and liability matching;
(b) degree of optionality in liabilities;
(c) nature, scale and complexity of the insurer's business;
(d) results of any supervisory review process undertaken by the Authority.

(4) Insurers shall not split underlying policyholder contracts to achieve scenario-based approach eligibility.

(5) Insurers shall ensure the asset and liability portfolios for which the scenario-based approach is used, are well-matched.

(6) Insurers shall ensure that for the assets and liabilities for which the scenario-based approach is used, the assets backing the liabilities are denominated in the same currency as the liabilities. To the extent this may not be the case, the currency mismatch must be hedged and effectively managed.

(7) In determining the best estimate liability using the scenario-based approach, insurers shall run the calculation through the following nine interest rate scenarios—(

(a) No adjustment to the rates. This scenario for which no adjustment is made to the rates shall be called the base scenario.

(b) All rates decrease annually to total decrease of 1.5% in tenth year; unchanged thereafter.

(c) All rates increase annually to total increase of 1.5% in tenth year; unchanged thereafter.

(d) All rates decrease annually to total decrease of 1.5% in fifth year, then back up again by tenth year.

(e) All rates increase annually to total increase of 1.5% in fifth year, then back down again by tenth year.

(f) Decrease with positive twist to the following net change after ten years (interpolate for other durations):

(i) Year 1 spot rate -1.5%
(ii) Year 10 spot rate -1.0%
(iii) Year 30 spot rate -0.5%

(g) Decrease with negative twist to the following net change after ten years (interpolate for other durations):

(i) Year 1 spot rate -0.5%
(ii) Year 10 spot rate -1.0%
(iii) Year 30 spot rate -1.5%

(h) Increase with positive twist to the following net change after ten years (interpolate for other durations):

(i) Year 1 spot rate +0.5%
(ii) Year 10 spot rate +1.0%
(iii) Year 30 spot rate +1.5%

(i) Increase with negative twist to the following net change after ten years (interpolate for other durations):

(i) Year 1 spot rate +1.5%
(ii) Year 10 spot rate +1.0%
(iii) Year 30 spot rate +0.5%

(8) For the purpose of calculating best estimate liabilities under the scenario-based approach, insurers shall determine the future yield curves under each scenario as follows—

(a) convert initial spot rates to the corresponding forward rates;

(b) build spot rate curves at future years (years 1, 2,3, etc.) using the forward rates determined in accordance with subparagraph (a);

(c) apply adjustments set out in the previous subparagraph (7) to the spot rate curves in subparagraph (8)(b), to determine the spot rate curve at each future year along each scenario.

(9) Insurers shall ensure that the following requirements are met within the projections used to calculate best estimate liabilities under the scenario-based approach —

(a) spot rate curves determined under paragraph 8(c) shall be applied, together with the assumed spreads for each modelled asset class, to calculate the yields and prices of each asset at the moment it is purchased or sold;

(b) for each scenario, at least annually within the projections, liability cash-flows shall be compared to asset cash-flows to establish net cash-flows as the difference of the asset and liability cash-flows;

(c) in relation to cash-flow shortfalls (i.e., negative net cash-flow) when a comparison is conducted in accordance with subparagraph (b), insurers shall sell assets, at the yields prevailing in the scenario at the applicable timestep, to cover the shortfall;

(d) where there is a cash-flow excess (positive net cash-flow) when a comparison is conducted in accordance with subparagraph (b), insurers shall purchase assets, at the yields prevailing in the scenario at the applicable timestep, in accordance with its investment and reinvestment guidelines.

(10) Insurers shall calculate best estimate liabilities under the scenario-based approach as follows—

(a) use the current asset portfolio and reinvestment requirements determined in line with subparagraph 33, to determine the amount of held assets required to cover

liability cash-flows under the base scenario;

(b) determine under each other stress scenario as defined in subparagraph (7), the revised amount of assets required to cover liability cash-flows;

(c) set the best estimate liabilities to be equal to the highest asset requirement across all scenarios.

(11) For sets of liabilities where full fungibility exists, insurers may apply the scenario that produces the highest asset requirement in aggregate (the "biting scenario"). Different blocks of liabilities cannot be assumed to be fungible unless it can be demonstrated they are fungible and prior written approval is obtained from the Authority. Where fungibility between portfolios or blocks of business is restricted, those liabilities should not be aggregated by insurers for the purposes of determining the biting scenario.

(12) The following asset categories may be applied by insurers in the scenario-based approach calculation—

(a) acceptable assets under subparagraph (13);

(b) assets requiring prior approval in accordance with subparagraph (14);

(c) asset classes which may be applied on a limited basis with the approval of the Authority in accordance with subparagraph (15);

(d) asset classes which may be applied with the approval of the Authority as prescribed in accordance with subparagraph (17).

(13) Acceptable assets shall be those that are investment grade assets as follows—

(a) government bonds;

(b) municipal bonds;

(c) public corporate bonds;

(d) cash and cash equivalents.

(14) An insurer shall obtain prior approval to use other investment grade fixed income assets including but not limited to: private assets, structured securities, residential mortgage loans, commercial mortgage loans and investment grade preferred stock, when calculating the scenario-based approach. Structured securities for the purposes of this paragraph shall include, but are not limited to—

(a) mortgage-backed securities;

(b) asset backed securities;

(c) collateralized loan obligations.

(15) Notwithstanding subparagraphs (13) and (14), insurers may apply to the Authority for approval to utilise other assets on a limited basis within the scenario-based approach calculation. The application shall be supplemented by information and documents prescribed by the Authority. Assets which may be applied for in accordance with this paragraph are as follows—

(a) assets under subparagraph (13) where such are below investment grade;

(b) assets under subparagraph (14) where such are below investment grade;

(c) commercial real estate;

(d) credit funds (containing fixed income instruments).

(16) The assets which may be applied by an insurer in accordance with an approval granted by the Authority pursuant to subparagraph (15)—

(a) shall be limited in aggregate to no more than 10% of the value of the asset portfolio used in the scenario-based approach calculation at the time of the calculation, and at each time step within the projections;

(b) may be subject to a lower limit of the value of the asset portfolio used in the calculation at the time of the calculation and at each time step within the projections, where the Authority deems such appropriate;

(c) shall be required to be reviewed by the approved actuary on an annual basis, in order to demonstrate to the Authority that they remain appropriate to be used in the calculation of the scenario-based approach by an insurer;

(d) shall be limited so that any one asset will not comprise more than 0.5% of the total asset portfolio;

(e) may be subject to other conditions on grant of approval, as determined by the Authority when considering the nature, scale and complexity of an insurer's business;

(f) shall not be sold to meet cashflow shortfalls within the scenario-based approach projections. An exception may exist where, for assets with no contractual maturity date, a different treatment has been approved by the Authority subject to conditions set by the Authority;

(17) When calculating the best estimate liabilities using the scenario-based approach, insurers may make an application to the Authority for approval regarding long term liabilities beyond 30 years, to use certain asset types that would otherwise not be acceptable (such as equities) to derive an adjustment to capital, that is, a long-term investment credit.

(18) The capital adjustment referred to in subparagraph (17) shall be determined as follows—

(a) calculate best estimate liabilities with no allowance for not-acceptable assets i.e., using only existing assets in accordance with paragraph (13) and assets under subparagraphs (14) and (15) where those have been approved by the Authority;

(b) calculate best estimate liabilities with allowance for otherwise not-acceptable assets to back liability cash flows beyond 30 years;

(c) the difference between the calculations in subparagraphs (a) and (b) above may be considered as a positive adjustment to capital subject to limits imposed by the Authority;

(d) subject to approval by the Authority, certain assets acceptable on a limited basis (not including non-investment grade structured securities) that are not already used in the scenario-based approach calculation under subparagraph (a), may also be used under subparagraph (b) for the purposes of determining the capital adjustment;

(e) the best estimate liabilities with allowance for otherwise not-acceptable assets shall be calculated such that each year, an annual cohort of otherwise not-acceptable assets (including assets referred to in subparagraph (d)) is to be converted into investments that are acceptable in accordance with subparagraph (13) to cover liability cashflows 30 years beyond that year; and

(f) yields on the not-acceptable assets shall be reduced by an amount that approximates one standard deviation of the cumulative return over the investment period for each cohort (ignoring any deviation related to interest rate risk or default risk).

(19) An application made to the Authority by an insurer in accordance with subparagraph (17), shall be accompanied by—

(a) an overview of the characteristics of the underlying liabilities in the calculation;

(b) projected liability cash-flows;

(c) implementation of the calculation demonstrating compliance with these Rules;

(d) detailed information on the asset portfolio used for the alternative calculation and an explanation of why these assets are considered to be appropriate including an assessment of the uncertainty in market prices at which a cohort of such assets can be rotated into acceptable assets each year;

(e) an analysis estimating the non-interest related and non-default related variability of the assets used in the alternative calculation;

(f) an analysis demonstrating the stability and predictability of liability cashflows; and

(g) an analysis demonstrating the robustness and prudence of the yield assumptions. The Authority may further limit the assumed yields.

(20) Insurers shall ensure that assets used in the scenario-based approach provide predictable and stable cash flows with no or limited optionality, unless required to match liability cash flows, where appropriate and allowed in accordance with these Rules. Optionality and all other rate-sensitive assumptions in both assets and liabilities, shall be modelled under all of the scenario-based approach scenarios set out under subparagraph (7).

(21) Where optionality or behavioural components exist in relation to investments (e.g., call options for corporate bonds or prepayments for certain mortgage-backed securities), insurers shall ensure that such are modelled whereby the resulting asset cash flows appropriately differ between the scenario-based approach scenarios under subparagraph (7). Where no sufficient data for a specific asset type is available; or uncertainty around the level of the assumptions exists, prudent assumptions shall be applied by insurers in determining the scenario-based approach projections.

(22) Insurers shall ensure that projected asset cash flows in the scenario-based approach shall be reduced by default and downgrade costs. Default and downgrade costs are prescribed by the Authority for some assets with publicly available data. For all other assets, the methodology for calculating default and downgrade costs shall be applied by insurers in accordance with subparagraphs (24) and (25).

(23) Insurers shall ensure that default and downgrade costs applied in accordance with subparagraph (22) are applied by reducing projected asset cash flows.

(24) Insurers shall apply the following criteria to default and downgrade costs for all other assets as referenced in subparagraph (22)—

(a) realised average default losses from past data shall be applied by insurers as a baseline for default costs;

(b) an uncertainty margin, assessed in addition to the baseline default cost, shall be applied as a downgrade cost estimate.

(25) Insurers seeking to apply assets referenced in subparagraph (22) where the Authority does not prescribe the default and downgrade costs, shall be subject to the requirements of subparagraph (26). An insurer shall obtain written approval from the Authority prior to utilizing such assets in the calculation of the scenario-based approach.

(26) Insurers shall consider the following requirements in estimating default and downgrade costs for assets where such are not prescribed by the Authority—

(a) the ultimate default and downgrade cost estimate assumptions utilised in the scenario-based approach must be no less than those published by the Authority for assets of comparable credit quality;

(b) the ultimate default and downgrade cost estimate assumptions proposed for use in the scenario-based approach shall be no less prudent than those obtained using the approach set out in subparagraph (24);

(c) benchmarking analysis shall be conducted where applicable;

(d) in relation to the consideration of assets acceptable on a limited basis in accordance with subparagraph (15)—

(i) the insurer shall be required to submit an application to the Authority for prior approval to use such assets;

(ii) in its review of any application made to it under subparagraph (i), the Authority shall consider the uncertainty adjustment for the default cost in relation to such assets, which shall correspond to no less than one standard deviation of default costs;

(iii) the Authority may vary the requirement under subparagraph (ii), at the time of reviewing an application for approval under

subparagraph (i);

(iv) other measures the Authority may consider in relation to an application made in accordance with subparagraph (i) include, but are not limited to:

A. assessing a higher uncertainty adjustment than proposed by an insurer; and

B. setting limits on the spreads of the assets.

(27) An insurer may also be required to demonstrate that the calculated net investment spread reflected in the best estimate liabilities for each asset class can be earned over the tenor of the asset. An insurer shall provide an assessment of the relevant liability liquidity profile and the extent to which any estimated asset illiquidity and complexity premia could be earned.

(28) The Authority may consider varying the criteria under subparagraph (26) where—

(a) the insurer has obtained approval from the Authority to use its own internal model to calculate the capital requirements for credit default and downgrade risks; or

(b) an internal ratings-based approach application made by the insurer as been approved by the Authority.

(29) The chief actuary and chief investment officer (or other officer approved by the Authority to fulfil such obligations), shall confirm in accordance with subparagraph (25)—

(a) the default and downgrade cost assumptions submitted for approval to the Authority;

(b) the insurer's compliance with applicable regulatory requirements.

(30) The following requirements apply to transaction costs in the scenario-based approach projections—

(a) best estimate transaction costs shall be applied by insurers to all assets sold and bought within the scenario-based approach projections;

(b) where historical transaction costs for an asset type may not be representative of expected future transaction costs, an insurer shall adjust the assumptions accordingly, where that adjustment would lead to an increase in the transaction costs;

(c) where no sufficient data for a specific asset type is available; or uncertainty around the level of the assumptions exists, prudent assumptions shall be applied by insurers in determining the scenario-based approach projections;

(d) applicable fees, commissions and other expenses required to purchase or sell assets shall be included by insurers within the transaction cost assumptions;

(e) transaction cost assumptions shall be independently reviewed by the approved actuary.

(31) For all assets, the full expected price impact of selling or buying the asset shall be reflected within the scenario-based approach projections.

(32) Insurers shall regularly review and back-test the calibration of bid-ask spreads and liquidity and price impacts against (historical) market data and its own experience. The Authority may request the tests conducted by insurers and any information utilised or applied by the insurer in the conduct of such tests, if required in furtherance of its supervisory oversight.

(33) Where an insurer reinvests excess net cash flow, it shall have regard for the following requirements when applying reinvestment assumptions in the scenario-based approach calculations—

(a) unless otherwise approved by the Authority, assumed asset purchases shall be made by insurers from asset classes in line with its current asset allocation and consistent with its asset and liability management policy, investment policy and with any asset allocation targets approved by its board;

(b) simplifications to categorise different alternative assets into one bucket for reinvestment assumption purposes shall not be made, unless it is clearly demonstrated, quantitatively and qualitatively, that such simplification result in a best estimate liability amount that is more prudent than if no simplification had been made;

(c) insurers shall, unless approval has been obtained from the Authority, set reinvestment assumptions in accordance with subparagraph (33)(a) that—

(i) vary by rating and tenor within each asset class;

(ii) are set at the appropriate level of granularity with respect to the tenor and ratings;

(d) the tenor may be simplified into "buckets". Where an insurer seeks to do so, there shall be not less than three buckets created (i.e., short-term, medium-term and long-term maturities) each defined depending on the insurer's liability and asset cash flow profile;

(e) in relation to reinvestment and asset purchase assumptions—

(i) asset prices shall be in line with the market values as projected under each scenario at a given time step for different asset classes for each combination of rating and tenor;

(ii) such shall not materially depart from an insurer's current asset allocation;

(iii) over the projection period, long-term historical market averages shall be applied prudently and in the context of the performance of an insurer's existing asset portfolio;

(iv) the grade-in period for moving from short-term spreads to long-term spreads shall be set prudently, such that it is longer when short-term spreads are lower than long-term spreads and shorter when short-term spreads are higher than long-term spreads. Any departures from this requirement shall be demonstrated to be of immaterial impact; and

(v) any overperformance (compared to the market) on the current portfolio shall not be assumed to continue over the projection period at variance with long-term historical market averages.

Assumptions under subparagraphs (33)(e)(i) through (33)(e)(v) shall be set prudently in line with the nature, scale and complexity of the insurer's assets, subjected to independent challenge and clearly documented as part of the internal governance process;

(f) within the scenario-based approach model projections, an insurer may only purchase assets from an asset category that has already been approved by the Authority;

(g) an insurer shall demonstrate to the Authority, as part of attestations and the review of the approved actuary, that its reinvestment strategy, including any simplifications applied, results in a more prudent best estimate liabilities output than would have been produced had the existing asset allocation been used for reinvestment purposes, with or without similar simplifications;

(h) insurers using the scenario-based approach shall be required to maintain a high degree of asset and liability matching to ensure limited need for reinvestment. Where an insurer is unable to clearly demonstrate that its reinvestment strategy meets the requirements of this paragraph, a more prudent approach shall be taken to ensure compliance;

(i) any material change required by an insurer to its reinvestment strategies, e.g., due to holding cash assets on a reinsured portfolio, shall require written approval from the Authority. Material changes shall be as defined in the model change policy for the scenario-based approach.

(34) An insurer shall have a clearly defined disinvestment strategy aligned with its investment policy and other relevant policies e.g., ALM policy. Within the scenario-based approach—

(a) assets shall only be sold for purposes of meeting excess liability cashflows otherwise not met through cash flows from asset maturities and coupon payments;
(b) notwithstanding subparagraph (34)(a), insurers shall sell assets, where required, to maintain the existing asset allocation within existing duration limits over time;
(c) the cumulative impact of default and downgrade costs shall be reflected in the sale proceeds within the projections;
(d) negative net cashflows shall not be rolled forward in the scenario-based approach model projections;
(e) use of borrowing is not allowed;
(f) modelled disinvestment strategy shall be proportionate to the risk profile of an insurer; aligned with an insurer's disinvestment practices; avoid inappropriate simplifications and comply with other relevant requirements in these Rules e.g., fungibility constraints.
(g) No unsellable assets can be sold within the model projections. Unsellable assets, in the context of scenario-based approach calculations, include —
(i) all assets not publicly traded unless approved by the Authority to be treated as sellable, with appropriate haircuts;
(ii) all assets requiring the Authority's approval under subparagraphs (14) and (15), unless approved by the Authority to be treated as sellable with appropriate haircuts, and;
(iii) all encumbered assets, unless being sold for the purpose for which they are encumbered and where relevant pre-requisite processes (e.g. obtaining consent from involved parties) have been complied with.

(35) Simplifications to the requirements of subparagraph (34) are permitted where these are assessed, quantitatively and qualitatively, to be prudent by the chief investment officer and approved actuary.

(36) The chief investment officer (or other officer of the insurer as may be approved by the Authority for this purpose) shall attest to the appropriateness and prudence of the reinvestment and disinvestment strategies and investment expense and spread assumptions modelled in the scenario-based approach model, confirming alignment with the insurer's practices and declaring compliance with the insurer's policies and the requirements in the previous sub paragraphs.

(37) When assigning assets to back best estimate liabilities under the scenario based approach, the following requirements are applicable:

(a) assets assigned shall be separately identifiable and documented. Such assets shall not be used or pledged for any purpose other than meeting the policyholder liabilities for which the assets are assigned;
(b) adequate controls must be established to ensure that assets backing liabilities are only exposed to and used to meet payment of the liabilities being valued;
(c) assigned assets shall not be used to cover losses or needs arising from other activities of an insurer;
(d) different approaches may be used to assign assets to back liabilities valued under the scenario-based approach, and must be in line with an insurer's s Asset and Liability Management (ALM) program;

(e) all approaches used in accordance with subparagraph (37)(d) must ensure a high degree of matching while reflecting all constraints imposed (i.e., legal, regulatory, and operational limitations or encumbrances) that may govern specific portfolios of assets and liabilities, restricting full fungibility (under normal and adverse scenarios) of cashflows and assets between different blocks of scenario-based approach liabilities. Where constraints exist, the approved actuary shall assess the extent to which such constraints have been appropriately considered and fully reflected in the valuation of best estimate liabilities under the scenario-based approach;

(f) assumption of fungibility of asset cashflows between blocks of business is not allowed in the scenario-based approach calculation, except to the extent that it is transparent, practical, and allowed by the relevant applicable laws and contractual arrangements. Where fungibility of asset cashflows between blocks of business can be demonstrated and is determined to be appropriate by an insurer to be applied in calculating the scenario based approach, it should be documented, tested, taken through the appropriate governance, reviewed, and limited to the legal-entity level. Where fungibility is demonstrated to exist under normal circumstances, insurers shall also test and evidence fungibility across a range of unexpected and potentially severe scenarios, such as counterparty default and market dislocations. Where assets are held in separate collateral accounts or back different blocks of liabilities, fungibility is not allowed without prior written approval of the Authority. No fungibility can be assumed to occur between legal entities in an insurer.

(38) A scenario-based approach model shall be documented by an insurer, and shall have regard to the following—

(a) documentation shall allow a knowledgeable third party to understand the design and details of the model;

(b) confirmation of the materiality of assumptions;

(c) identification of limitations;

(d) confirmation of the manner in which the model complies with regulatory requirements;

(e) a detailed description of the structure, scope, theory, data, assumptions, expert judgment, parameterisation, results, validation, model changes, model governance and model policies; all of which shall be proportionate to the scale and complexity of the insurance business risks of the insurer;

(f) detail of all key software, external models (including their customisation), data and the reasons for their use;

(g) a model documentation standard (e.g., as part of supporting standards to the model risk management policy) defining the approach to document various aspects of the model, such as roles, development, sign-off, update and review processes, and sets out mechanisms that ensure that the standard is adequately implemented;

(h) the documentation shall include an inventory of all the documents forming the model documentation;

(i) identification of the main limitations, simplifications and weaknesses of the model and conditions under which the model may not adequately determine the insurer's best-estimate liability and technical provisions;

(j) that all model risk management activities have been documented accordingly (i.e., include the level of detail required in line with the nature, scale and complexity of the insurer); including but not limited to model development, implementation, testing, ongoing monitoring, review, validation and management deliberation on model risk reports with escalation to board committees, as necessary;

(k) confirmation that the models in relation to best estimate liabilities and technical provisions calculation interacts with other models (upstream and downstream models) and the end-to-end calculation process;

(l) that the level and detail of documentation is proportionate to the materiality of each model area and that independent control functions are required to review and challenge how the proportionality principle is applied to avoid risk leakages.

(39) Insurers using the scenario-based approach shall have a data policy in place which shall include but is not limited to the following—

(a) documentation of internal processes and procedures to ensure data used in the calculation of technical provisions is complete, accurate and appropriate,;

(b) to satisfy that data is complete (as per subparagraph (39)(a)), data used in the calculation of technical provisions shall meet the following conditions—;

(i) there is sufficient historical data to enable assessment of the characteristics of the underlying risks and their trends;

(ii) data is available for each of the relevant homogeneous risk groups used in the calculation of the technical provisions..

(c) to satisfy the accuracy requirement (as per subparagraph (39)(a)), data used in the calculation of technical provisions shall meet the following conditions;—

(i) must be free from material errors;

(ii) data from different time periods that is used for the same estimation is consistent;

(iii) data is recorded in a timely manner and consistently over time in keeping with the insurer's nature, scale and complexity;

(iv) data extensions, capping or modifications shall be documented and justified. The process to address outliers and data-smoothing shall be performed prudently to ensure no material underestimation of the technical provisions.

(d) to satisfy the appropriateness requirement (as per subparagraph (39)(a)), data used in the calculation of technical provisions shall, at a minimum, meet the following conditions;

(i) be consistent with the purposes for which it will be used;

(ii) the amount and nature of the data utilised should ensure that the estimations made in the calculation of the technical provisions do not include material estimation errors;

(iii) be consistent with the assumptions underlying the actuarial and statistical techniques that are applied in the calculation of technical provisions;

(iv) appropriately reflect the risks to which an insurer is exposed in relation to the technical provisions calculation;

(v) be used consistently over time in calculating the technical provisions. Where data is not used consistently over time, a description of the inconsistent use and its justification shall be documented and disclosed in the approved actuary's opinion and report.

(e) insurers may use data from external sources provided that, in addition to fulfilling the requirements set out above in subparagraphs (39)(a) to (39)(d), the following requirements are met—

(i) insurers shall demonstrate that the use of such data is more suitable than the use of data that is exclusively available from an internal source;

(ii) insurers confirm the origin of the data and the assumptions or methodologies used to process it;

(iii) insurers identify any trends in the data and the variation, over time or across data, of the assumptions or methodologies in the use of such data;

(iv) insurers shall demonstrate that the assumptions and methodologies referred to in sub-subparagraphs (ii) and (iii) reflect the characteristics of an insurer's portfolio of insurance and reinsurance obligations;

(v) insurers reasonably demonstrate any other data that could have been applied, the impact of not using the data, and why it was not utilised instead. Such requirements also apply to choices within the same data where a different choice of data could have been made.

(vi) Where an insurer is unable to satisfy the requirements of subparagraphs (i)-(v) due to other considerations, (e.g., where the external data is proprietary,) an assessment shall be carried out by the independent control functions to assess the materiality of use of such data and such assessment shall be subjected to annual review by the approved actuary and disclosed as part of regulatory reporting.

(f) an insurer shall document the data controls in place and checks carried out on data used to calculate technical provisions and include an assessment of why the checks are considered adequate and appropriate.

(40) The following requirements on governance and internal control apply on the use of the scenario-based approach—

(a) the board shall approve the initial use of the scenario-based approach and any major changes thereafter. Major changes shall be defined in advance within the scenario-based approach model change policy, or where a change occurs that is not already set out in such policy, the board (or any committee constituted by it) shall subsequently approve such matters;

(b) the board shall be responsible for ensuring the ongoing appropriateness of the design and operations of the scenario-based approach model to ensure that it continues to be appropriate for the insurer's business;

(c) the establishment of appropriate and suitably constituted committee(s) that shall effectively challenge new and ongoing model use, model and assumption change approval, and use and reporting of model output. Model validation reports shall also be discussed at the committees' level;

(d) guidance regarding model risk management activities as part of the insurer's overall risk management framework. At a minimum, an insurer shall have a model risk management policy, a model change policy and a data quality policy.

(e) classification of material changes by minor and major changes in the model change policy, including changes triggered by the expansion of the scope of the scenario-based approach model (e.g., to cover new types of businesses, products or assets that require materially different model specifications). Where the scope of the scenario-based approach is extended to cover blocks of business for which the standard approach has been used and the changes are classified as minor, a no objection from the Authority shall be required before the changes are adopted for regulatory reporting. All material changes classified as major shall require the Authority's prior written approval;

(f) roles of the control functions which shall be clearly defined concerning the development, use, ongoing maintenance, monitoring and review, validation and reporting risks and results of the scenario-based approach model;

(g) the identification of conflicts of interest shall be in place and addressed in the model's governance framework, including clear guidance on reporting lines, allocation of responsibilities and escalation paths within an insurer and to the Authority, as necessary. Where conflicts of interest cannot be avoided, e.g., due to proportionality considerations such as the size of an insurer, the potential for conflict shall be taken into account and the requirement applied in an appropriate but proportionate manner. Remaining gaps shall be assessed and reported on by the approved actuary as part of their opinion on scenario-based approach calculations.;

(h) an insurer shall ensure the systems, infrastructure and resources in place are adequate;

(i) there shall be adequate and effective controls in place regarding the scenario-based approach model's operation and maintenance;

(j) an insurer can use third-party actuarial and investment software as part of their scenario-based approach model suite, including scenario-based approach feeder models. However, outsourcing of the process for running, maintaining and managing the scenario-based approach model and its feeder models is not allowed. Where outsourcing is already used either externally to third parties or internally to other affiliated parties, an insurer shall

demonstrate oversight and clear accountability for all outsourced activities as if these were performed internally and subject to the insurer's own standards on governance and internal controls. Such outsourcing shall be discussed with the Authority before implementation or, where already in place, will be subject to the Authority's onsite review process.

(41) Every insurer shall implement a model risk management policy which includes but is not limited to the following requirements when adopting the scenario-based approach—

(a) a materiality definition specific to the use of the scenario-based approach model shall be included, which shall be developed in consultation with the control functions. An insurer's definition of materiality shall determine whether model and assumption changes, enhancements, findings and other relevant considerations are material. Material changes shall be further classified as either minor or major in the scenario-based approach model change policy. Those material changes classified as major shall require the Authority's approval;

(b) the roles of the first and second-line functions shall collaborate and ensure a clear definition and ownership for model risk management activities. This shall be performed by considering the need for independence for some activities (e.g., validation);

(c) an attestation of the adequacy of the model risk management practices employed by an insurer, including compliance with the regulatory requirements outlined herein shall be obtained from the chief risk officer and the chief executive officer; the maintenance of a comprehensive set of information as part of the model inventory in line with best-practice model risk management. This applies to the scenario-based approach models implemented for use, under development or recently retired and any associated downstream and upstream models (e.g., liability models, asset models or stress testing models);

(d) the following requirements on Model Development, Testing, Implementation and Use shall be met—

(i) the model development and implementation processes shall be structured and executed in a manner that is aligned with regulatory guidance;

(ii) software, computer code, algorithms, mathematical formulas and other information technology systems used to implement the model shall undergo rigorous quality control and change control procedures. Such systems shall only be edited by authorised parties and changes shall be recorded and auditable;

(iii) testing shall be conducted as part of the scenario-based approach model's lifecycle. All the aspects of the model and its overall functionality shall be required to be assessed to confirm if it is functioning as intended. This shall comprise determining the model's accuracy, proving its stability and robustness, identifying potential flaws, and analysing how the model responds to various inputs and scenarios;

(iv) testing activities shall include the goal, design, and execution of test plans and the summary results with commentary and evaluation, including a detailed analysis of samples. The documentation of test activities shall be fit for purpose

(v) adequate processes shall be put in place to collect and address user feedback. This shall apply to the scenario-based approach model and relevant feeder models e.g., asset and liability models.

(e) measures relating to the limitations and uncertainties of the scenario-based approach model and its feeder models, including how such are mitigated or accounted for shall be provided for in the model risk management policy as follows—

(i) to the extent possible, the impact of such uncertainties shall be quantified. The quantification shall avoid spurious accuracy (e.g., using ranges instead of single-point estimates);

(ii) where only a qualitative assessment is possible, insurers shall implement procedures to ensure an explicit assessment of the impact of model limitations and inaccuracies is carried out;

(iii) the quantitative and qualitative assessment results shall be reported as part of the model risk reporting and a determination shall be made on whether adjustments to the best estimate liabilities are required.

(f) the circumstances under which pre-model and post-model adjustments may or may not be used shall be addressed by insurers, including outlining processes regarding review, approval, continued use, removal and back-testing of such adjustments. Pre-model adjustments mean an insurer overrides a data input or assumption to a model. In-model adjustments refer to when an insurer overrides (e.g., through a cap or floor) a calculated value in a model. Post-model adjustments refer where an insurer overrides a model's output by applying a model overlay. In addition to the foregoing requirements—

(i) Processes to monitor and analyze such adjustments and overlays shall be implemented to address underlying limitations and issues e.g., through data enhancements, model recalibration or redevelopment;

(ii) All model adjustments and overlays shall be well-documented in line with an insurer's documentation standards and subject to a transparent process that links appropriate justification to specific model issues and limitations. As part of the process, model adjustments shall be clearly outlined, and model results shall be reported through an insurer's internal governance processes with and without adjustments to enable decision-makers to understand the extent and impact of such adjustments

(g) conduct model validation i.e., the set of processes and activities intended to verify that models perform as expected, in line with their design objectives, existing regulation and business uses. An insurer shall ensure its model validation is effective in reducing model risk through identifying and assessing the impact of model limitations and errors, corrective actions and appropriate use and shall be required to demonstrate the reliability of its models and understanding of the source and extent of model risk. In demonstrating the foregoing, the following requirements on validation of the scenario-based approach model shall also be implemented by the adoption of appropriate policies and processes by an insurer—

(i) model validation shall be performed by staff with appropriate incentives, competence, influence and authority so that there is an effective challenge mechanism. An insurer shall demonstrate that the scenario-based approach model has been validated independently (externally or internally) from those who develop, change, update, run and use the model. Independence shall be demonstrated not just by the separation of lines but also by process, actions and outcomes as well as the degree and way in which models are subject to critical examination;

(ii) all scenario-based approach models shall be validated before being used for regulatory reporting and at fixed intervals of at least three years thereafter or such other higher frequency considered appropriate by an insurer in line with its model risk management policy requirements. The initial model validation shall be in-depth and detailed in line with these Rules. Subsequent model validation activities shall be holistic and proportionate to the use and materiality of the scenario-based approach model to an insurer and the extent of model changes since the last validation;

(iii) the model validation process shall, among other items, specify the scope of validation, processes, methods and tools to be used, frequency of validation, treatment of model changes, persons involved, outputs and reporting;

(iv) the model validation process shall apply to all scenario-based approach model components and cover all requirements. It shall also encompass models developed in-house and those purchased from or developed by vendors or consultants. Material model changes, for example, in terms of scope, structure, methodologies, assumptions and governance, and all model redevelopment—shall be subject to validation activities of appropriate range and rigor before implementation for regulatory reporting;

(v) the model validation process shall include validation of any feeder model utilised (i.e., a model which produces outputs that are used as inputs for another model(s)) in the scenario-based approach model that is undergoing validation, validators shall confirm that an effective validation programme is in place for such feeder models and consider the extent to which the feeder model should be included in the current validation.

(vi) downstream models shall also be validated as part of the model validation process, where the scenario-based approach model undergoing validation is used within other existing models. Where there is limited access to feeder or downstream models (e.g., code, formulas), the requirements specified in the paragraph below on 'Use of and Reliance on Third Party Models' shall apply;

(vii) an insurer shall have regard for the following including but not limited to— review of conceptual soundness elements, including developmental evidence; sensitivity, stress and scenario testing; dynamic and static validation; roll-forward analysis; nit/cell testing; reconciliation against the input source or ledger; Outcome analysis, including back-testing; trend analysis and stability testing; movement or profit and loss attribution; independent full model replications, sample recalculations and formula inspection, as appropriate; process and controls verification; and benchmarking or alternative design methods/models;

(viii) the items in sub-subparagraph (vii) above shall also be considered as part of the first-line actuarial activities, such as a model review;

(ix) the scenario-based approach model validation shall require an insurer to produce detailed model validation reports. The reports shall document the validation process and conclude on the adequacy of the model component or model being validated and the appropriateness of the resulting technical provisions for regulatory reporting purposes;

(x) there shall be a clearly defined reporting structure to senior management and the board, a remediation and follow-up process for model validation findings, an action plan and implementation monitoring. If material deficiencies classified as major are noted as an outcome of the validation process, the model's use shall not be allowed or shall only be permitted under very tight constraints, including escalation to, and approval by, the Authority. The definition of major shall be in line with the definitions in an insurer's model risk management and model change policies. Where some uncertainty still remains on whether a material finding should be classified as major, an insurer shall consult with the model validators and the internal control functions.

(h) the scenario-based approach model is subject to requirements on model

review, ongoing development and monitoring:

(i) periodic review of the scenario-based approach models must occur as part of its model risk management programme. The model review shall be carried out by any party as determined by an insurer e.g., model developers, users, external party etc. The model review shall highlight changes since the last validation or reporting cycle, determine the sufficiency of the latest validation activities, highlight areas needing a deeper dive, model performance monitoring and reverify the technical aspects of the model. Such reviews shall be carried out regularly but no less frequently than annually. An insurer shall consider whether feeder models, such as asset and liability models, shall be considered in the model review process and what reliance is placed on work already done on those models. The model review shall not be as detailed as model validation, but the level and scope of review shall be assessed to be proportionate and fit for purpose in line with the model tier, frequency of review and depth of the most recent review;

(ii) the model's performance shall be regularly monitored, and key metrics observed and reported. As part of the monitoring process, an assessment shall be carried out to determine if the model's performance in production is in line with model development and testing stage expectations/results. An insurer should have mechanisms in place to gather insights about the models' performance. This could include applying key controls, such as best estimate liabilities and/or spread movement analysis, where the current-period best estimate liabilities and/or spread is reconciled with that from the prior period; and

(iii) the work carried out by first-line actuarial teams as part of ongoing reporting (e.g., regular model and control updates as part of quarterly or half-yearly reporting) does qualify as a model review to the extent that such work also covers a proportionate review of the technical aspects of the model, including model performance. Setting up a separate and dedicated model review team is not required. The requirements in these Rules can be fulfilled by ensuring model review is embedded in the work by first-line actuarial teams. A log shall be kept listing all model and control updates and changes. Updates considered material shall be subject to testing, and the testing results also captured in the log. The decision and rationale to include or exclude feeder models from the model review process shall also be logged. Material changes and the decision to include or exclude feeder models shall also be subject to the challenge of an appropriate management committee. An insurer shall have mechanisms to monitor the aggregate impact of a combination of individually immaterial changes to the extent they become material. The minimum documentation requirement for model review is maintenance of the model review log. The model review log shall be subject to annual review by the Approved Actuary.

(i) the scenario-based approach model is subject to requirements on model risk reporting and deliberation:

(i) an insurer shall ensure model risk is captured promptly and reported to a management committee regularly. This could take the form of standalone model risk management reports or dedicated sections within the existing wider risk and actuarial functions reporting. An insurer's risk, investment and actuarial functions shall collaborate and ensure there is clarity within the firm on ownership for model risk reporting for both the scenario-based approach and its feeder models to avoid leakages in reporting. Management shall be able to demonstrate (e.g., through management committee minutes, report improvements

and ultimate decisions taken) that the level of deliberation on model risk reports offers appropriate challenge and is adequate considering an insurer's nature, scale and complexity. While no explicit deliberation by the board on model risk reports is mandated, it is important that the board recognises it is the ultimate owner of the use of the scenario-based approach model and is, therefore, expected to have and be able to demonstrate an overall understanding of the application of the scenario-based approach and its importance for an insurer's business;

(ii) model risk management reports shall be of the appropriate detail, covering all relevant key information proportionately. Information submitted to management committees on the use and application of the scenario-based approach shall include at least a reasoned analysis of the reliability and adequacy of the calculation and the sources and degree of uncertainty of the output. The reasoned analysis shall be supported by a sensitivity analysis that includes an investigation of the sensitivity of the output to each of the major risks underlying the obligations covered in the technical provisions, including an assessment of the impact of identified limitations. The risk and/or actuarial function shall clearly state and explain any concerns they may have regarding the adequacy of the best estimate liabilities and technical provisions;

(iii) tolerance levels shall be in place and reviewed periodically to ensure they are not set too low or too high in line with an insurer's definition of materiality. Other items to be considered for reporting, including how they measure against tolerances, may include but shall not be limited to:

a. the volume of models considered high-risk;
b. models with temporary exemptions or provisional approvals;
c. status of model issues (e.g., past due, work in progress, partially completed);
d. summary of model performance metrics, including a list of underperforming models and actions being taken;
e. lists and trends by the tier of the number of models: with past-due validations; in use without validation; used outside of approved purpose; and used despite rejection outcome from review/validation;
f. model risk events/incidents reported for the period;
g. quantification and treatment of material and/or aggregate model uncertainties;
h. model development and enhancement efforts in progress and allocated resources;
i. resource-related indicators (e.g., budget, people, infrastructure) and an assessment of the impact on other areas (e.g., impact on model testing, documentation, ongoing monitoring); and
j. summary of key model outputs plus the outputs of key model risk management activities for the period under review.

(j) the scenario-based approach model is subject to requirements on the use of and reliance on third-party models ('vendor models') and external experts:

(i) vendor models shall be included in an insurer's broader model risk management framework following the same principles as applied to in-house models, with any modifications appropriately justified and documented. An insurer shall, for both scenario-based approach model and its feeder models, obtain the following:

a. developmental evidence explaining the model's components, design and intended use to determine

whether the model is appropriate for an insurer's products and risk exposures;

b. information regarding the data used to develop the model, including the use and effect of alternative data;
c. sufficiently detailed testing results that show the third party's model works as expected;
d. documentation of the model's limitations and assumptions about when the model's use may be unsuitable or problematic;
clear instructions for model implementation, including any decisions that shall be made regarding parameters or thresholds;
e. an insurer shall require vendors to conduct ongoing performance monitoring and outcomes analysis, with disclosure to the insurer, and to make appropriate modifications and updates over time;
f. an insurer is expected to validate their use of vendor products;
g. an insurer shall obtain information regarding the data used in the development of the model and assess the extent to which that data is representative of their circumstances;
h. an insurer shall conduct ongoing monitoring and an outcomes analysis of vendor model performance using an insurer's outcomes;
i. additionally, where third-party/vendor models do not provide complete access to development codes, an insurer shall be able to demonstrate how they obtain confidence from using third-party models (e.g., through using in-house models for benchmarking and or building challenger models); and
j. an insurer shall have contingency plans for instances when the vendor model is no longer available or cannot be supported by the vendor.

(ii) where reliance was placed on outside experts and third-party models (e.g., on asset assumptions) in developing the scenario-based approach models, systems and processes shall be in place to determine the appropriate level of reliance. The following shall be considered at a minimum:
a. whether the individual or individuals upon whom reliance has been placed are experts in the applicable field;
b. the extent to which the model has been reviewed or validated by experts in the applicable field, including known material differences of opinion among experts concerning aspects of the model that could be material to the insurer's use of the model;
c. whether there are industry or regulatory standards that apply to the model or the testing or validation of the model, and whether the model has been certified as having met such standards; and
d. whether the science underlying the expertise is likely to produce useful models for the intended purpose.

(iii) where it is practically not possible for an insurer to comply with some of the requirements above, an insurer shall make reasonable efforts to meet the intended outcomes of the requirement and any remaining gaps shall be subject to internal challenge by the control functions and reported to the Authority as part of the model validation report.

(k) internal audit shall review all use of the scenario-based approach including model risk management to ensure there is an effective challenge provided by second-line and model validators to the model owner, developers, users and

implementers and that the model risk management policy and procedures are kept current, in keeping with regulatory requirements and best practices. Internal audit shall provide assurance on the level of critical review and challenge provided by the validation and model review activities, adequacy and frequency of model risk reporting and the manner of challenge (and decisions thereof) by management and board to such reporting. Overall, internal audit shall form its own independent opinion and provide assurance or otherwise on the adequacy of the model risk management activities performed by both the first-line and second-line functions in line with the scenario-based approach regulatory requirements.

Lapse risk in scenario-based approach

29 For eligibility, an insurer shall satisfy one of the two conditions below, in order to use the scenario-based approach —

(1) the contracts underlying the insurance or reinsurance obligations include no options for the policyholder and the cashflows thereof are well-matched with the assets; or

(2) where policyholder options exist, the residual risk arising from asset and liability portfolios with such options shall be demonstrated to be insignificant through adequate modelling, robust ALM, stress testing and liquidity risk management. To satisfy this condition, an insurer shall demonstrate that the asset-liability portfolios are well-matched and meet the following requirements—

(i) hold a Lapse Cost (LapC) as part of the scenario-based approach best estimate liabilities. This shall apply to all business written post these Rules coming into force including any new business on flow business written under existing contracts. The LapC required to meet scenario-based approach eligibility conditions shall be calculated as outlined below—

A. calculate the difference between the historical actual and expected lapse rates expressed as a percentage of expected lapse rates;

B. calculate the 1 standard deviation of lapse rate differences obtained from i) above. Round up the result to the nearest 1% to obtain the 1 standard deviation, i.e., lapse rate sigma. An insurer can use other approaches to calculate the lapse rate sigma provided they are shown to be prudent e.g., where there is limited or no historical lapse experience data. The approved actuary shall review these as part of forming his opinion and report;

C. calculate the capital charge for lapse up or down using the lapse up or down BSCR shock prescribed under paragraph 34A of Part I, i.e., lapse up down capital requirement;

D. the LapC shall be determined by the following formula—

(Lapse Rate Sigma ÷BSCR lapse up down shock)×Lapse up down capital requirement)

(ii) pass a 100% Enhanced Capital Ratio (ECR) under the BSCR lapse up and lapse down stresses, as prescribed under paragraph 34A of Part I, representing a permanent increase or decrease in base lapse rates;

(iii) pass a liquidity stress test with a minimum 105% Liquidity Coverage Ratio (LCR). The LCR shall be defined by the formula—

(Eligible Liquidity Sources ÷Liability Outflows) expressed as a percentage;

(iv) the eligible liquidity sources and shocks to determine the liability outflows shall be prescribed by the Authority;

(v) through the Commercial Insurer Solvency Self-Assessment (CISSA) process and reporting, an insurer shall demonstrate robust—

a. ALM, capital and liquidity management;

b. lapse risk management through diligent underwriting, experience analysis and risk monitoring; and

c. insurer-specific solvency and liquidity stress testing;

(vi) provide the lapse, liquidity and scenario-based approach Return reporting as prescribed by the Authority under paragraph 32 on lapse, liquidity and scenario-based approach reporting.

Scenario-based approach application package

30 Before the scenario-based approach can be used to determine the best estimate liabilities, an insurer shall send an application to the Authority for approval.

(1) The following requirements apply depending on the date of approval of using the scenario-based approach for any (sub-)portfolio—

(i) insurers registered on or after 1 January 2024 that propose to use the scenario-based approach will require approval by the Authority;

(ii) insurers registered before 1 January 2024 and not using the scenario-based approach will be required to obtain approval from the Authority before using the scenario-based approach;

(iii) insurers already currently applying the scenario-based approach shall obtain prior approval from the Authority before making material changes to their scenario-based approach model that are classified as "major" in the scenario-based approach model change policy.

(2) An application shall include all the information and documentation required to enable the Authority to assess if relevant requirements are met. An insurer shall comply with any additional approval requirements determined by the Authority.

Liquidity risk management

31 Insurers using the standard approach which have exposure to liquidity and/or lapse risk; and insurers using the scenario-based approach shall implement a liquidity risk management programme that is approved by its board. The liquidity risk management programme shall meet the following minimum requirements—

(i) confirmation of clear ownership in the organisation of key elements of the liquidity risk management framework;

(ii) a review to be undertaken annually or more frequently as circumstances require;

(iii) provision for the roles of the first and second-line functions in liquidity risk management to be clearly defined, including mechanisms to identify and mitigate conflicts of interest;

(iv) confirmation that the insurer has identified and understood the sources of demand and supply of cash and how the dynamics of supply and demand could change under different scenarios;

(v) confirmation that the level of liquidity risk appetite that the insurer seeks or accepts is informed by stress and scenario testing, set and approved by the board-. The liquidity risk appetite shall be documented and make provision for the types, horizons and severity of liquidity stress scenarios an insurer targets to withstand;

(vi) the manner in which the liquidity risk management framework shall be integrated into wider risk management framework and how it informs day-to-day operations and key business decisions;

(vii) clearly define liquidity metrics (e.g., liquidity coverage ratios or excess liquidity measures) and target thresholds in operationalising its risk appetite.. An insurer shall consider setting prudent risk limits for each source of liquidity risk. Where this is not the case, the rationale shall be clear, documented and subjected to independent challenge;

(viii) provision and maintenance of a cash needs and sources register, which systematically documents each need and a potential source of liquidity. This register shall also critically assess the key characteristics associated with each need and source and the relevant uncertainties and risks. Such assessment shall feed into how the different liquidity

needs and sources are used and categorised (e.g., in terms of liquidity quality, within an insurers' liquidity risk management framework);

(ix) provision for the holding of a liquidity buffer. This refers to a pool of highly liquid assets that an insurer shall specifically set aside to address any deficiencies in cash inflow that may arise to meet cash outflow requirements over a specified scenario horizon. Insurers shall clearly demonstrate the process and criteria used to determine the appropriate size of the liquidity buffer and how it aligns with an insurer's' approved risk appetite;

(x) an insurer shall consider varying degrees of stressed conditions in various stressed scenarios, where a balance shall be struck between severity and plausibility. An insurer shall assess liquidity risk over different time horizons with a focus on those horizons over which particular risks are expected to arise. Consideration shall be given to insurer-specific and market-wide scenarios, including their combinations. The scenarios shall cover both fast-moving (i.e., scenarios where the insurer's liquidity deteriorates rapidly) and more sustained scenarios where an insurer's liquidity position deteriorates slowly. An insurer shall perform tests of its liquidity breaking point (i.e., liquidity reverse stress tests) the frequency of which shall be defined as part of the liquidity risk management framework;

(xi) the creation and implementation of a liquidity contingency plan to serve as a playbook to meet potential liquidity deficits. Clear triggers shall be identified within the plan, and regularly reviewed. The plan shall further require for an assessment to be made on how such matters interact with stress and scenario testing. The liquidity contingency plan shall be regularly tested and enhanced through dry-run simulation exercises. The results of such testing shall be reported to the board;

(xii) provisions for identifying liquidity sources which are encumbered or whose fungibility is restricted and confirmation such constraints are reflected within the liquidity stress testing and other liquidity risk management activities as outlined in these Rules;

(xiii) the production of liquidity reporting which shall be of the appropriate detail while capturing the key liquidity risk areas. The reporting shall be proportionate, forward-looking (e.g., through early warning indicators) and able to facilitate informed decision-making. An insurer shall implement appropriate infrastructure and systems to access relevant data and, thus, assess and monitor its liquidity exposures.

Lapse, liquidity and scenario-based approach reporting

32

(1) Insurers shall provide on at least an annual basis the completed 'Lapse, Liquidity and Scenario-based approach reporting' template as shall be prescribed by the Authority.

(2) This reporting shall apply to all insurers that use the scenario-based approach, and to those insurers not using the scenario-based approach but having exposure to lapse and/or liquidity risk.

Affiliate, related party or connected party

33 Every insurer applying either the scenario-based approach or the standard approach shall obtain prior written approval from the Authority of all assets with counterparty credit exposure to an affiliate, related party or connected party of the insurer. For the purposes of this paragraph, "affiliate", "related party" and "connected party" have the following meaning—

(a) "affiliate" means a company that is affiliated with another company where one of them is the subsidiary of the other or both are subsidiaries of the same company; or each of them is controlled by the same person;

(b) "related party" means related party as defined under the respective insurer's accounting standards, namely the: International Financial Reporting Standards (IFRS); Generally Accepted Accounting Principles (GAAP) that apply in Bermuda, Canada, the United Kingdom or the United States of America; or such other GAAP as the Authority may recognise;

(c) "connected party" means a party other than a related or affiliated party associated with the insurer and whereby such association, however defined, may result in a conflict of interest in relation to an investment between the connected party and the insurer.

Calculation principles specific to general business

34 (1) This paragraph is applicable to business that is managed and valued using general business techniques.

(2) The best estimate for general business shall be calculated by insurers and shown separately for premium provisions, as defined in subparagraph (3), and for outstanding claims provisions as defined under subparagraph (4)

(3) Premium provisions shall relate to future claim events relating to insurance obligations falling within the contract boundary (as defined in paragraph 12).

(4) Outstanding claims provisions shall relate to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

(5) Insurers shall produce best estimate outstanding claims by BSCR line of business for the purposes of calculating the BSCR.

(6) Where a member of an insurer has settled a claim and is making a series of payments over the lifetime of a policyholder or beneficiary, and is managing the claim using techniques similar to those usually employed by long-term business insurers for pay-out annuity business, then the insurer may elect to establish best estimate provisions for the outstanding claims for this business in a similar manner to the requirements imposed on long-term business under paragraph 35.

(7) In relation to general business, insurers shall ensure that the risk margin shall not be split between premium provisions and loss and loss expense provisions.

(8) In relation to cashflows for insurance contracts with inception date after the valuation date, and the terms of the insurance contract cannot be changed unilaterally by an insurer, then such cashflows shall be included by insurers in the best estimate premium provisions as "bound but not incepted" or BBNI business.

(9) Premiums that relate to unincepted exposure (i.e. policies which incept after the valuation date) may include:

(a) premiums written before the valuation date but incepting afterwards;

(b) "tacit" renewals, which are renewals relating to offers that were made several months prior to the valuation date, but advice has not yet been received from the customer(s) that they wish to take them up.

(10) The insurer, when determining whether to include such business within the premium provisions, shall consider paragraph 12 subparagraph (2).

(11) Allowance shall be made by insurers for events that are not adequately reflected in the data used to derive the best estimate. The expected present value of future cash-flows relating to such events is referred to as "Events Not in Data Set" (ENIDS).

(12) Insurers shall ensure that approaches to arriving at estimates of ENIDS in accordance with subparagraph (10), shall be governed by well-informed assessments of the tail risks that apply to the portfolio being reviewed.

Calculation principles specific to long-term business

35 (1) This paragraph is applicable to business that is managed and valued using long-term business techniques.

(2) Cash-flow projections used in the calculation of best estimates for long-term business insurer obligations shall be undertaken separately for each contract of insurance, unless the requirements of subparagraph (3) are appropriate to be applied instead.

(3) Where the separate calculation for each contract of insurance in accordance with the requirements of subparagraph (2) would be a burden, an insurer may perform the projection by grouping contracts of insurance, provided that: —

(a) there are no significant differences in the nature and complexity of the risks underlying the contracts of insurance in the same group;

(b) the grouping of contracts of insurance does not misrepresent the risk underlying the contracts of insurance and does not misrepresent their expenses;

(c) the grouping of contracts of insurance is likely to give approximately the same results for the best estimate calculation as a calculation on a per contract of insurance basis, in particular in relation to financial guarantees and contractual options included in the contracts of insurance.

(4) Insurers shall ensure that no implicit or explicit surrender value floor shall be assumed for the amount of the market consistent value of liabilities for a contract of insurance.

PART 5: TECHNICAL PROVISIONS - RISK MARGIN AND TECHNICAL PROVISIONS AS A WHOLE

Risk margin

36 (1) The risk margin of every insurer shall be calculated to ensure that the value of its technical provisions is equivalent to the amount that third party insurers would be expected to require in order to assume and fulfil their insurance obligations.

(2) Where insurers value the best estimate and the risk margin separately, the risk margin shall be calculated by determining the cost of providing an amount of available statutory economic capital and surplus equal to the ECR necessary to support the existing insurance obligations over their lifetime.

(3) An insurer shall calculate its risk margin using the cost of capital approach as set out in paragraph 36.

(4) The risk margin for an insurer's entire portfolio of insurance obligations shall be calculated using the following formula:

$$RM = CoC \sum_{t \geq 0} \frac{ModECR_t}{(1+r_{t+1})^{t+1}}$$

Where:

CoC = the Cost-of-Capital rate as prescribed by the Authority on its *website at* www.bma.bm*;*

$ModECR_t$ = the projected ECR at time t, for the insurance, credit, operational and material, non-hedgeable market risks only. It shall be calculated at the valuation date (t=0), and annually thereafter until all insurance obligations have been settled.

r_t= the risk-free discount rate, prescribed by the Authority, for maturity at time t, for the currency in which the EBS has been prepared in.

(5) Insurers shall further ensure that the calculation of the risk margin under subparagraph (4), covers the full period required to run-off insurance liabilities and be discounted, applying the relevant risk-free discount curve (without the illiquidity adjustment) prescribed by the Authority;

(6) The calculation of the $ModECR_t$ component of the risk margin shall be calculated using the same principles as the insurer's ECR.

(7) The risk margin shall be calculated net of outwards reinsurance, at an aggregate level, separately by insurers relating to any general business or long-term business.

Technical provisions 'as a whole'

37 (1) Where future cash flows associated with insurance obligations can be replicated reliably using financial instruments for which a reliable market value is observable, the value of technical provisions associated with those future cash flows shall be determined by insurers based on the market value of those financial instruments.

(2) Insurers are not required to provide separate calculations of the best estimate and the risk margin in connection with cash flows under subparagraph (1).

(3) For the purpose of determining the circumstances where some or all future cash flows associated with insurance obligations can be replicated reliably using financial instruments for which a reliable market value is observable under subparagraph (1), insurers shall —

(a) assess whether obligations arising under subparagraphs (b) and (c) are met;

(b) ensure that the value of technical provisions relating to such future cash flows, shall be equal to the market price of the financial instruments used in the replication;

(c) further separate a policy into two or more components as appropriate ('unbundling') in order to satisfactorily identify liabilities for this purpose with some parts valued 'as a whole' and others where a best estimate is calculated.

(4) Insurers are required to ensure that —

(a) cash flows of financial instruments replicate the uncertainty, in amount and timing, of its cash flows and any risks related to such cash flows, associated with its insurance obligations, in all possible scenarios;

(b) cash flows of the financial instruments must, provide the same expected amount as the cash flows associated with the insurance obligations and the same pattern of variability.

(5) The following cash flows associated with insurance obligations of insurers will not be regarded by the Authority as replicable in a reliable manner by an insurer—

(a) cash flows associated with insurance obligations that depend on the likelihood that policyholders will exercise contractual options, including lapses and surrenders;

(b) cash flows associated with insurance obligations that depend on the level, trend, or volatility of mortality, disability, sickness and morbidity rates;

(c) all expenses incurred in servicing insurance obligations.

(6) For insurers to use financial instruments in replications, these shall be traded in active, deep, liquid and transparent markets.

INSTRUCTIONS AFFECTING PART XXVI

Sixteen (16) year transitional arrangements for long-term business

(1) This applies only for long-term business written by members of an insurer on or before 31 December 2015 for which the standard approach has been applied.

(2) The transitional arrangements allow an insurer to phase in the new valuation arrangements over 16 years. Using a linear interpolation between the reserves determined under the 2015 reserve valuation principles and the reserves determined under the Economic Balance Sheet Valuation Principles.

(3) The technical provisions under the transitional arrangements (TP_y) shall be calculated by applying the following formula:

$$TP_y = \frac{Min(y-2015,16)}{16} EBSTP_y + \left(1 - \frac{Min(y-2015,16)}{16}\right) CurrentRes_y$$

Where:

y ∈ {2016, 2017, 2018…, 2031} – year of yearend submission;

$EBSTP_y$= technical provision, for the business within the scope of the transitional arrangements, at end of year y as determined under these Rules;

$CurrentRes_y$ = Reserves, for the business within the scope of the transitional arrangements, at end of year y as determined by the reserve valuation methodology that was in force in 2015.

(4) Due to the manner in which an insurer's risk margin is determined, and where insurers are unable to directly attribute the risk margin to business written pre and post an insurer's 2015 financial yearend, insurers shall allocate a process to determine the risk margin. An application under Section 6D(7) of the Act may be made for the application of transitional adjustments. An insurer shall provide details of the business subject to the transition adjustments and any allocations or approximations to be used.

SCHEDULE XIV (Paragraph 6)

CLASS D AND CLASS E STATUTORY ECONOMIC BALANCE SHEET

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

Form 1EBS

CLASS D AND CLASS E STATUTORY ECONOMIC BALANCE SHEET

[*blank*] name of insurer

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

expressed in [*blank*] (currency used)

Line No		20XX	20XX-1
1.	**CASH AND CASH EQUIVALENTS**	**XXX**	**XXX**
2.	**QUOTED INVESTMENTS:**		
(b)	Total Bonds and Debentures	XXX	XXX
(c)	Equities		
	(i) Common stocks	XXX	XXX
	(ii) Preferred stocks	XXX	XXX
	(iii) Mutual funds	XXX	XXX
(d)	Total equities	XXX	XXX
(e)	Other quoted investments	XXX	XXX
(f)	Total quoted investments	XXX	XXX
3.	**UNQUOTED INVESTMENTS:**		
(b)	Total Bonds and Debentures	XXX	XXX
(c)	Equities		
	(i) Common stocks	XXX	XXX
	(ii) Preferred stocks	XXX	XXX
	(iii) Mutual Funds	XXX	XXX
(d)	Total equities	XXX	XXX
(e)	Other unquoted investments	XXX	XXX
(f)	Total unquoted investments	XXX	XXX
4.	**INVESTMENTS IN AND ADVANCES TO AFFILIATES**		
(a)	Unregulated entities that conduct ancillary services	XXX	XXX
(b)	Unregulated non-financial operating entities	XXX	XXX
(c)	Unregulated financial operating entities	XXX	XXX
(d)	Regulated non-insurance financial operating entities	XXX	XXX
(e)	Regulated insurance financial operating entities	XXX	XXX
(f)	Total investments in affiliates	XXX	XXX

(g)	Advances to affiliates	XXX	XXX
(h)	Total investments in and advances to affiliates	XXX	XXX
5.	**INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:**		
(a)	First liens	XXX	XXX
(b)	Other than first liens	XXX	XXX
(c)	Total investment in mortgage loans on real estate	XXX	XXX
6.	**POLICY LOANS**	**XXX**	**XXX**
7.	**REAL ESTATE:**		
(a)	Occupied by the insurer (less encumbrances)	XXX	XXX
(b)	Other properties (less encumbrances)	XXX	XXX
(c)	Total real estate	XXX	XXX
8.	**COLLATERAL LOANS**	**XXX**	**XXX**
9.	**INVESTMENT INCOME DUE AND ACCRUED**	**XXX**	**XXX**
10.	**ACCOUNTS AND PREMIUMS RECEIVABLE**		
(a)	In course of collection	XXX	XXX
(c)	Receivables from retrocessional contracts	XXX	XXX
(d)	Total accounts and premiums receivable	XXX	XXX
11.	**REINSURANCE BALANCES RECEIVABLE**		
(a)	Foreign affiliates	XXX	XXX
(b)	Domestic affiliates	XXX	XXX
(c)	Pools & associations	XXX	XXX
(d)	All other insurers	XXX	XXX
(e)	Total reinsurance balance receivable	XXX	XXX
12.	**FUNDS HELD BY CEDING REINSURERS**		
(a)	Affiliated	XXX	XXX
(b)	Non-affiliated	XXX	XXX
(c)	Total funds held by ceding reinsurers	XXX	XXX
13.	**SUNDRY ASSETS:**		
(a)	Derivative instruments	XXX	XXX
(b)	Segregated accounts - LT business – variable annuities	XXX	XXX
(c)	Segregated accounts - LT business - other	XXX	XXX
(e)	Deposit assets	XXX	XXX
(f)	Balances receivable on sale of investments	XXX	XXX
(g)	Intangible assets	XXX	XXX
(h)	Deferred tax assets	XXX	XXX
(i)	Pension Benefit Surplus	XXX	XXX
(j)	Other sundry assets (please specify)	XXX	XXX
(k)	Total other assets	XXX	XXX
14.	**LETTERS OF CREDIT, GUARANTEES AND OTHER**		

	INSTRUMENTS		
(a)	Letters of credit	XXX	XXX
(b)	Guarantees	XXX	XXX
(c)	Other instruments	XXX	XXX
(d)	Total letters of credit, guarantees and other instruments	XXX	XXX
15.	**TOTAL ASSETS**	**XXX**	**XXX**
	LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS		
20.	**BEST ESTIMATE RESERVES FOR REPORTED CLAIMS**	**XXX**	**XXX**
21.	**BEST ESTIMATE RESERVES FOR UNREPORTED CLAIMS**	**XXX**	**XXX**
22.	**BEST ESTIMATE POLICY RESERVES - LIFE**	**XXX**	**XXX**
23.	**BEST ESTIMATE POLICY RESERVES – ACCIDENT AND HEALTH**	**XXX**	**XXX**
24.	**BEST ESTIMATE POLICYHOLDERS' FUNDS ON DEPOSIT**	**XXX**	**XXX**
25.	**BEST ESTIMATE LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS**	**XXX**	**XXX**
26.	**BEST ESTIMATE OTHER LONG-TERM BUSINESS INSURANCE RESERVES**	**XXX**	**XXX**
27.	**BEST ESTIMATE TOTAL LONG-TERM BUSINESS INSURANCE PROVISIONS**		
(a)	Total gross long-term business insurance provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other insurer	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Total net long-term business insurance provisions	XXX	XXX
27A.	**RISK MARGIN – LONG-TERM INSURANCE BUSINESS**	**XXX**	**XXX**
27B.	**LONG-TERM TECHNICAL PROVISIONS CALCULATED AS A WHOLE**	**XXX**	**XXX**
27C.	**TOTAL LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS**		
(a)	Total gross long-term business insurance provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX

	(iii) Pools & associations	XXX	XXX
	(iv) All other insurer	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Total net long-term business insurance provisions	XXX	XXX
	OTHER LIABILITIES		
28.	**INSURANCE AND REINSURANCE BALANCES PAYABLE**	**XXX**	**XXX**
29.	**COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE**	**XXX**	**XXX**
30.	**LOANS AND NOTES PAYABLE**	**XXX**	**XXX**
31.	**TAX LIABILITIES**		
	(a) INCOME TAXES PAYABLE	XXX	XXX
	(b) DEFERRED INCOME TAXES	XXX	XXX
32.	**AMOUNTS DUE TO AFFILIATES**	**XXX**	**XXX**
33.	**ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**	**XXX**	**XXX**
34.	**FUNDS HELD UNDER REINSURANCE CONTRACTS**		
(a)	Affiliated	XXX	XXX
(b)	Non-affiliated	XXX	XXX
(c)	Total funds held under reinsurance contracts	XXX	XXX
35.	**DIVIDENDS PAYABLE**	**XXX**	**XXX**
36.	**SUNDRY LIABILITIES:**		
(a)	Derivative instruments – held for hedging purposes	XXX	XXX
(b)	Derivative instruments – not held for hedging purposes	XXX	XXX
(c)	Segregated accounts - LT business – variable annuities	XXX	XXX
(d)	Segregated accounts - LT business - other	XXX	XXX
(f)	Deposit liabilities	XXX	XXX
(g)	Pension benefit obligations	XXX	XXX
(h)	Balances payable for purchase of investments	XXX	XXX
(i)	Other sundry liabilities (please specify)	XXX	XXX
(j)	Total sundry liabilities	XXX	XXX
37.	**LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS**		
(a)	Letters of credit	XXX	XXX
(b)	Guarantees	XXX	XXX
(c)	Other instruments	XXX	XXX
(d)	Total letters of credit, guarantees and other instruments	XXX	XXX
38.	**TOTAL OTHER LIABILITIES**	**XXX**	**XXX**
39.	**TOTAL INSURANCE TECHNICAL PROVISIONS AND OTHER LIABILITIES**	**XXX**	**XXX**

	STATUTORY ECONOMIC CAPITAL AND SURPLUS		
40.	**TOTAL STATUTORY ECONOMIC CAPITAL AND SURPLUS**	**XXX**	**XXX**
41.	**TOTAL**	**XXX**	**XXX**

NOTES TO FORM 1EBS

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

Additional Disclosures		20XX
Line 10	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 11(e)	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 27(c)-(ii)	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 27B(c)-(ii)	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 13(j)	Details of the assets included as "other sundry assets" as part of Line 13(j).	XXX
Line 36(i)	Details of the liabilities included as "other sundry liabilities" as part of Line 36(i).	XXX
Line 15	The total amount of encumbered assets that are not securing policyholder obligations shall be disclosed, split between the following items, and stating the purpose of the encumbrance: Line 1: Cash and cash equivalents Line 2(f): Total quoted investments Line 3(f): Total unquoted investments Line 12: Funds held by ceding reinsurers Other assets	XXX
Line 13(e)	Details of business treated under deposit accounting techniques as an asset	XXX
Line 36(f)	Details of business treated under deposit accounting techniques as a liability	XXX
Line 37	Details of the basis used to derive the amounts disclosed on this line, including the undiscounted amounts of the liabilities.	XXX
Line 40	A reconciliation between Line 40 of Form 1EBS and Line 40 of Form 4 required under Schedule I of the Insurance Accounts Regulations 1980	XXX

Long-Term Business Provisions Additional Disclosures		
Line 27(c)-(i)	The adjustment included in the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual disputes)	XXX
Line 27(d) – (i)	The amount of premium included as 'Bound but Not Incepted' (as defined in paragraph 33 of the Economic Balance Sheet Valuation Principles under Schedule XXVI) in the calculation of line 27 Long-term business provisions. The amount shall be separately split between the statutory lines of business set out Schedule IVA.	XXX
Line 27(d) – (ii)	The amount of best estimate provision included in line 27(d) in respect of the 'Bound But Not Incepted' business identified above. The amount shall be separately split between lines of business set out in Schedule IVA.	XXX

Line 27(d) – (iii)	The amount of best estimate provisions which have been calculated making use of the 16 year transitional arrangements (as defined in the Instructions Affecting Schedule XXVI, the Economic Balance Sheet valuation principles) The amount shall be split between the statutory lines of business set out in Schedule IVA.	XXX
Line 27(d) – (iv)	In respect of the amount identified in the above note (Line 27(d)-(iii), the amount of best estimate provisions which would have resulted had the transitional arrangements not been applied. The amount shall be separately split between the lines of business set out in Schedule IVA.	XXX
Line 27(d) – (v)	Where the 'scenario-based approach' (as defined in paragraph 28 of the Economic Balance Sheet Valuation Principles under Schedule XXVI) has been used for some of its business, the insurer shall disclose the amount of best estimate technical provisions included in line 27(d) relating to that business. The amount shall be separately split between the lines of business set out in Schedule IVA.	XXX
Line 27(d) – (vi)	Where the 'scenario-based approach' (as defined in paragraph 28 of the Economic Balance Sheet Valuation Principles under Schedule XXVI), the insurer shall disclose the amount of best estimate technical provisions relating to that business had the 'standard approach' (as defined in paragraph 27 of the Economic Balance Sheet Valuation Principles under Schedule XXVI) been used. The amount shall be separately split between the lines of business set out in Schedule IVA.	XXX
Line 27(d) – (vii)	Where the 'scenario-based approach' (as defined in paragraph 28 of the Economic Balance Sheet Valuation Principles under Schedule XXVI), the insurer shall disclose the amount of best estimate technical provisions relating to that business if only the 'base scenario' only were used. The amount shall be separately split between the lines of business set out in Schedule IVA.	XXX
Line 27B(c)-(i)	The adjustment included in the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual disputes)	XXX
Line 27B(d)-(i)	The amount of premium included as 'Bound but Not Incepted' (as defined in paragraph 33 of the Economic Balance Sheet Valuation Principles under Schedule XXVI)	XXX
Line 27B(d) – (ii)	The amount of technical provision included in line 27B(d) in respect of the 'Bound But Not Incepted' business identified above.	XXX

INSTRUCTIONS AFFECTING FORM 1EBS

Line of statutory economic balance sheet	**Instructions**	
1. Cash and cash equivalents	Cash and cash equivalents (maturities of less than 90 days) as at balance sheet shall be included here. This includes restricted cash	
2. Quoted investments	There shall be disclosed severally -	
	(b)	Total bonds and debentures;
	(c)	Equities –
	(i)	Common stock: investments in quoted common shares
	(ii)	preferred shares: investments in quoted preferred shares; and
	(iii)	Mutual funds: investments in quoted mutual funds, etc
	(d)	Total equities: The total of (c)(i), (ii) and (iii).
	(e)	Other quoted investments: Other quoted investments not included in 2(b) and 2(d) e.g. alternative funds.
	(f)	Total quoted investments: The total of 2(b), (d) and (e).
3. Unquoted investments	There shall be disclosed severally -	
	(b)	Total bonds and debentures;
	(c)	Equities –
	(i)	Common stock: investments in unquoted common shares
	(ii)	preferred shares: investments in unquoted preferred shares; and
	(iii)	Mutual funds: investments in unquoted mutual funds, etc
	(d)	Total equities: The total of (c)(i), (ii) and (iii).
	(e)	Other unquoted investments: Other unquoted investments not included in 3(b) and 3(d) e.g. alternative funds.
	(f)	Total unquoted investments: The total of 3(b), (d) and (e).
4. Investment in and advances to affiliates (equity)	All investments where the insurer does not hold a majority equity interest but has the ability to exercise significant influence (generally at least a 20% interest or a general partner interest) over operating and financial matters shall be included here and should be accounted for under the equity method of accounting. Economic Balance Sheet valuation principles shall be applied to the affiliates before deriving values to be included here. There shall be disclosed severally:	
	(a)	Unregulated entities that conduct ancillary services: All unregulated entities that conduct ancillary services accounted for under equity method shall be included here;
	(b)	Unregulated non-financial operating entities: All unregulated non-financial operating entities accounted for under equity method shall be included here;
	(c)	Unregulated financial operating entities: All unregulated

		financial operating entities accounted for under equity method shall be included here;
	(d)	Regulated non-insurance financial operating entities: All regulated non-insurance financial operating entities accounted for both under control and equity method shall be included here;
	(e)	Regulated insurance financial operating entities: All regulated insurance financial operating entities accounted for under equity method shall be included here.
	(f)	Total investments in affiliates (equity) The total of (a) to (e) inclusive.
5. Investments in mortgage loans on real estate	Residential and commercial investment loans shall be included here. There shall be disclosed severally	
	(a)	First liens.
	(b)	Liens other than first liens.
	(c)	Total investments in mortgage loans on real estate: The total of (a) and (b).
6. Policy loans	Loans to policyholders on the security of cash surrender value of the policyholder's long-term insurance policy shall be included here.	
7. Real estate	Commercial investments occupied by insurers shall be included here.	
	(a)	Occupied by the insurer or its consolidated entities (less encumbrances): Both land and buildings and any other commercial investments occupied by the insurer or its consolidated entities shall be included here.
	(b)	Other properties (less encumbrances): Other residential and commercial investments.
	(c)	Total real estate: The total of (a) and (b).
8. Collateral loans	Other loans shall be included here.	
9. Investment income due and accrued	Accrued investment income shall be included here.	
10. Accounts and premiums receivable	Amounts due in more than one year shall be discounted at the relevant risk free rate. There shall be disclosed severally:	
	(a)	In the course of collection: Insurance balances receivable and accounts receivable. Note that amounts not yet due should not be included here as they will be reflected in the insurance technical provisions
	(c)	Receivables from retrocessional contracts: Insurance balances receivable
	(d)	Total accounts and premiums receivable: The total of (a) to (c) inclusive.
11. Reinsurance balances receivable	Amounts due in more than one year shall be discounted at the relevant risk free rate. There shall be disclosed severally -	
	(a)	Foreign affiliates: reinsurance balance received from foreign affiliates
	(b)	Domestic affiliates: reinsurance balance received from domestic affiliates
	(c)	Pools and associations: Reinsurance balances receivables

		from pools and associations
	(d)	All other insurers
	(e)	Total reinsurance balances receivable: The total of (a) to (d) inclusive.
12. Funds held by ceding	Funds held by ceding reinsurers shall be included here. Any amounts deemed uncollectible shall be deducted.	
	(a)	Affiliated reinsurers
	(b)	Non-affiliated reinsurers
	(c)	The total of (a) and (b)
13. Sundry assets	Any asset not accounted for in lines 1 to 12 and 14 may be included here if it has a readily realisable value. There shall be disclosed severally –	
	(a)	Derivative instruments: Derivative instruments with a favourable position shall be included here
	(b)	Segregated accounts – LT business – variable annuities
	(c)	Segregated accounts – LT business - other
	(e)	Deposit assets.
	(f)	Balances receivable on the sale of investments
	(g)	Intangible assets These shall only be recognised if it is probable that the expected future economic benefits will flow to the insurer and the value of the assets can be reliably measured. The assets must be separable and there should be evidence of exchange transactions for the same or similar assets indicating they are saleable in the marketplace. If a fair value assessment of an intangible asset is not possible then such asset should be valued at nil. Good will shall be valued at nil.
	(h)	Deferred tax assets
	(i)	Prepayments
	(j)	Pension Benefit surplus
	(k)	Any other assets – please provide details in a supplementary note
	(l)	Total sundry assets: The total of (a) to (k) inclusive.
14. Letters of credit, guarantees and other instruments	These are contractual rights arising from off-balance sheet arrangements to receive financial assets through:	
	(a)	Letters of Credit
	(b)	Guarantees
	(c)	Other instruments
	(d)	Total letters of credit, guarantees and other instruments: The total of (a) to (c).
	Such assets may, with the approval of the Authority obtained on an application made for that purpose, be recorded and the capital increased by a corresponding amount. Letters of credit, guarantees or other instruments in favour of the insurer which relate to insurance or reinsurance contracts shall not be recorded.	
15. Total Assets	This shall be the total of lines 1 to 14 inclusive.	
Long-term Business Insurance Technical Provisions		
20. Best Estimate Reserves	Best estimate reserves, calculated in line with Economic Balance	

for reported claims	Sheet valuation principles under Schedule XXVI, to meet unpaid claims at the valuation date and made under long-term insurance policies in respect of incidents occurring and reported to the insurer before the valuation date, net of any expected recoverable amounts	
21. Best Estimate Reserves for unreported claims	Best estimate reserves, calculated in line with Economic Balance Sheet valuation principles under Schedule XXVI, to meet unpaid claims at the valuation date and made under long-term insurance policies in respect of incidents occurring but not reported to the insurer before the valuation date, net of any expected recoverable amounts.	
22. Best Estimate Policy reserves - life	Best estimate provisions, calculated in line with Economic Balance Sheet valuation principles under Schedule XXVI, in respect of future guaranteed benefits as they become payable under the provisions of life insurance policies in force, including any 'bound but not incepted' business. These may also include amounts applicable to other life contract benefits (such as disability waiver of premium, disability income benefits and additional accidental death benefits). These amounts are net of any expected recoverable balances.	
23. Best Estimate Policy reserves – accident and health	Best estimate provisions, calculated in line with Economic Balance Sheet valuation principles under Schedule XXVI, in respect of accident and health policies, including any 'bound but not incepted business. These amounts are net of any expected recoverable balances	
24. Best Estimate Policyholders' funds on deposit	These consist of premiums paid in advance of the due date, and shall under Schedule XXVI be valued in line with Economic Balance Sheet valuation principles.	
25. Best Estimate Liability for future policyholders' dividends	Best estimate dividends payable, as declared by the directors, on participating life policies which qualify for such dividends, and valued in line with Economic Balance Sheet valuation principles under Schedule XXVI.	
26. Best Estimate Other long-term business insurance reserves	Best estimate reserves not included in lines 20 to 25 and valued in line with Economic Balance Sheet valuation principles under Schedule XXVI, including any 'bound but not incepted' business.	
27. Total Best Estimate long-term business insurance provisions	Best estimate long-term business insurance provisions calculated in line with Economic Balance Sheet valuation principles (and that are not included on Form 1EBS, Line 27B). It comprises the total of lines 20 to 26 inclusive, showing an analysis between the gross and net positions. There shall be disclosed severally -	
	(a)	Total gross long-term business insurance provisions: Gross unpaid loss and loss expenses assessed on the Economic Balance Sheet valuation principles under Schedule XXVI.
	(b)	Less: reinsurance recoverable balances: The amount of recoverables shall be assessed on the Economic Balance Sheet valuation principles under Schedule XXVI on a basis consistent with the gross assessment. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. Allowance shall be made for expected uncollectable amounts (for whatever reason). The amount shall be subdivided between:
	(i)	Foreign affiliates
	(ii)	Domestic affiliates
	(iii)	Pools and associations
	(iv)	All other reinsurers

	(c)	Total reinsurance recoverable balance: The total of (b) (i) to (iv). The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default shall be disclosed in a supplementary note. The amount of any collateral placed in favour of the insurer shall be disclosed in a supplementary note.
	(d)	Net long term business provisions: The total of (a) and (c) – which is also the same as the sum of lines 20 to 26 inclusive.
27A. Risk Margin – Long-term insurance business	The risk margin shall be calculated using the cost of capital method, as per the Economic Balance Sheet valuation principles under Schedule XXVI. It shall not be split between the line items 20-26,.	
27B. Long-term technical provisions calculated as a whole	Long-term technical provisions calculated as a whole calculated in line with the Economic Balance Sheet valuation principles under Schedule XXVI. This line shall contain the total of all technical provisions calculated as a whole which have been determined based on the market price of financial instruments that reliably replicate the cash flows of the insurance obligations.	
	(a)	Total gross long-term business insurance technical provisions: Gross unpaid loss and loss expenses
	(b)	Less: reinsurance recoverable balances: The amount of recoverables shall be assessed on the Economic Balance Sheet valuation principles on a basis consistent with the gross assessment. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. Allowance shall be made for expected uncollectable amounts (for whatever reason). The amount shall be subdivided between:
	(i)	Foreign affiliates
	(ii)	Domestic affiliates
	(iii)	Pools and associations
	(iv)	All other reinsurers
	(c)	Total reinsurance recoverable balance: The total of (b) (i) to (iv). The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default shall be disclosed in a supplementary note. The amount of any collateral placed in favour of the insurer shall be disclosed in a supplementary note.
	(d)	Net long term business provisions: The total of (a) and (c).
27C. Total Long-term insurance business technical provisions	This shall be the total of lines 27(d), 27A and 27B(d).	
Other Liabilities		
28. Insurance and Reinsurance balances payable	These are amounts payable to reinsurers (eg, premiums received in advance, reinsurance premiums payable. etc.) Amounts payable in more than one year shall be discounted at the relevant risk-free rate.	

29. Commissions, expenses, fees and taxes payable	All unearned commissions shall be included here. Amounts payable in more than one year shall be discounted at the relevant risk-free rate.	
30. Loans and notes payable	Loans and notes payable shall be included here. This shall include subordinated debt. Amounts payable in more than one year shall be discounted at the relevant risk-free rate.	
31. Tax liabilities		Amounts payable in more than one year shall be discounted at the relevant risk-free rate. There shall be disclosed severally:
	(a)	Income taxes payable
	(b)	Deferred income taxes
32. Amounts due to affiliates	All amounts due to affiliates shall be included here. Amounts payable in more than one year shall be discounted at the relevant risk-free rate.	
33. Accounts payable and accrued liabilities	All accounts payable and accrued liabilities shall be included here Amounts payable in more than one year shall be discounted at the relevant risk-free rate.	
34. Funds held under reinsurance contracts	Funds held under reinsurance contracts shall be included here, and shall be included at amounts consistent with the fair value of the underlying assets.	
	(a)	Affiliated reinsurers
	(b)	Non-affiliated reinsurers
	(c)	This shall be the total of (a) and (b)
35. Dividends payable	All dividends payable shall be included here	
36. Sundry liabilities	There shall be disclosed severally:	
	(a)	Those derivative instruments which are held for hedging purposes, with an unfavourable position shall be included here.
	(b)	Other derivative instruments (ie those which are not held for hedging purposes), with an unfavourable position shall be included here.
	(c)	Segregated accounts – LT business – variable annuities
	(d)	Segregated accounts – LT business - other
	(f)	Deposit liabilities
	(g)	Pension benefit obligations
	(h)	Balances payable for purchase of investments
	(i)	Any other liabilities – please provide details in a supplementary note
	(j)	This shall be the total of (a) to (i) inclusive
37. Letters of credit, guarantees and other instruments	All contractual liabilities or contingent liabilities arising from off-balance sheet arrangements are reported in this line. A liability is recorded decreasing the statutory capital and surplus equal to the expected present value of such contingent obligations discounted to take into consideration the time value of money at an appropriate rate (to be disclosed). Material contingent liabilities shall be recognised and recorded on this line. The Contingent liabilities shall be valued based on the expected present value of future cash-flows required to settle the	

	contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate. Where the present value of contingent obligations cannot be determined, the amount of the liability must be recorded at its undiscounted value. Letters of credit, guarantees or other instruments not in favour of the insurer which relate to the insurer's insurance or reinsurance contracts shall not be recorded. Details of the basis used to derive the amounts disclosed on this line, including the undiscounted amounts of the liabilities shall be shown in a supplementary note. There shall be disclosed severally -	
	(a)	Letters of credit
	(b)	Guarantees
	(c)	Other instruments
	(d)	This shall be the total of (a) to (c) inclusive
38. Total other liabilities	This shall be the total of lines 28 to 37 inclusive	
39. Total insurance technical provisions and other liabilities	This shall be the total of lines 27C and 38 inclusive	
40. Total statutory economic capital and surplus	This is the capital and surplus total as at the valuation date. It is derived as Line 15 less Line 39. A reconciliation between this amount and Line 40 for Form 4 as required under Schedule I of the Insurance Accounts Regulations 1980 shall be shown in a supplementary note.	
41. Total	This shall be the total of lines 39 and 40 It should equal line 15	

SCHEDULE XV (Paragraph 6)

APPROVED ACTUARY'S OPINION

1 The approved actuary's Opinion must state whether or not, in the opinion of the approved actuary, the aggregate amount of technical provisions shown at Line 27C in the Statutory Economic Balance Sheet as at the end of the relevant financial year—

(a) meets the requirements of the Insurance Act 1978 and related rules and regulations;

(b) makes reasonable provision for the total technical provisions of the insurer under the terms of its insurance contracts and agreements.

2 The approved actuary shall state their own best estimates (and/or ranges for the best estimates) and confirm that such estimates have been determined in accordance with the requirements set out in the Economic Balance Sheet valuation principles under Schedule XXVI. The approved actuary shall also state (but is not limited to) their best estimates for the following (as applicable)—

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

3 The approved actuary is required to state their estimates for the risk margin (Line 27A) and state whether or not, in their opinion, this amount has been calculated in accordance with the requirements set out in the Economic Balance Sheet valuation principles under Schedule XXVI.

4 In relation to Lines 27(a) and 27B(a), the approved actuary shall provide commentary on the assumptions made in relation to Bound But Not Incepted business as described in paragraph 33 (8) to (10), inclusive, set out in the Economic Balance Sheet valuation principles under Schedule XXVI.

5 The approved actuary shall provide commentary for Lines 27(d) and 27B(d on the assumptions made for expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual dispute) in relation to reinsurance recoveries.

6 In relation to Lines 27B (a) and 27B(d), the approved actuary shall provide commentary on the nature of the business valued 'as a whole' and whether or not their approach is in accordance with the requirements set out in the Economic Balance Sheet valuation principles under Schedule XXVI.

7 Where the approved actuary has not used "risk discount curves" provided by the Authority they shall state the rates used for calculation and provide commentary on how they were derived.

8 Where the Insurer has made use of the 16 year transitional arrangements for certain insurance business, the approved actuary shall provide estimates for that business for both the EBS approach and the approach consistent with the valuation approach in force before EBS requirements came into force as referred to in the Instructions Affecting Schedule XXVI, the Economic Balance Sheet valuation principles.

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

10 The approved actuary's Opinion shall further confirm—

(a) the approved actuary's name, employer and professional designations attained (which qualifies them to issue the opinion and formed the basis for their application to the Authority for approval as Approved Actuary);

(b) whether or not the approved actuary continues to be a qualified member in good standing of all official actuarial bodies included in their application to the Authority for approval;

(c) whether or not the approved actuary is in full compliance with the most recent Continuing Professional Development requirements of their official actuarial body;

(d) whether or not the approved actuary has any perceived conflicts of interest relative to providing the opinion; and

(e) whether or not the work supporting the Opinion complies with applicable standards of actuarial practice.

11 Working papers supporting the approved actuary's Opinion are required to be made available to the Authority by the approved actuary upon request and should be sufficient in and of themselves to enable the completion of an independent review of the Opinion and supporting analysis by another unrelated but experienced actuary.

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

SCHEDULE XVI **(Paragraph 6)**

Schedule Of Regulated Non-Insurance Financial Operating Entities

Entity name	Jurisdiction	Sector classification	Strategic purpose	Entity type	Products & services offered	Participation	Percentage of participating interest	Total assets	Investment amount (equity method)	Regulatory capital requirement for regulated entities (RCR) (100%)	Applicable share of the RCR
							x.x%	XXX	XXX	XXX	XXX
							x.x%	XXX	XXX	XXX	XXX
							x.x%	XXX	XXX	XXX	XXX
								XXX	**XXX**	**XXX**	**XXX**

INSTRUCTIONS AFFECTING SCHEDULE XVI:

(a) the insurer's regulatory capital requirement for regulated non-insurance financial operating entities, where the insurer exercises either control or significant influence, shall be calculated in accordance with Schedule XIII and shall form part of the insurer's BSCR – where "control" and "significant influence" has the same meaning given in sub-paragraph 19(4) of the Insurance (Group Supervision) Rules 2011";

(b) the name of the entity and its jurisdiction of incorporation are required to be provided;

(c) the "Sector" and "Industries in Sector" classification of each of the insurer's "Regulated non-insurance financial operating entities" are as follows:

Sector	Industries in Sector
Energy	Oil, gas, consumable fuels and energy equipment
Materials	Chemicals; Construction materials, containers and packing; Metals and mining; and Paper and forest products
Industrial	Machinery and equipment; Construction, engineering and building products; Commercial and professional services; and Transportation (air, road and water)
Consumer Discretionary	Automobile and components; Consumer durables and textile apparel; Hotels and restaurants; Consumer services; and retailing Media
Consumer Staples	Food and staples retailing; Agricultural products; beverage and tobacco; Household and personal products

Healthcare	Healthcare equipment and services; Pharmaceuticals, biotechnology and life sciences
Financial	Banks; Diversified financials; Insurance; Real Estate; Capital markets
Information Technology	Software and internet services; Technology hardware and equipment; IT services, computer components and semiconductor equipment
Telecommunications Services	Telecommunications services
Utilities	Electric, water and gas utilities
Other	Unspecified industry group

(d) the description of the strategic purpose of each entity is required to be provided;

(e) the entity type is required to be provided(i.e., holding company; operating entity or branch);

(f) the description of the products and services offered to external parties of each entity is required to be provided;

(g) the insurer's participation should be categorized as to whether control or significant influence is exerted over each entity is listed;

(h) the percent of participating interest of the insurer on each entity is required to be provided;

(i) the total assets of each entity is required to be provided;

(j) the investment amount shall be the equity value of the insurer's investment in such entities where the insurance group has significant influence and has accounted under the equity method of accounting as aggregated in Form 4EBS, Line 4(d); and the net asset value of the insurer's investment in such entities where the insurer exercises control or significant influence shall be provided;

(k) the regulatory capital requirement (RCR) shall be provided based on the jurisdiction's solvency laws for the regulated sector in which the entity is licensed to conduct non-insurance financial business;

(l) the insurer's proportionate share of each entity's RCR.

SCHEDULE XVII **(paragraph 6)**

SCHEDULE OF SOLVENCY

[*blank*] name of Insurer

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

All amounts are expressed in _(currency used)

.

Affiliate Name	**Jurisdiction**	**Entity Type**	**Percent of Participation Interest**	**Gross Premiums Written**	**Net Premiums Written**	**Total Assets**	**Net Assets**	**Regulatory Capital Requirement**

INSTRUCTIONS AFFECTING SCHEDULE XVII:

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

(a) name of the entity over whom the insurer exercises control or significant influence;

(b) name of the jurisdiction in which the entity is registered;

(c) entity type (i.e., holding company; operating entity or branch);

(d) percentage of participation interest by the insurer in each entity;

(e) gross and net premium written for each the entity;

(f) total assets of the subsidiaries of the insurer using the valuation basis required in the jurisdictions where the subsidiary is licensed;

(g) "net asset valuation" of the subsidiaries of the insurer using the valuation basis required in the jurisdictions where the subsidiary is licensed;

(h) regulatory capital requirement for each registered entity as determined by the jurisdiction where the entity is licensed or registered.

Schedule XVIII - Schedule of Particulars of Ceded Reinsurance (Paragraph 6)

[blank] name of Company

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

All amounts expressed in ..... (currency used)

		(A)	(B)	(C)	(D)	(E)
Name of Reinsurer	**BSCR Rating**	**Reinsurance Assets** Form 4EBS Lines 11(e), 12(c) and 27(c)	**Reinsurance Payable** Form 4EBS Line 28, 29, 33 and 34(c)	**Collateral** Notes to Form 4EBS Line 11(e) and Line 27(c)	**Qualifying Collateral**	**Net Qualifying Exposure**

Exposure By BSCR Rating	**Reinsurance Assets**	**Reinsurance Payable**	**Collateral**	**Qualifying Collateral**	**Net Qualifying Exposure**
BSCR Rating 0					
BSCR Rating 1					
BSCR Rating 2					
BSCR Rating 3					
BSCR Rating 4					
BSCR Rating 5					
BSCR Rating 6					
BSCR Rating 7					
BSCR Rating 8					
Single Consolidated Exposure					

INSTRUCTIONS AFFECTING SCHEDULE XVIII:

(a) 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 basis —

(i) the name of reinsurer;

(ii) the BSCR rating;

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

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

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

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

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

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

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

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

(B) where the letters of credit does not relate to the entire reinsurance exposure, the reinsurance exposure should be 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;

(C) where the reinsurer is a domestic affiliate, it shall be assigned a BSCR rating of 0 regardless of

(D) 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

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

(Paragraph 6)

Schedule XIX - Schedule of Cash and Cash Equivalent Counterparty Analysis

[blank] name of Company

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

All amounts expressed in ..... (currency used)

Cash and Cash Counterparty Balance for 10 Largest Exposures	**BSCR Rating**	**Asset Value** **(A)**

Exposure By BSCR Rating	**Asset Value** **(A)**
BSCR Rating 0	
BSCR Rating 1	
BSCR Rating 2	
BSCR Rating 3	
BSCR Rating 4	
BSCR Rating 5	
BSCR Rating 6	
BSCR Rating 7	
BSCR Rating 8	
Single Consolidated Exposure	

INSTRUCTIONS AFFECTING SCHEDULE XIX:

(i) cash and cash equivalent balances are to be reported based on its BSCR Rating;

(ii) an insurer may disclose at least the top 10 cash and cash counterparty exposures (as reflected in Form 4EBS and Schedule IIA Column 1, Line 27);

(iii) the remaining balance may be grouped according to BSCR rating;

(iv) all unreconciled balances shall be allocated to the single consolidated exposure balance that receives a BSCR Rating of 8;

(v) cash and cash equivalents issued by a country that is rated AA- or better in its own currency shall be classified under BSCR rating class 0;

(vi) A list of credit ratings agencies and the manner in which short term ratings issued by such agencies must be applied, shall be prescribed by the Authority and applied in determining the appropriate BSCR rating for cash and cash equivalent balances. Where the Authority prescribes long-term ratings, such ratings may be alternately applied; and

(vii) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

(Paragraph 6)

Schedule XIXA - Schedule of Cash and Cash Equivalent Counterparty Analysis

[blank] name of Insurer

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

All amounts expressed in ..... (currency used)

Cash and Cash Counterparty Balance for 10 Largest Exposures	**BSCR Rating**	**Asset Value** **(A)**

Exposure By BSCR Rating	**Asset Value** **(A)**
BSCR Rating 0	
BSCR Rating 1	
BSCR Rating 2	
BSCR Rating 3	
BSCR Rating 4	
BSCR Rating 5	
BSCR Rating 6	
BSCR Rating 7	
BSCR Rating 8	
Single Consolidated Exposure	

INSTRUCTIONS AFFECTING SCHEDULE XIXA:

(viii) cash and cash equivalent balances are to be reported based on its BSCR Rating;

(ix) an insurer may disclose at least the top 10 cash and cash counterparty exposures (as reflected in Form 4EBS and Schedules IIB to IIF Column 1, Line 58);

(x) the remaining balance may be grouped according to BSCR rating;

(xi) all unreconciled balances shall be allocated to the single consolidated exposure balance that receives a BSCR Rating of 8;

(xii) cash and cash equivalents issued by a country that is rated AA- or better in its own currency shall be classified under BSCR rating class 0;

(xiii) A list of credit ratings agencies and the manner in which short term ratings issued by such agencies must be applied, shall be prescribed by the Authority and applied in determining the appropriate BSCR rating for cash and cash equivalent balances. Where the Authority prescribes long-term ratings, such ratings may be alternately applied; and

(xiv) amounts shall be reported on an EBS Valuation basis.

Schedule XX - Schedule of Currency Risk

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

All amounts expressed in ..... (currency used)

Currency	$GrossCurrast_i$ (A)	$Currast_i$ (B)	$GrossCurrliab_i$ (C)	$Currliab_i$ (D)
Financial Year	**Liabilities**	**ECR Charge**		
	Form 1EBS, Line 39	Summary Schedule		
XXX-1				
XXX-2				
XXX-3				

INSTRUCTIONS AFFECTING SCHEDULE XX:

(i) Insurers are to report currencies representing at least 95% of their economic balance sheet liabilities

(ii) $GrossCurrast_i$ and $GrossCurrliab_i$ shall be valued in line with the Economic Balance Sheet principles set out in Schedule XXVI;

(iii) where an insurer uses currency hedging arrangements to manage its currency risk, then $Currast_i$ and $Currliab_i$ may be adjusted to reflect the impact of those arrangements on $GrossCurrast_i$ and $GrossCurrliab_i$ of a 25% adverse movement in foreign exchange rates, otherwise the amounts $GrossCurrast_i$ and $GrossCurrliab_i$ shall apply;

(iv) a 'currency hedging arrangement' means derivative or other risk mitigation arrangements designed to reduce losses due to foreign currency exchange movements, and which meet the Authority's requirements to be classed as such"; and

(v) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

Schedule XXA - Schedule of Currency Risk

[blank] name of Insurer													
As at [blank] (day/month/year)													
All amounts expressed in ..... (currency used)													
	MARKET VALUE BEFORE SHOCK						**MARKET VALUE AFTER SHOCK**						
		Long Exposures		**Short Exposures**				**Long Exposures**		**Short Exposures**			
Currency	Assets - Excluding currency-derivatives	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Liabilities without Management Actions	Assets - Excluding currency-derivatives	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Liabilities without Management Actions	Liabilities with Management Actions
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
United States Dollars													
Bermuda Dollars													
Qatari Riyals													
Hong Kong Dollars													
Euros													
Danish Krones													
Bulgarian Levs													
West African CFA Francs													
Central African CFA Francs													
Comorian Francs													

United Kingdom Pounds													
Canada Dollars													
Japan Yens													
Other currency 1													
Other currency 2													
Other currency 3													
Other currency 4													
Other currency 5													
Other currency 6													
Other currency 7													
Other currency 8													
Other currency 9													
Other currency 10													
Financial Year	**Liabilities**		**ECR Charge**										
	Form 1EBS, Line 39		Summary Schedule										
XXX-1													

XXX-2													
XXX-3													

INSTRUCTIONS AFFECTING SCHEDULE XXA:

(i) insurers shall report currencies representing not less than 95% of their economic balance sheet liabilities;

(ii) assets qualifying as held for risk mitigation purposes; assets not qualifying for risk mitigation purposes and liabilities without management actions shall be valued in line with the Economic Balance Sheet principles set out in Schedule XXVI and in accordance with criteria prescribed by the Authority;

(iii) liabilities with management actions shall be valued in accordance to criteria prescribed by the Authority in relation to the valuation of future bonuses and other discretionary benefits; and

(iv) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

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Schedule XXI - Schedule of Concentration Risk

(Paragraph 6)

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

All amounts expressed in ..... (currency used)

Name of Exposure	Asset Type (A)	Asset sub-type (B)	BSCR Rating (C)	Asset Value (D)

INSTRUCTIONS AFFECTING SCHEDULE XXI:

(i) Disclosure of an insurer's 10 largest exposures to single counterparty risk by reporting the name, the exposure and allocation by asset type, bond / mortgage type (if applicable), BSCR Rating (if applicable) and asset value consistent with Form 1EBS.

(ii) a counterparty shall include all related/connected counterparties defined as:

(A) Control relationship: if the counterparty, directly or indirectly, has control over the other(s); or

(B) Economic interdependence: if one of the counterparties were to experience financial problems, in particular funding or repayment difficulties, the other(s) as a result, would also be likely to encounter funding or repayment difficulties.

(iii) Asset Type (Column A) shall be one of the following lines taken from Form 1EBS;

(A) Cash and cash equivalents (Line 1)
(B) Quoted Investments (Line 2)
(C) Unquoted investments (Line 3)
(D) Investments in and Advances to Affiliates (Line 4)
(E) Investments in Mortgage Loans on Real estate (Line 5)
(F) Policy Loans (Line 6)
(G) Real Estate (Line 7)
(H) Collateral Loans (Line 8)
(I) Funds held by ceding reinsurers (Line 12)

(iv) Asset sub-type (Column B) shall provide further details of the type of asset as included in Table 1, Table 2 or Table 8 as appropriate;

(v) BSCR Rating (Column C) shall be the BSCR rating that was allocated to the asset when it was included in Table 1, Table 2 or Table 8 as appropriate;

(vi) Asset Value (Column D) shall be the value of the asset as required by the Economic Balance Sheet valuation principles as set out in Schedule XXVI; and

(vii) Amounts shall be reported on both an EBS Valuation and unconsolidated basis.

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Schedule XXIA - Schedule of Concentration Risk

(Paragraph 6)

[blank] name of Insurer

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

All amounts expressed in ..... (currency used)

Name of Exposure	**Asset Type (A)**	**Asset sub-type (B)**	**BSCR Rating (C)**	**Asset Value (D)**

INSTRUCTIONS AFFECTING SCHEDULE XXIA:

(a) disclosure of an insurer's ten largest exposures to single counterparty risk by reporting the name, the exposure and allocation by asset type, bond or mortgage type (if applicable), BSCR Rating (if applicable) and asset value consistent with Form 1EBS.

(b) for the purposes of this Schedule, a counterparty shall include all related or connected counterparties captured by either of the following criteria:

(i) Controller relationship: if a counterparty, directly or indirectly, has control of (as a result of its majority shareholding in or significant influence) the other counterparties; or

(ii) Economic interdependence: if one of the counterparties were to experience financial difficulties which directly or indirectly affect the ability of any or all of the remaining counterparties to perform their financial obligations (for example where a counterparty becomes unable to fund or repay certain financial contractual obligations, and as a result, other counterparties, are likely to be unable to fund or repay certain obligations imposed on them);

(c) asset Type (Column A) shall be determined by the insurer as one of the following:

(i) cash and cash equivalents (as defined in Schedule XIX Column B Schedules IIB, IIC, IID, IIE, and IIF Column (1), Line 68);

(ii) quoted and Unquoted Investments (as defined in Schedules IIB, IIC, IID, IIE, and IIF Column (11), Line 14);

(iii) equity holdings (as defined in Schedules IIB, IIC, IID, IIE, and IIF Column (11), Line 37);

(iv) advances to Affiliates (reported on Form 1EBS, Line 4(g));

(v) policy Loans (reported on Form 1EBS, Line 6);

(vi) real Estate 1 (reported on Form 1EBS, Line 7(a));

(vii) real Estate 2 (reported on Form 1EBS, Line 7(b));

(viii) collateral Loans (reported on Form 1EBS, Line 8);

(ix) for equity exposures that are grandfathered according to paragraph 23A, the appropriate asset type given in Instructions affecting Schedule XXI, point (iii).

(d) when reporting asset sub-type (under Column B) shall provide further details of the type of asset as included in Table 1, Table 2 or Table 8 as appropriate;

(e) when applying the BSCR Rating (under Column C) the insurer shall apply the BSCR rating that was allocated to the asset when it was included in Table 1, Table 2 or Table 8 as appropriate;

(f) asset value (under Column D) shall be the value of the asset as required by the Economic Balance Sheet valuation principles as set out in Schedule XXVI; and

(g) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

SCHEDULE XXIB **(Paragraph 7A)**

SCHEDULE OF ASSET AND LIABILITY STATEMENT

1. Every Class D and E insurer, other than those that carry on domestic business, shall provide the completed 'Asset and Liability Statement' as prescribed by the Authority.

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SCHEDULE XXII
SCHEDULE OF ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING ("AML/ATF")

Every insurer that writes long-term business shall be required to complete the questions set out in the Schedule of Anti-Money Laundering/Anti-Terrorist Financing ("Schedule") in relation to its long term business but excluding any reinsurance business and provide particulars of its gross written premiums on a consolidated basis for the relevant year. The Schedule is comprised of the following:

(a) Table I – Insurers are required to complete in order to provide the Authority with the data required to determine the extent of an insurer's exposure or potential exposure to Money Laundering ("ML") and Terrorist Financing ("TF") risks.

(b) Table II - Insurers are required to complete in order to provide the Authority with an understanding of the insurer's AML/ATF corporate governance framework, including but not limited to; employee training, knowledge, integrity, and compliance with established AML/ATF policies and procedures.

Table I

AML/ATF

INSURER INFORMATION

1. Confirm if the insurer is registered as a segregated accounts company ("SAC") in accordance with the requirements of the Segregated Accounts Act 2000 or has created separate accounts in accordance with the provisions relating to the business of the insurer under any Private Act. If the answer is "yes", provide the number of:

   (a) active accounts; and

   (b) non-active accounts .

2. Provide the Gross Premium Written (GPW) for the relevant year. In addition:

   (a) provide the percentage of GPW corresponding to any unrelated business written by the insurer.

   (b) if applicable, confirm the percentage of incidental general business written by the insurer.

   (c) provide GPW by line of business:

	Insurance		Reinsurance	
Lines of Business	GPW US$	Number of Policies	GPW US$	Number of Policies
(a) Mortality				
(i) Term assurance	XXX	XXX	XXX	XXX
(ii) Whole Life	XXX	XXX	XXX	XXX
(iii) Universal Life	XXX	XXX	XXX	XXX
(b) Critical illness (including accelerated critical illness products)	XXX	XXX	XXX	XXX
(c) Longevity (immediate pay-out annuities,	XXX	XXX	XXX	XXX

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contingent annuities, pension pay-outs)				
(d) Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs)	XXX	XXX	XXX	XXX
(e) Annuities certain only	XXX	XXX	XXX	XXX
(f) Deferred accumulation annuities	XXX	XXX	XXX	XXX
(g) Disability income: active lives - including waiver of premium and long-term care	XXX	XXX	XXX	XXX
(h) Disability income: active lives - other accident and sickness	XXX	XXX	XXX	XXX
(i) Disability income: claims in payment - including waiver of premium and long-term care	XXX	XXX	XXX	XXX
(j) Disability income: claims in payment - other accident and sickness	XXX	XXX	XXX	XXX
(k) Group Life	XXX	XXX	XXX	XXX
(l) Group Disability	XXX	XXX	XXX	XXX
(m) Group Health	XXX	XXX	XXX	XXX
(n) Stop Loss	XXX	XXX	XXX	XXX
(o) Rider (other product riders not included above)	XXX	XXX	XXX	XXX
(p) Variable Annuities	XXX	XXX	XXX	XXX
(q) Other Lines of Business				
(i) General Business	XXX	XXX	XXX	XXX
(ii) Any other lines of business	XXX	XXX	XXX	XXX
Total	**XXX**	**XXX**	**XXX**	**XXX**

3. Confirm if the insurer has in force designated investment contracts approved by the Authority in accordance with the provisions of section 57A of the Act ;or in accordance with the provisions of any Private Act relating to the business of the insurer. If yes, provide the:

   (a) number of designated investment contracts approved;

   (b) net account value of the designated investments contracts at year-end.

4. Provide claims paid (gross) for the reporting period. Additionally, provide claims paid by line of business:

	Insurance	Reinsurance

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Lines of Business	Paid US$	Number of Policies	Paid US$	Number of Policies
(a) Mortality				
(i)Term Assurance	XXX	XXX	XXX	XXX
(ii) Whole Life	XXX	XXX	XXX	XXX
(iii) Universal Life	XXX	XXX	XXX	XXX
(b) Critical Illness (including accelerated critical illness products)	XXX	XXX	XXX	XXX
(c) Longevity (immediate pay-out annuities, contingent annuities, pension pay-outs)	XXX	XXX	XXX	XXX
(d) Longevity (deferred pay-out annuities, future contingent annuities, future pension pay-outs)	XXX	XXX	XXX	XXX
(e) Annuities certain only	XXX	XXX	XXX	XXX
(f) Deferred accumulation annuities	XXX	XXX	XXX	XXX
(g) Disability Income: active lives - including waiver of premium and long-term care	XXX	XXX	XXX	XXX
(h) Disability income: active lives - other accident and sickness	XXX	XXX	XXX	XXX
(i) Disability income: claims in payment - including waiver of premium and long-term care	XXX	XXX	XXX	XXX
(j) Disability income: claims in payment - other accident and sickness	XXX	XXX	XXX	XXX
(k) Group Life	XXX	XXX	XXX	XXX
(l) Group Disability	XXX	XXX	XXX	XXX
(m) Group Health	XXX	XXX	XXX	XXX
(n) Stop Loss	XXX	XXX	XXX	XXX
(o) Rider (other product riders not included above)	XXX	XXX	XXX	XXX
(p) Variable Annuities	XXX	XXX	XXX	XXX
(q) Other Lines of Business				
(i) General Business	XXX	XXX	XXX	XXX
(ii) any other lines of business	XXX	XXX	XXX	XXX
Total	**XXX**	**XXX**	**XXX**	**XXX**

5. Confirm if the corporate governance framework or procedure manuals of the insurer relating to ML/AF risks are up to date and aligned with current AML/ATF requirements.

6. Confirm the frequency with which the AML/ATF policies, procedures or manual are reviewed by the insurer.

7. Confirm if the insurer provides employees with training in relating to money laundering ("ML") and terrorism financing ("TF"). If yes, confirm if:

(a) ML/TF training is included in the induction program of new employees.

(b) the ML/TF training provided is specific to the business of insurance conducted by the insurer or is of general application.

(c) the frequency that employees must undertake ML/TF training.

8. Provide the experience and professional designations of the following employees:

	Number of Years in Current Role	Number of Years of AML/ATF Experience	Professional Designation
Senior Compliance Officer	XXX	XXX	XXX
Reporting Officer ("ML/TF Reporting Officer")	XXX	XXX	XXX

9. Confirm if the insurer's Senior Compliance Officer is located in Bermuda.

10. Confirm if the insurer's ML/TF Reporting Officer is located in Bermuda.

11. Confirm if the insurer's Senior Compliance Officer is a member of the senior management of the insurer.

12. Confirm the actions taken by an insurer prior to hiring employees:

Verification of:	Yes/No
Name	XXX
Residential address	XXX
Whether the individual should be considered as or is, a PEP	XXX
Whether individual is subject to international sanctions lists	XXX
Whether there is negative press concerning the proposed employee	XXX
Employment history	XXX
Professional references	XXX
Whether details have been requested regarding regulatory action taken against the individual	XXX
Details of any criminal conviction for fraud or other dishonesty	XXX

The individual's financial solvency	XXX

13. Confirm if the insurer monitors the transactions of its policyholders against their risk profile for suspicious activity.

14. Confirm if the insurer is registered with the Financial Intelligence Agency's ("FIA") "Go AML" Program and if so, provide the date of registration.

15. Confirm the number of Suspicious Activity Reports filed by the insurer from the year 2011 to date.

	Filed Internally	With FIA
201X	XXX	XXX
201X-1	XXX	XXX
201X-2	XXX	XXX
201X-3	XXX	XXX
201X-4	XXX	XXX
Total	XXX	XXX

POLICYHOLDER AND BENEFICIARY INFORMATION

16. Provide the following information based on the policyholder's residence (in accordance with the underwriting geographical zones set out in Table 6A); and the GPW for the relevant year:

Geographic Zone	GPW US$	Number of Policies
Zone 1	XXX	XXX
Zone 2	XXX	XXX
Zone 3	XXX	XXX
Zone 4	XXX	XXX
Zone 5	XXX	XXX
Zone 6	XXX	XXX
Zone 7	XXX	XXX
Zone 8	XXX	XXX
Zone 9	XXX	XXX
Zone 10	XXX	XXX
Zone 11	XXX	XXX
Zone 12	XXX	XXX
Zone 13	XXX	XXX
Zone 14	XXX	XXX
Zone 15	XXX	XXX
Zone 16	XXX	XXX
Zone 17	XXX	XXX
Zone 18	XXX	XXX
Zone 19	XXX	XXX
Zone 20	XXX	XXX
Total	**XXX**	**XXX**

17. Provide the following information, based on the residence of beneficiaries (in accordance with the underwriting geographical zones set out in Table A); and the claims paid for the relevant year:

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Geographic Zone	Claims paid US$	Number of Policies
Zone 1	XXX	XXX
Zone 2	XXX	XXX
Zone 3	XXX	XXX
Zone 4	XXX	XXX
Zone 5	XXX	XXX
Zone 6	XXX	XXX
Zone 7	XXX	XXX
Zone 8	XXX	XXX
Zone 9	XXX	XXX
Zone 10	XXX	XXX
Zone 11	XXX	XXX
Zone 12	XXX	XXX
Zone 13	XXX	XXX
Zone 14	XXX	XXX
Zone 15	XXX	XXX
Zone 16	XXX	XXX
Zone 17	XXX	XXX
Zone 18	XXX	XXX
Zone 19	XXX	XXX
Zone 20	XXX	XXX
Total	**XXX**	**XXX**

18. Provide the information based on the residence of politically exposed persons (in accordance with the underwriting geographical zones set out in Table A); and the GPW for the relevant year:

Geographic Zone	Number of PEPs
Zone 1	XXX
Zone 2	XXX
Zone 3	XXX
Zone 4	XXX
Zone 5	XXX
Zone 6	XXX
Zone 7	XXX
Zone 8	XXX
Zone 9	XXX
Zone 10	XXX
Zone 11	XXX
Zone 12	XXX
Zone 13	XXX
Zone 14	XXX
Zone 15	XXX
Zone 16	XXX
Zone 17	XXX
Zone 18	XXX
Zone 19	XXX
Zone 20	XXX

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Total	**XXX**

19. Confirm if the insurer screens policyholders and beneficiaries to determine if they are subject to directives imposed under Bermuda sanctions regime.

20. Provide the number of policyholders by the following risk assessment:

	Number of Policyholders	% of GPW
Low Risk	XXX	XXX
Medium Risk	XXX	XXX
High Risk	XXX	XXX
Unknown	XXX	XXX
Total	**XXX**	**XXX**

21. Confirm the frequency with which the insurer rates the AML/ATF risks of its policyholders.

22. Confirm whether senior management approval is required to approve new business, if the policyholder has been risk rated as:

Low	Medium	High
XXX	XXX	XXX

23. Confirm if senior management approval is required to retain an existing policyholder if the policyholder's risk rating has changed to:

Low	Medium	High
XXX	XXX	XXX

24. . Confirm the manner in which the insurer conducts business with its policyholders by percentage of the total business:

	% of policyholder
Directly with the policyholder	XXX%
Via intermediary arrangement	XXX%
Via unrelated intermediary arrangement	XXX%
Introduced from a member of an insurance group	XXX%
Other (provide examples)	XXX%
Total	**XXX%**

25. Provide the percentage of business conducted by each of the following methods:

	% of policyholders
Face to face with policyholders	XXX%
Via intermediary	XXX%
By phone, email, fax, or post	XXX%
Other (provide examples)	XXX%

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Total	**XXX%**

26. If the insurer engages intermediaries, confirm if the insurer performs AML/ATF due diligence prior to the engagement.

27. Confirm the following information for each type of policyholder that is verified by an insurer prior to commencement of new business.

	Low Risk Policyholder	Medium Risk Policyholder	High Risk Policyholder	Non-Risk Rated Policyholder
Public company (i.e., Policyholders quoted on a stock exchange)				
Full legal name	XXX	XXX	XXX	XXX
Address of Policyholder	XXX	XXX	XXX	XXX
Nature of business	XXX	XXX	XXX	XXX
Evidence of exchange listing	XXX	XXX	XXX	XXX
Private company (i.e. Policyholders not quoted on a stock exchange)				
Legal name	XXX	XXX	XXX	XXX
Trading name	XXX	XXX	XXX	XXX
Registered trading address	XXX	XXX	XXX	XXX
Nature of business	XXX	XXX	XXX	XXX
Jurisdiction of operations	XXX	XXX	XXX	XXX
Identity of beneficial owner and whether identify is verified	XXX	XXX	XXX	XXX
Address of beneficial owners.	XXX	XXX	XXX	XXX
Identity of directors/senior executives and whether identity is verified.	XXX	XXX	XXX	XXX
Address of directors/senior executives	XXX	XXX	XXX	XXX
Natural Person				
Name	XXX	XXX	XXX	XXX
Address	XXX	XXX	XXX	XXX
D.O.B	XXX	XXX	XXX	XXX
Nationality	XXX	XXX	XXX	XXX
Gender	XXX	XXX	XXX	XXX
Occupation	XXX	XXX	XXX	XXX
Salary	XXX	XXX	XXX	XXX
Employer	XXX	XXX	XXX	XXX
Source of funds	XXX	XXX	XXX	XXX
Source of wealth	XXX	XXX	XXX	XXX
Reason for application	XXX	XXX	XXX	XXX
Expected activities	XXX	XXX	XXX	XXX

28. Confirm the mechanism(s) used by the insurer to receive premium and pay claims:

	Premium	Claims
Bank transfer	XXX	XXX

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Cash	XXX	XXX
Cheque	XXX	XXX
Credit/debit card	XXX	XXX
Virtual currencies	XXX	XXX
Other (provide examples)	XXX	XXX

29. Provide any additional information or comments that could be relevant to this report or which may further clarify any information provided by the insurer.

Table A – Underwriting Geographical Zones

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

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	Antilles, Puerto Rico, St. Barthelemy, St Kitts & Nevis, St Lucia, St Martin, St Vincent, Trinidad & Tobago, Turks & Caicos Islands, and US Virgin Islands
Zone 13 - Eastern South America	Brazil, Falkland Islands, French Guiana, Guyana, Paraguay, Suriname, and Uruguay
Zone 14 - Northern, Southern and Western South America	Argentina, Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela
Zone 15 - North-East United States	Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont
Zone 16 - South-East United States	Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, Virginia, and West Virginia
Zone 17 - Mid-West United States	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, and Wisconsin
Zone 18 - Western United States	Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming
Zone 19 - Central America	Belize, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua, Panama
Zone 20 - Bermuda	Bermuda

Table II
AML/ATF

The insurer shall confirm the following information as at the reporting period:

	Corporate Governance
1	Whether the powers, roles, responsibilities and accountabilities between the board of directors of the insurer ("Board") and senior management are clearly defined, segregated and understood.
2	Whether the Board and senior management understand how the insurer operates through structures which may impede transparency.
3	That the insurer reviews and monitors the structure, size and composition of the Board and recommends improvements to ensure its compliance with the applicable laws, regulations, listing rules and insurer's policies.
4	That the Audit and Risk Management Committee of the Board or any related Board committee, assists the Board in fulfilling its oversight function through the review and evaluation of the financial reporting process and adequacy and effectiveness of the system of internal controls; including financial reporting and information technology security controls.
5	Confirmation that the Board receives sufficient AML/ATF information to assess and understand the senior executive's process for evaluating the insurer's system of internal controls.
6	Whether the Board ensures that the insurer complies with all relevant laws and regulations and endeavors to adopt accepted best business practices.
7	That the Board and senior management declare any personal dealings to HR and the Compliance department when applicable or required.

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8	That the Board provides oversight to the insurer with regard to enterprise risk management and identifies key risk areas and key performance indicators and monitor these factors with due diligence.
9	Whether Board members ensure there is appropriate oversight by the senior management that is consistent with the insurer's policies and procedures.
10	Whether the Board sets and enforces clear lines of responsibility and accountability throughout the organization.
11	That at least annually the Board monitors the senior management's compliance with policies set by the Board and its performance based on approved targets and objectives.
12	That the Board receives advice on all major financing transactions, principal agreements and capitalization requiring Board approval and makes appropriate recommendations for their consideration
13	Whether the compliance and audit function are independent of all operational and business functions as far as practicable and have direct lines of communication to the senior management.
14	That the insurer has instituted policies or procedures to provide for the Senior Compliance Officer to have regular contact with and direct access to, the senior management; to ensure that the senior management is able to satisfy itself that the insurer's statutory obligations are being met and the measures taken to prevent risks of ML/TF are sufficiently robust
Employee Integrity	
15	Whether the insurer has established and, maintains and operates appropriate procedures in order to be satisfied of the integrity of new employees.
16	That appropriate mechanisms have been established to ensure the protection of the insurer's employee to report suspicious transactions and other actions to comply with AML/ATF/AFT obligations.
17	That adequate procedures or management information systems are in place to provide relevant employees with timely information which may include information regarding connected accounts or relationships.
18	Whether adequate procedures or document information systems are in place to ensure relevant legal obligations are understood and practiced by employees and adequate guidance and training is provided by the insurer to employees.
19	Whether the incidences of financial crime committed by employees (e.g. theft, fraud) is low.
Employee Knowledge	
20	That all employees are aware of the identity of the Reporting Officer and how to report suspicious activity.
21	Confirm whether training programs are designed to cover the AML/ATF/ risks of the insurer.
22	Whether the insurer has an appropriate number of suitably trained employees and other resources necessary to implement and operate its AML/ATF program.
23	Whether employees fully comply with all AML/ATF procedures in respect of customer identification, account monitoring, record keeping and reporting.
24	That employees are expected to remain vigilant to the possibility of ML.
25	Whether employees who violate any of the AML/ATF regulations and or policies and procedures outlined in the insurer's handbook will be subject to disciplinary action.

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26	That all employees are required to (at least annually) undertake training to ensure that their knowledge of AML/ATF laws, policies and procedure is current
27	Whether employees are updated on money laundering schemes and typologies on a regular basis.
28	That employees are required to declare personal dealings relevant in the jurisdictions that the insurer operates in on a regular basis (at least annually).
Employee Compliance	
29	Whether the insurer ensures that the Senior Compliance Officer is the focal point for the oversight of all activities relating to the prevention and detection of ML/TF.
30	That the Senior Compliance Officer is fully conversant and trained in up to date regulatory requirements and ML/TF risks arising from the insurer's business.
31	That the Board monitors compliance with corporate governance regulations and guidelines.
32	Whether the Board supports the senior management's scope of AML/ATF internal control assessment and receives regular (at least annually) reports from the senior management..
Insurer Data	
33	the date the insurer last performed an entity-wide AML/ATF risk assessment.
34	the date the insurer last had an independent review of its AML/ATF program.
35	the date of the last Compliance/ Reporting Officer report on the operation and effectiveness of the insurer's AML/ATF policies, procedures and controls.
36	if the insurer documents the ML/TF risk assessment associated with a product/service prior to launch.
37	if the insurer is listed on a stock exchange.
	If yes, please provide details of the stock exchange(s).

Please include any additional information/comments which the insurer is of the view may be relevant.

INSTRUCTIONS TO the Schedule:

For the purposes of this Schedule, "relevant year" means in relation to an insurer its financial year.

"POCA Regulations" means the Proceeds of Crime (Anti-money laundering and Anti-Terrorist Financing) Regulations 2008

For the purposes of Table I:

a) In Paragraph 1 "active SAC" means a segregated account cell that is undertaking transactions of business and "non active SAC" means a segregated account cell that is not undertaking any transactions of business.

b) In paragraph 2 "unrelated business" means insurance business consisting of insuring risks of persons who are not shareholders or affiliates of the insurer.

c) in paragraph 2 "incidental general business" has the limitations imposed on the meaning of "general business" and "long-term business" as set out under section 1(4)(aa) of the Act;

d) "reporting officer" for the purposes of paragraph 7 has the meaning given under paragraph 2 of POCA Regulations;

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e) in paragraph 11, "negative press" means any public information about the proposed employee that raises concerns about, amongst other things, the probity, fitness for the position or source of wealth of such person;

f) for the purposes of completing 11, "criminal conviction" means all non-expunged criminal offences;

g) for the purposes of completing the questions under paragraphs 10 and 19; "senior management" shall be interpreted in accordance with the provisions of POCA Regulations

h) in paragraph 15, "policyholder" means the individual or entity covered by an insurance policy issued by the insurer;

i) for the purposes of paragraph 16, a "beneficiary" means a beneficiary as defined under paragraph 6(7) of POCA Regulations;

j) in paragraph 19, "risk assessment" means the assessment of AML/ATF risks determined by the insurer of a policy holder of the insurer in accordance with POCA Regulations and the relevant Guidance Notes issued by the Authority.

k) for the purposes of paragraph 23, "non-risk rated policyholder" means a policyholder who has not been "risk rated" in line with the AML/ATF risk assessment requirement imposed under POCA Regulations and the relevant Guidance Notes issued by the Authority.

INSTRUCTIONS TO TABLE II:

For the purposes of Table II:

In paragraphs 21 and 35 "reporting officer" has the meaning given under paragraph 2 of POCA.

Schedule XXIII - Schedule of Interest Rate Sensitive Assets and Liabilities

	INTEREST RATE DOWN SHOCK											
	Exposures other than derivatives					**Derivative exposures**						
Currency	**Assets**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**	**Assets – Not Qualifying as held for risk-mitigation purposes**		**Assets – Not Qualifying as held for risk-mitigation purposes**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**
	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
United States Dollars												
Euro												
United Kingdom Pounds												
Japan Yen												
Canada Dollars												
Swiss Francs												
Australia Dollar												
New Zealand Dollar												
Other currency 1												
Other currency 2												
Other currency 3												
Other currency 4												
Other currency 5												
Other currency 6												
Other currency 7												
Other currency 8												
Other currency 9												
Other currency 10												

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Interest Down Shock Total												
	INTEREST RATE UP SHOCK											
	Exposures other than derivatives					**Derivative exposures**						
Currency	**Assets**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**	**Assets – Not Qualifying as held for risk-mitigation purposes**		**Assets – Not Qualifying as held for risk-mitigation purposes**		**Liabilities**	**Liabilities without Management Actions**	**Liabilities with Management Actions**
	Before Shock	After Shock	Before Shock	After Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	Before Shock	After Shock	After Shock
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
United States Dollars												
Euros												
United Kingdom Pounds												
Japan Yens												
Canada Dollars												
Swiss Francs												
Australia Dollars												
New Zealand Dollars												
Other currency 1												
Other currency 2												
Other currency 3												
Other currency 4												
Other currency 5												
Other currency 6												
Other currency 7												
Other currency 8												
Other currency 9												

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Other currency 10												
Interest Up Shock Total												

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INSTRUCTIONS AFFECTING SCHEDULE XXIII:

(a) insurers are required to report all interest rate sensitive assets including but not limited to fixed income assets, hybrid instruments, deposits, loans (including mortgage and policyholder loans), reinsurance balance receivables and exposures as determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for the following items:

i. collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
ii. segregated account companies assets;
iii. deposit asset;
iv. other sundry;
v. derivatives;
vi. funds held by ceding insurers.

(b) insurers are required to report all interest rate sensitive liabilities including but not limited to best estimate of insurance liabilities, other liabilities and liability exposures as determined by application of the "look-through" approach calculated in accordance with criteria prescribed by the Authority for the following items:

i. segregated account companies liabilities;
ii. deposit liabilities;
iii. other sundry liabilities;
iv. derivatives;
v. funds held under retrocession.

(c) Assets qualified as held for risk mitigating purposes and assets not qualified as held for risk mitigating purposes shall be determined in accordance with criteria prescribed by the Authority.

(d) liabilities with management actions shall be determined in accordance with criteria prescribed by the Authority.

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(Paragraph 6)

SCHEDULE XXV

SCHEDULE OF ADJUSTMENTS

1. An insurer may make an application to the Authority in accordance with section 6D (7) of the Act, to request for any of the following adjustments, to be made to the insurer's enhanced capital requirement, available statutory capital and surplus, total statutory capital and surplus or available statutory economic capital and surplus, and any adjustment approved by the Authority shall take effect on the date determined by the Authority—

   (a) to allow for the recognition of material limits and other risk mitigation techniques when not adequately captured by the insurer's ECR calculation;

   (b) *to s*et the '*TransitionalFactor*' of the BSCR calculation to 100%;

   (c) to allow the use of alternative credit ratings for determining the BSCR Ratings within the BSCR calculation;

   (d) to allow the modelling of variable annuity guarantee risk using internal models;

   (e) to assess correct classification of specific assets or liabilities;

   (f) to adjust the insurance reserves;

   (g) to modify the calculation of the minimum margin of solvency requirement;

   (h) to switch to the alternative BSCR methodology for the interest rate/liquidity risk charge calculation (as per paragraph 24 of Schedule I)

2. The Authority may request an insurer to provide it with any information and documents required in order to appropriately assess an application made to it by an insurer under paragraph 1.

3. In reviewing an application for an adjustment by an insurer under paragraph 1, the Authority shall take into consideration the nature, scale, risk profile and complexity of the insurer's business.

4. Further consideration may be made by the Authority to the following matters, which include but are not limited to the following—

   (a) materiality of the adjustment;

   (b) scope and reasoning for the adjustment;

   (c) quality of supporting analysis provided;

   (d) data completeness, accuracy and appropriateness;

   (e) consistency in the design, assumptions, methodologies and calibration of the BSCR;

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(f) solvency position of the insurer pre and post the proposed adjustment;

(g) appropriateness and suitability of the methodologies utilised in preparing the adjustment requested (for example calibration and statistical analysis applied);

(h) validation and documentation;

(i) governance and risk management requirements of the insurer and whether such aligns with the proposed adjustment;

(j) governance relating to the production, review and use of the proposed adjustment;

(k) adjustments already granted to the insurer;

(l) the extent to which the model underpinning the proposed adjustment is used in and plays an important role in the insurer's system of governance.

5. Where an application for approval has been granted by the Authority under section 6D (7) prior to 31 December 2023, insurers shall apply the following calculations to any transitional arrangements agreed by the Authority. For an insurer with a liability duration of—

(a) < (less than) 5 years, a five-year transition will apply; and

(b) >= (greater than or equal to) 5 years, a transition period equal to the insurers' liability duration will apply up to ten years.

6. The Authority, at its discretion, may approve applications under subsection 6D(7) for adjustments outside the scope set out in paragraph 1. The conditions that apply to adjustments made under paragraph 1 will also apply to adjustments made under this paragraph. Additionally—

(a) in determining whether to approve such applications, the Authority will also consider the extent to which the scope of the proposed adjustment overlaps with the scope of the adjustments listed in paragraph 1; and

(b) where an approval is granted by the Authority to adjust an insurer's ECR with an adjustment that does not fall under the adjustments listed under paragraph 1, a floor equal to 90% of the unadjusted ECR will apply for the duration of the adjustment.

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(Paragraph 6)

SCHEDULE XXVI

SCHEDULE OF ECONOMIC BALANCE SHEET VALUATION PRINCIPLES

PART 1: ECONOMIC BALANCE SHEET – VALUATION PRINCIPLES

1 The economic balance sheet (EBS) shall be produced on a consolidated basis in line with GAAP principles adopted by the insurer, as notified and agreed by the Authority ("GAAP Principles"). Except where specifically mentioned below, the consolidated assets and liabilities shall be assessed and fair-valued in line with the GAAP principles adopted by the Insurer, as notified to and agreed by the Authority.

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

3 For cases where the GAAP principles do not require an economic valuation the insurer shall fair value the asset or liability using the following hierarchy of high-level principles of valuation of assets and liabilities:

(a) quoted market prices in active markets for the same or similar assets or liabilities must be used whenever possible;
(b) an active market for the purposes of this Schedule is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis;
(c) where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used;
(d) if there are no quoted market prices in active markets available, mark-to-model techniques, which are alternative valuation techniques that have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input, should be used; and
(e) maximum use must be made of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimising the use of unobservable inputs.

4 When valuing liabilities, no adjustments shall be made to take account of the own credit standing of the insurer.

5 Insurers shall follow the GAAP principles it has adopted in the treatment of insurance contracts that do not transfer significant insurance risk.

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

7 All contractual liabilities or contingent liabilities arising from off-balance sheet arrangements are to be recognised on the EBS. Contractual liabilities should be valued consistently with GAAP principles. In cases where the GAAP principles do not require fair value, the insurer should value the contractual liabilities using the valuation hierarchy in paragraph 3. Contingent liabilities shall be valued based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate. Where the present value of contingent obligations cannot be determined, the liability should be valued at its undiscounted value.

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PART 2: TECHNICAL PROVISIONS – APPLICATION PRINCIPLES

Proportionality, nature, scale, complexity and simplifications

8 (1) Insurers shall use methods to calculate technical provisions which are proportionate to the nature, scale and complexity of the risks underlying their insurance obligations.

(2) In determining whether a method of calculating technical provisions under subparagraph (1) is proportionate, insurers shall carry out—

(a) an assessment, which includes an assessment of the nature, scale and complexity of the risks underlying their insurance obligations; and

(b) an evaluation of the error introduced in the results of the method due to any deviation between the following —

(i) the assumptions underlying the method in relation to the risks; and

(ii) the results of the assessment referred to in subparagraph (3).

(3) The assessment referred to in subparagraph (2)(b)(ii) shall include all risks which affect the amount, timing or value of the cash in- and out-flows required to settle the insurance obligations over their lifetime. This shall include the following risk characteristics, where applicable —

(a) the degree of homogeneity of the risks;
(b) the variety of different sub-risks or components of which the risk is comprised;
(c) the manner in which sub-risks referred to in sub-subparagraph (b) are interrelated;
(d) the level of uncertainty of cash flows, including the extent to which future cash flows can be estimated;
(e) the nature of the occurrence or crystallisation of the risk in terms of frequency and severity;
(f) the manner in which claims develop over time;
(g) the extent of potential loss, including the tail of the claims distribution;
(h) the type of business from which risks originate;
(i) the degree of dependency between different risk types, including the tail of the risk distribution; and
(j) risk mitigation instruments applied, if any, and their impact on the underlying risk profile.

(4) The method of calculating technical provisions under subparagraph (1), shall be considered by the Authority to be disproportionate to the nature, scale and complexity of the risks of the insurer's business if the error introduced in accordance with subparagraph (2) (b), leads to a misstatement of technical provisions or their components that could influence the decision-making or judgment of the intended user of the information relating to the value of technical provisions, unless one of the following conditions are met—

(a) no other method with a smaller error is available and the method is not likely to result in an underestimation of the amount of technical provisions; and

(b) the method leads to an amount of technical provisions that is higher than an amount that would result from the application of a proportionate method and the method does

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not lead to an underestimation of the risk inherent in the insurance obligations that it is applied to.

(5) Insurers may make suitable simplifications in the calculation of technical provisions as follows —

(a) simplification methods referred to in subparagraph (5) may include —

(i) scaling, mapping to similar products to gross up;

(ii) using a deterministic model instead of stochastic model;

(iii) performing an aggregate calculation instead of policy by policy calculation;

(b) simplification methods may also apply to the determination of best estimate liabilities and risk margin, including but not limited to expected losses on reinsurance recoverables due to counterparty default, reinstatement premiums on reinsurance recoverables, or application of contract boundaries.

Application of assumptions and expert judgement relating to technical provisions

9 (1) Insurers may utilise expert judgement when applying data used in the calculation of the technical provisions, the assumptions underlying the calculations, and the method applied to derive the technical provisions.

(2) Where expert judgement is utilised by an insurer to calculate the technical provisions in accordance with subparagraph (1), the following additional requirements apply —

(a) the use of expert judgement shall not replace appropriate collection, processing and analysis of data;

(b) expert judgement shall not be used in isolation unless there is no reliable alternative.;

(c) where expert judgement is solely utilised in accordance with subparagraph (2)(b), or results in a material impact on the derived best estimate, reasonable alternative assumptions are required to be tested by the insurer to ensure the selected assumption appropriately reflects the uncertainty in the outcome; and

(d) persons applying expert judgment shall have adequate experience and sufficient relevant knowledge and understanding of the subject.

(3) Insurers shall ensure that internal users, which includes, but is not limited to, external service providers to whom functions or activities have been outsourced, of relevant assumptions are informed about the content, reliability and limitations of such assumptions.

(4) Where an insurer uses a model to produce projections of future financial market parameters, such model shall comply with the following requirements, it shall—

(a) be risk neutral;
(b) generate prices that are consistent with deep, liquid, and transparent financial markets;
(c) assume no arbitrage opportunity; and
(d) ensure that the calibration of the parameters and scenarios used is consistent with the relevant risk-free interest rate term structure used to calculate the best estimate.

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(5) Assumptions applied by insurers in the calculation of technical provisions shall meet the following minimum requirements, whereby they are —

(a) clear and justified, whereby insurers have taken into account —

(i) the significance of the assumption;
(ii) any uncertainty in the use of the assumption ; and
(iii) any relevant alternative assumption.

(b) consistent with the characteristics of the portfolio of the insurer's insurance obligations;

(c) applied by the insurer consistently over time and within homogeneous risk groups and lines of business, without arbitrary change;

(d) adequately reflective of any uncertainty underlying the insurer's cash flows.

PART 3: TECHNICAL PROVISIONS – GENERAL CALCULATION PRINCIPLES

General

10 (1) Every insurer shall establish technical provisions under these Rules, with respect to insurance obligations relating to insurance contracts.

(2) The value of technical provisions shall be equal to the sum of a best estimate and a risk margin. The two components shall be calculated separately unless the technical provisions as a whole approach, under paragraph 37, is applied.

(3) Notwithstanding subparagraph (1), where cash flows associated with insurance obligations can be replicated using financial instruments, then insurers may use the market values of those financial instruments as the technical provisions.

(4) The value of technical provisions shall correspond to the current amount insurers would have to pay if they were to transfer their insurance obligations immediately to another insurer in an arm's length transaction.

(5) Insurers shall ensure that the calculation of the technical provisions shall include and be consistent with up-to-date financial market information and generally available data on insurance risks.

Segmentation

11 Insurers shall segment insurance obligations into homogeneous risk groups when calculating the technical provisions.

Insurance obligation recognition and contract boundaries

12 (1) When calculating the technical provisions, insurers shall recognise an insurance obligation at the date a member of the insurer becomes a party to the contract of insurance that gives rise to the obligation or the date the insurance cover begins, whichever date occurs earlier. Insurers shall only recognise the obligations within the boundary of the contract.

(2) An insurer, when determining whether to include a contract of insurance within the technical provisions, shall consider—

(i) whether or not such contract is legally enforceable; or

(ii) on what terms the insurer could avoid the liability associated with the exposure.

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(iii) whether or not the insurer is able to materially change the terms or premium associated with the contract of insurance, where an insurer that is legally required under law to provide the insurance cover.

(3) Insurers shall no longer recognise insurance obligations referred to in subparagraph (1), from the date such obligations become extinguished, including but not limited to, where they are discharged, cancelled or upon the date of expiration of the contract of insurance.

(4) All obligations relating to a contract of insurance will be considered by an insurer to be within the boundaries of such contract until any of the following matters arise —

(a) an insurer is no longer required to provide coverage under the contract of insurance;

(b) an insurer has the contractual right or ability to reassess the risk of a policyholder or beneficiary of a contract of insurance and, as a result, can set a price that fully reflects the revised risk; or

(c) where an insurer has the ability to reassess the risk of the portfolio that contains a contract of insurance and, as a result can set a price that fully reflects the risk of that portfolio.

Data

13 (1) Insurers shall implement internal processes and procedures to ensure the appropriateness, completeness and accuracy of the data utilised in the calculation of technical provisions applicable to them.

(2) Where insurers have insufficient quality data to apply a reliable actuarial method to a set or subset of insurance obligations, or amounts recoverable from outwards reinsurance contracts, approximations may be used in the calculation of the best estimate.

Comparison against experience

14 (1) Insurers shall implement processes and procedures to ensure that the best estimate calculation, and the assumptions underlying such calculation, are regularly compared against experience.

(2) Where the review identifies systematic deviation between experience and the best estimate calculations conducted in accordance with the technical provisions Rules, the insurer shall make appropriate adjustments to the actuarial methods being used or the assumptions being made.

PART 4: TECHNICAL PROVISIONS - BEST ESTIMATE

Overview

15 (1) Insurers shall ensure that the best estimate calculation that is applied shall—

(a) correspond to the probability-weighted average of future cash flows discounted, using the relevant interest rate term structure.

(b) take into account the time value of money, using the relevant risk-free interest rate term structure with an appropriate illiquidity adjustment.

(c) allow for uncertainty in future cash flows, and reflect the full potential range of possible outcomes, each weighted to reflect their respective probability of occurrence.

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(d) be based upon up-to-date, reliable, and credible information and realistic current assumptions and be performed using adequate, applicable and relevant actuarial and statistical methods. At each valuation date, the insurer shall consider whether the

assumptions and methods applied continue to be appropriate and justify changes or no-changes.

(2) The best estimate gross of any recoverable amounts from outwards reinsurance contracts, and the corresponding best estimate of the recoverable amounts, shall be calculated and shown separately.

Cashflows and uncertainty in future cashflows

16 (1) The cash flows applied in the calculation of the best estimate shall include all future cash inflows and outflows required to settle insurance obligations that are within the contract boundaries (as defined in paragraph 12) of the existing insurance contracts.

(2) In relation to cash flows used in the calculation of best estimates in subparagraph (1), insurers shall take into account of the following types of cashflows, including but not limited to—

(a) premium payments, including outwards (reinstatement or otherwise) premiums, and any additional cash flows resulting from such premiums;

(b) benefit payments, including discretionary benefits, to cedents, policyholders and beneficiaries;

(c) payments that the insurer will incur in providing contractual benefits in kind;

(d) expenses (including payments to intermediaries, claim costs, servicing costs and profit commissions) incurred in servicing insurance obligations over their lifetime;

(e) investment costs including payments between the insurer and investment firms in relation to contracts with index-linked and unit-linked benefits;

(f) payments between the insurer and intermediaries related to insurance obligations;

(g) payments for salvage and subrogation to the extent that such do not qualify as separate assets or liabilities in accordance with international accounting standards (such as IFRS or GAAP);

(h) taxation payments which are, or are expected to be, charged to policyholders and beneficiaries or are required to settle the insurance obligations;

(i) payments between the insurer and its reinsurers or other providers of risk mitigation, making due allowance for any expected shortfall in amounts to be received due to counterparty default (for whatever reason, including, but not limited to counterparty insolvency or contractual dispute); and

(j) Any other cashflow items which are expected to be charged to policyholders or required to settle the obligations.

(3) cash flow projections applied in the calculation of the best estimate shall, take account of uncertainties in the cash flows, including uncertainties —

(a) in the timing, frequency and severity of insured events;

(b) in claim amounts, including uncertainty in claims inflation, and in the period needed to settle and pay claims;

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(c) in the amount of expenses;

(d) in the expected future developments;

(e) in policyholder behaviour;

(f) in the dependency between two or more causes of uncertainty;

(g) in the dependency of cash flows on circumstances prior to the date of the cash flow.

Expenses

17 (1) The best estimate shall reflect all cash-flows arising from expenses that will be incurred in servicing insurance obligations. This shall include but not be limited to the following expenses—

(a) administrative;

(b) claims management;

(c) acquisition;

(d) investment;

(e) overhead.

(2) In relation to subparagraph (1)(e), overhead expenses shall include but are not limited to:

(a) salaries of general managers,

(b) auditing costs;

(c) day-to-day costs;

(d) new business development expenses;

(e) advertising and improvements of internal processes.

(3) Insurers shall consider whether sufficient future new business will be sold to enable existing per policy expenses to be maintained with an appropriate rate of inflation. For closed books or declining business, consideration shall be given to whether additional expense reserves are required to reflect increasing per policy expenses as the business runs off.

(4) In the calculation of the best estimate, insurers may include investment- related expenses as a separate series of cashflows or such may be offset against the discount rate.

(5) The investment expenses in relation to subparagraph (1)(d) may be based on the hypothetical costs relating to a theoretical investment portfolio for business for which the standard approach, as defined in paragraph 27 has been adopted. Where the scenario based approach (as set out in paragraph 28) is applied, then investment expenses shall be based on the costs associated with the insurer's actual investment portfolio.

(6) Current administrative, claims management, investment as defined under subparagraph (1) and overhead expenses as defined in subparagraph (1) shall be projected forward by insurers using appropriate rates of expense inflation.

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Different currencies application- best estimate calculation

18 (1) The time value of money of future cash-flows in different currencies shall be calculated by insurers using the relevant interest rate term structure for each relevant currency.

(2) Insurers shall ensure that discounted future cash-flows are converted to the reporting currency at the exchange rates in effect as of the valuation date, to obtain the best estimate.

(3) Best estimates to be calculated by currency shall be produced using material currencies and the insurer's reporting currency.

(4) Insurers shall consider data availability in creating and applying homogeneous risk groups by currency, to ensure that appropriate discount rates are available in the calculation the best estimate.

Allowance for recoveries from outwards (re)insurance contracts

19 (1) The best estimate of inflows and outflows from outwards (re)insurance contracts shall be based on principles consistent with those underlying the gross (of outwards (re)insurance) best estimate.

(2) Relevant cash flows, relating to outwards (re)insurance contracts, to be considered for calculation of the best estimate requirement shall include, where applicable, reinstatement premiums required to be paid to a (re)insurer, and expenses in relation to the management and administration of outwards (re)insurance claims.

(3) Insurers shall include projected outwards reinstatement premiums within the premium provisions. When calculating the best estimate of the reinstatement premiums under subparagraph (2), insurers shall ensure that -

(a) they capture the uncertainty of claims experience, taking into account the likelihood and severity of all outcomes; and

(b) the approach used to assess the level of reinstatement premiums is consistent with the valuation of the best estimate claims costs allowed for in the premium provisions; and

(c) the administrative expenses associated with the cost of handling the reinstatement is also included in the premium provisions.

(4) Where recoveries from outwards (re)insurance contract are not dependent directly on gross claims payments, then the insurer shall take into account any structural mismatch between gross claims payments and amounts recoverable in determining their best estimate.

(5) Insurers shall consider the potential impact of timing differences between payment of gross claims and receiving related recoveries from (re)insurers.

Allowance for counterparty default

20 (1) The best estimate of outwards (re)insurance recoveries shall be adjusted to take account of expected losses due to counterparty default for whatever reason, including (re)insurer insolvency and contractual dispute.

(2) The adjustment shall be calculated separately as the expected present value of the change in cash-flows underlying the amounts recoverable from the counterparty, resulting from a default of the counterparty at a certain point in time. This calculation shall therefore take into account possible default events over the lifetime of the rights arising from the corresponding outwards reinsurance contract and the dependence on time of the probability of default.

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(3) Insurers may make allowance for counterparty credit risk mitigation techniques they have adopted as follows—

(a) where such allowance involves the use of collateral assets, then the potential market risk on the relevant assets shall be taken into account; and

(b) where security has been obtained by way of letter of credit, guarantee or similar arrangement, then insurers shall replace the rating of the reinsurer with the rating of the security provider.

Expected future developments

21 (1) An insurer's calculation of the best estimate shall take into account future developments, including trends, that may have a material impact on the cash inflows and outflows required to settle insurance obligations of a contract for insurance for the duration of the contract.

(2) Insurers shall regard future developments for the purposes of calculation of the best estimate requirement in subparagraph (1), to include demographic, legal, medical, technological, social, environmental and economic developments including inflation.

Allowance for management actions

22 (1) Insurers shall ensure that the best estimate calculation reflects potential management actions (that is any action the officers of an insurer may expect to carry out under specific future circumstances) and where and to the extent required, potential changes in policyholder behaviour.

(2) Management actions shall be reflected by insurers in the valuation of the best estimate provided that the management actions:

(a) are clearly documented;
(b) have been approved by the chief executive or senior executive;
(c) are consistent with representations made to policyholders;
(d) are realistic and consistent with the insurer's current business practice and business strategy, including the use of risk-mitigation techniques where there is sufficient evidence that the insurer will change its practices or strategy, the assumed management actions are consistent with the changed practices or strategy;
(e) reflect the time and cost required to implement;
(f) are consistent with past evidence of similar actions in similar circumstances;
(g) are not contrary to any obligations towards policyholders and beneficiaries or to legal requirements applicable to the insurer;
(h) are consistent with each other; and
(i) are defined clearly as to when each would be taken.

(3) Assumptions relating to management actions shall be relevant to the insurers operations and shall take into account all of the following matters —

(a) a comparison of assumed future management actions with management actions taken previously by the insurer;

(b) a comparison of future management actions taken into account in the current and in the past calculations of the best estimate;

(c) an assessment of the impact of changes in the assumptions on future management actions on the value of the technical provisions; and

(d) the time needed to implement the management actions and any expenses relating to them.

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(3) Use of management actions shall not apply to reinvestment and disinvestment assumptions in the scenario-based approach. For liabilities valued using the scenario-based approach, insurers shall apply the requirements set out in paragraph 28 in relation to the application of such assumptions.

Policyholder Behaviour

23 (1) When determining the likelihood that policyholders will exercise contractual options, including lapses and surrenders, insurers shall conduct an analysis of past policyholder behaviour and a prospective assessment of expected policyholder behaviour.

(2) The analysis required in subparagraph (1) shall take into account all of the following matters—

(a) analysis of previous data on policyholder actions, if available;

(b) analysis of the degree to which it would be in the policyholder's interest to exercise the available option;

(c) changes in the operating environment;

(d) potential interaction with management actions;

(e) the influence of economic conditions;

(f) any other circumstances that are likely to influence decisions by policyholders on whether to exercise the option; and

(g) possibility of recaptures for reinsurance transactions.

(3) An insurer shall consider whether the insurance liabilities may be materially affected by either management actions or policyholder behaviour across a range of potential future economic scenarios.

(4) In relation to liabilities that may be materially affected by management action and policyholder behaviour, assumptions are required to be taken into account by an insurer across a range of economic scenarios. Where such assumptions already exist, these are required to be reviewed by an insurer to ensure they are appropriate to be taken into account.

(5) The allowance for management action and policyholder behaviour shall be disclosed, together with information indicating the possible materiality on the calculation of the best estimate.

Discretionary benefits

24 Where future discretionary benefits depend on the assets held by the insurer, insurers shall base the calculation of the best estimate on the assets currently held by the insurer and shall assume future changes of their asset allocation in accordance with the requirements relating to management actions. Insurers shall ensure that assumptions applied on the future returns of the assets are consistent with the relevant interest rate term structure utilised.

Valuation of material guarantees and contractual options

25 (1) When calculating the best estimate, insurers shall identify and take into account all material financial guarantees, non-financial guarantees and contractual options included in insurance contracts (whether such are contained in the insurance liabilities or the assets backing the insurance liabilities).

(2) When calculating the best estimate, insurers shall take into account all factors which may affect the likelihood that policy holders will exercise contractual options or realise the value of financial guarantees.

Best estimate calculation method

26 (1) The best estimate shall be calculated in such a way as to ensure that the calculation method and the results that derive from it are capable of review by a competent person.

(2) The selection of actuarial and statistical methods utilised by insurers for the calculation of the best estimate requirement, shall—

(a) reflect the risks affecting the underlying cash flows and the nature of the insurance obligations of insurer's contracts;

(b) be consistent with and make use of, all relevant data available for the calculation of the best estimate.

(3) Where a calculation method is based on grouped policy data, insurers shall ensure that the grouping of policies creates homogeneous risk groups that appropriately reflect the risks of the individual policies included in such groups.

(4) Insurers shall analyse the extent to which the present value of cash flows depend both on the—

(a) the expected outcome of future events and developments; and

(b) how the actual outcome in certain scenarios could deviate from the expected outcome.

(5) Where the present value of cash flows depends on future events and developments in accordance with subparagraph (4), insurers shall calculate the best estimate for cash flows applying methods which reflect such dependencies.

Discounting - 'Standard Approach'

27 (1) When calculating the best estimate, insurers shall take into account the time value of money using an applicable risk-free interest rate term structure with an appropriate illiquidity adjustment. The interest rate term structure applied shall take into account a partial reflection of the illiquidity premium existing in underlying assets held and mitigate artificial volatility on its balance sheets.

(2) Risk-free discount curves and illiquidity premium adjusted risk-free discount curves relating to certain currencies shall be prescribed by the Authority on its website at *www.bma.bm/* and shall be applied by the insurers that use the standard approach in determining the best estimate for some or part of their liabilities.

(3) When insurers have liabilities in a currency where discount curves are not available under subparagraph (2), they should apply to the Authority under Section 6D of the Act for determining suitable discount curves for that currency.

(4) Where assumptions on investment returns are required for the purposes of calculating the best estimate, the investment returns shall be consistent with the relevant risk-free term structure applied by the insurer and shall take into account the illiquidity premium adjusted risk-free discount curves (as determined by the Authority) under subparagraph (2).

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Discounting – 'Scenario-based approach'

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(1) When determining the best estimate liabilities, insurers may elect to apply the scenario-based approach or the standard approach to some or all of long-term business written

by members of the insurer, subject to liabilities meeting the requirements of this paragraph and paragraph 29(1).

(2) The Authority may, at its discretion, determine that an insurer must apply either the scenario-based approach or the standard approach to some or all of the long term business written by members of the insurer.

(3) In making a determination under subparagraph (2), the Authority shall consider the following matters which include, but are not limited to—

(a) the degree of asset and liability matching;
(b) degree of optionality in liabilities;
(c) nature, scale and complexity of the insurer's business;
(d) results of any supervisory review process undertaken by the Authority.

(4) Insurers shall not split underlying policyholder contracts to achieve scenario-based approach eligibility.

(5) Insurers shall ensure the asset and liability portfolios for which the scenario-based approach is used, are well-matched.

(6) Insurers shall ensure that for the assets and liabilities for which the scenario-based approach is used, the assets backing the liabilities are denominated in the same currency as the liabilities. To the extent this may not be the case, the currency mismatch must be hedged and effectively managed.

(7) In determining the best estimate liability using the scenario-based approach, insurers shall run the calculation through the following nine interest rate scenarios—(

(a) No adjustment to the rates. This scenario for which no adjustment is made to the rates shall be called the base scenario.
(b) All rates decrease annually to total decrease of 1.5% in tenth year; unchanged thereafter.
(c) All rates increase annually to total increase of 1.5% in tenth year; unchanged thereafter.
(d) All rates decrease annually to total decrease of 1.5% in fifth year, then back up again by tenth year.
(e) All rates increase annually to total increase of 1.5% in fifth year, then back down again by tenth year.
(f) Decrease with positive twist to the following net change after ten years (interpolate for other durations):
    (i) Year 1 spot rate -1.5%
    (ii) Year 10 spot rate -1.0%
    (iii) Year 30 spot rate -0.5%
(g) Decrease with negative twist to the following net change after ten years (interpolate for other durations):
    (i) Year 1 spot rate -0.5%
    (ii) Year 10 spot rate -1.0%
    (iii) Year 30 spot rate -1.5%
(h) Increase with positive twist to the following net change after ten years (interpolate for other durations):
    (i) Year 1 spot rate +0.5%

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(ii) Year 10 spot rate +1.0%
(iii) Year 30 spot rate +1.5%

(i) Increase with negative twist to the following net change after ten years (interpolate for other durations):

(i) Year 1 spot rate +1.5%
(ii) Year 10 spot rate +1.0%
(iii) Year 30 spot rate +0.5%

(8) For the purpose of calculating best estimate liabilities under the scenario-based approach, insurers shall determine the future yield curves under each scenario as follows—

(a) convert initial spot rates to the corresponding forward rates;
(b) build spot rate curves at future years (years 1, 2,3, etc.) using the forward rates determined in accordance with subparagraph (a);
(c) apply adjustments set out in the previous subparagraph (7) to the spot rate curves in subparagraph (8)(b), to determine the spot rate curve at each future year along each scenario.

(9) Insurers shall ensure that the following requirements are met within the projections used to calculate best estimate liabilities under the scenario-based approach —

(a) spot rate curves determined under paragraph 8(c) shall be applied, together with the assumed spreads for each modelled asset class, to calculate the yields and prices of each asset at the moment it is purchased or sold;
(b) for each scenario, at least annually within the projections, liability cash-flows shall be compared to asset cash-flows to establish net cash-flows as the difference of the asset and liability cash-flows;
(c) in relation to cash-flow shortfalls (i.e., negative net cash-flow) when a comparison is conducted in accordance with subparagraph (b), insurers shall sell assets, at the yields prevailing in the scenario at the applicable timestep, to cover the shortfall;
(d) where there is a cash-flow excess (positive net cash-flow) when a comparison is conducted in accordance with subparagraph (b), insurers shall purchase assets, at the yields prevailing in the scenario at the applicable timestep, in accordance with its investment and reinvestment guidelines.

(10) Insurers shall calculate best estimate liabilities under the scenario-based approach as follows—

(a) use the current asset portfolio and reinvestment requirements determined in line with subparagraph 33, to determine the amount of held assets required to cover liability cash-flows under the base scenario;
(b) determine under each other stress scenario as defined in subparagraph (7), the revised amount of assets required to cover liability cash-flows;
(c) set the best estimate liabilities to be equal to the highest asset requirement across all scenarios.

(11) For sets of liabilities where full fungibility exists, insurers may apply the scenario that produces the highest asset requirement in aggregate (the "biting scenario"). Different blocks of liabilities cannot be assumed to be fungible unless it can be demonstrated they are fungible and prior written approval is obtained from the Authority. Where fungibility between portfolios or blocks of business is restricted, those liabilities should not be aggregated by insurers for the purposes of determining the biting scenario.

(12) The following asset categories may be applied by insurers in the scenario-based approach calculation—

(a) acceptable assets under subparagraph (13);
(b) assets requiring prior approval in accordance with subparagraph (14);
(c) asset classes which may be applied on a limited basis with the approval of the Authority in accordance with subparagraph (15);

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(d) asset classes which may be applied with the approval of the Authority as prescribed in accordance with subparagraph (17).

(13) Acceptable assets shall be those that are investment grade assets as follows—

(a) government bonds;
(b) municipal bonds;

(c) public corporate bond
(d) cash and cash equivalents.

(14) An insurer shall obtain prior approval to use other investment grade fixed income assets including but not limited to: private assets, structured securities, residential mortgage loans, commercial mortgage loans and investment grade preferred stock, when calculating the scenario-based approach. Structured securities for the purposes of this paragraph shall include, but are not limited to—

(a) mortgage-backed securities;
(b) asset backed securities;
(c) collateralized loan obligations.

(15) Notwithstanding subparagraphs (13) and (14), insurers may apply to the Authority for approval to utilise other assets on a limited basis within the scenario-based approach calculation. The application shall be supplemented by information and documents prescribed by the Authority. Assets which may be applied for in accordance with this paragraph are as follows—

(a) assets under subparagraph (13) where such are below investment grade;
(b) assets under subparagraph (14) where such are below investment grade;
(c) commercial real estate;
(d) credit funds (containing fixed income instruments).

(16) The assets which may be applied by an insurer in accordance with an approval granted by the Authority pursuant to subparagraph (15)—

(a) shall be limited in aggregate to no more than 10% of the value of the asset portfolio used in the scenario-based approach calculation at the time of the calculation, and at each time step within the projections;
(b) may be subject to a lower limit of the value of the asset portfolio used in the calculation at the time of the calculation and at each time step within the projections, where the Authority deems such appropriate;
(c) shall be required to be reviewed by the approved actuary on an annual basis, in order to demonstrate to the Authority that they remain appropriate to be used in the calculation of the scenario-based approach by an insurer;
(d) shall be limited so that any one asset will not comprise more than 0.5% of the total asset portfolio;
(e) may be subject to other conditions on grant of approval, as determined by the Authority when considering the nature, scale and complexity of an insurer's business;
(f) shall not be sold to meet cashflow shortfalls within the scenario-based approach projections. An exception may exist where, for assets with no contractual maturity date, a different treatment has been approved by the Authority subject to conditions set by the Authority;

(17) When calculating the best estimate liabilities using the scenario-based approach, insurers may make an application to the Authority for approval regarding long term liabilities beyond 30 years, to use certain asset types that would otherwise not be acceptable (such as equities) to derive an adjustment to capital, that is, a long-term investment credit.

(18) The capital adjustment referred to in subparagraph (17) shall be determined as follows—

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(a) calculate best estimate liabilities with no allowance for not-acceptable assets i.e., using only existing assets in accordance with paragraph (13) and assets under subparagraphs (14) and (15) where those have been approved by the Authority;

(b) calculate best estimate liabilities with allowance for otherwise not-acceptable assets to back liability cash flows beyond 30 years;

(c) the difference between the calculations in subparagraphs (a) and (b) above may be considered as a positive adjustment to capital subject to limits

(d) imposed by the Authority;

(e) subject to approval by the Authority, certain assets acceptable on a limited basis (not including non-investment grade structured securities) that are not already used in the scenario-based approach calculation under subparagraph (a), may also be used under subparagraph (b) for the purposes of determining the capital adjustment;

(f) the best estimate liabilities with allowance for otherwise not-acceptable assets shall be calculated such that each year, an annual cohort of otherwise not-acceptable assets (including assets referred to in subparagraph (d)) is to be converted into investments that are acceptable in accordance with subparagraph (13) to cover liability cashflows 30 years beyond that year; and

(g) yields on the not-acceptable assets shall be reduced by an amount that approximates one standard deviation of the cumulative return over the investment period for each cohort (ignoring any deviation related to interest rate risk or default risk).

(19) An application made to the Authority by an insurer in accordance with subparagraph (17), shall be accompanied by—

(a) an overview of the characteristics of the underlying liabilities in the calculation;

(b) projected liability cash-flows;

(c) implementation of the calculation demonstrating compliance with these Rules;

(d) detailed information on the asset portfolio used for the alternative calculation and an explanation of why these assets are considered to be appropriate including an assessment of the uncertainty in market prices at which a cohort of such assets can be rotated into acceptable assets each year;

(e) an analysis estimating the non-interest related and non-default related variability of the assets used in the alternative calculation;

(f) an analysis demonstrating the stability and predictability of liability cashflows; and

(g) an analysis demonstrating the robustness and prudence of the yield assumptions. The Authority may further limit the assumed yields.

(20) Insurers shall ensure that assets used in the scenario-based approach provide predictable and stable cash flows with no or limited optionality, unless required to match liability cash flows, where appropriate and allowed in accordance with these Rules. Optionality and all other rate-sensitive assumptions in both assets and liabilities, shall be modelled under all of the scenario-based approach scenarios set out under subparagraph (7).

(21) Where optionality or behavioural components exist in relation to investments (e.g., call options for corporate bonds or prepayments for certain mortgage-backed securities), insurers shall ensure that such are modelled whereby the resulting asset cash flows appropriately differ between the scenario-based approach scenarios under subparagraph (7). Where no sufficient data for a specific asset type is available; or uncertainty around the level of the assumptions

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exists, prudent assumptions shall be applied by insurers in determining the scenario-based approach projections.

(22) Insurers shall ensure that projected asset cash flows in the scenario-based approach shall be reduced by default and downgrade costs. Default and downgrade costs are prescribed by the Authority for some assets with publicly available data. For all other assets, the methodology for calculating default and downgrade costs shall be applied by insurers in accordance with subparagraphs (24) and (25).

(23) Insurers shall ensure that default and downgrade costs applied in accordance with subparagraph (22) are applied by reducing projected asset cash flows.

(24) Insurers shall apply the following criteria to default and downgrade costs for all other assets as referenced in subparagraph (22)—

(a) realised average default losses from past data shall be applied by insurers as a baseline for default costs;

(b) an uncertainty margin, assessed in addition to the baseline default cost, shall be applied as a downgrade cost estimate.

(25) Insurers seeking to apply assets referenced in subparagraph (22) where the Authority does not prescribe the default and downgrade costs, shall be subject to the requirements of subparagraph (26). An insurer shall obtain written approval from the Authority prior to utilizing such assets in the calculation of the scenario-based approach.

(26) Insurers shall consider the following requirements in estimating default and downgrade costs for assets where such are not prescribed by the Authority—

(a) the ultimate default and downgrade cost estimate assumptions utilised in the scenario-based approach must be no less than those published by the Authority for assets of comparable credit quality;

(b) the ultimate default and downgrade cost estimate assumptions proposed for use in the scenario-based approach shall be no less prudent than those obtained using the approach set out in subparagraph (24);

(c) benchmarking analysis shall be conducted where applicable;

(d) in relation to the consideration of assets acceptable on a limited basis in accordance with subparagraph (15)—

(i) the insurer shall be required to submit an application to the Authority for prior approval to use such assets;

(ii) in its review of any application made to it under subparagraph (i), the Authority shall consider the uncertainty adjustment for the default cost in relation to such assets, which shall correspond to no less than one standard deviation of default costs;

(iii) the Authority may vary the requirement under subparagraph (ii), at the time of reviewing an application for approval under subparagraph (i);

(iv) other measures the Authority may consider in relation to an application made in accordance with subparagraph (i) include, but are not limited to:

A. assessing a higher uncertainty adjustment than proposed by an insurer; and

B. setting limits on the spreads of the assets.

(27) An insurer may also be required to demonstrate that the calculated net investment spread reflected in the best estimate liabilities for each asset class can be earned over the tenor of the asset. An insurer shall provide an assessment of the relevant liability liquidity profile and the extent to which any estimated asset illiquidity and complexity premia could be earned.

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(28) The Authority may consider varying the criteria under subparagraph (26) where—

(a) the insurer has obtained approval from the Authority to use its own internal model to calculate the capital requirements for credit default and downgrade risks; or

(b) an internal ratings-based approach application made by the insurer as been approved by the Authority.

(29) The chief actuary and chief investment officer (or other officer approved by the Authority to fulfil such obligations), shall confirm in accordance with subparagraph (25)—

(a) the default and downgrade cost assumptions submitted for approval to the Authority;

(b) the insurer's compliance with applicable regulatory requirements.

(30) The following requirements apply to transaction costs in the scenario-based approach projections—

(a) best estimate transaction costs shall be applied by insurers to all assets sold and bought within the scenario-based approach projections;

(b) where historical transaction costs for an asset type may not be representative of expected future transaction costs, an insurer shall adjust the assumptions accordingly, where that adjustment would lead to an increase in the transaction costs;

(c) where no sufficient data for a specific asset type is available; or uncertainty around the level of the assumptions exists, prudent assumptions shall be applied by insurers in determining the scenario-based approach projections;

(d) applicable fees, commissions and other expenses required to purchase or sell assets shall be included by insurers within the transaction cost assumptions;

(e) transaction cost assumptions shall be independently reviewed by the approved actuary.

(31) For all assets, the full expected price impact of selling or buying the asset shall be reflected within the scenario-based approach projections.

(32) Insurers shall regularly review and back-test the calibration of bid-ask spreads and liquidity and price impacts against (historical) market data and its own experience. The Authority may request the tests conducted by insurers and any information utilised or applied by the insurer in the conduct of such tests, if required in furtherance of its supervisory oversight.

(33) Where an insurer reinvests excess net cash flow, it shall have regard for the following requirements when applying reinvestment assumptions in the scenario-based approach calculations—

(a) unless otherwise approved by the Authority, assumed asset purchases shall be made by insurers from asset classes in line with its current asset allocation and consistent with its asset and liability management policy, investment policy and with any asset allocation targets approved by its board;

(b) simplifications to categorise different alternative assets into one bucket for reinvestment assumption purposes shall not be made, unless it is clearly demonstrated, quantitatively and qualitatively, that such simplification result in a best estimate liability amount that is more prudent than if no simplification had been made;

(c) insurers shall, unless approval has been obtained from the Authority, set reinvestment assumptions in accordance with subparagraph (33)(a)

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that—

(i) vary by rating and tenor within each asset class;

(ii) are set at the appropriate level of granularity with respect to the tenor and ratings;

(d) the tenor may be simplified into "buckets". Where an insurer seeks to do so, there shall be not less than three buckets created (i.e., short-term, medium-term and long-term maturities) each defined depending on the

insurer's liability and asset cash flow profile;

(e) in relation to reinvestment and asset purchase assumptions—

(i) asset prices shall be in line with the market values as projected under each scenario at a given time step for different asset classes for each combination of rating and tenor;

(ii) such shall not materially depart from an insurer's current asset allocation;

(iii) over the projection period, long-term historical market averages shall be applied prudently and in the context of the performance of an insurer's existing asset portfolio;

(iv) the grade-in period for moving from short-term spreads to long-term spreads shall be set prudently, such that it is longer when short-term spreads are lower than long-term spreads and shorter when short-term spreads are higher than long-term spreads. Any departures from this requirement shall be demonstrated to be of immaterial impact; and

(v) any overperformance (compared to the market) on the current portfolio shall not be assumed to continue over the projection period at variance with long-term historical market averages.

Assumptions under subparagraphs (33)(e)(i) through (33)(e)(v) shall be set prudently in line with the nature, scale and complexity of the insurer's assets, subjected to independent challenge and clearly documented as part of the internal governance process;

(f) within the scenario-based approach model projections, an insurer may only purchase assets from an asset category that has already been approved by the Authority;

(g) an insurer shall demonstrate to the Authority, as part of attestations and the review of the approved actuary, that its reinvestment strategy, including any simplifications applied, results in a more prudent best estimate liabilities output than would have been produced had the existing asset allocation been used for reinvestment purposes, with or without similar simplifications;

(h) insurers using the scenario-based approach shall be required to maintain a high degree of asset and liability matching to ensure limited need for reinvestment. Where an insurer is unable to clearly demonstrate that its reinvestment strategy meets the requirements of this paragraph, a more prudent approach shall be taken to ensure compliance;

(i) any material change required by an insurer to its reinvestment strategies, e.g., due to holding cash assets on a reinsured portfolio, shall require written approval from the Authority. Material changes shall be as defined in the model change policy for the scenario-based approach.

(34) An insurer shall have a clearly defined disinvestment strategy aligned with its investment policy and other relevant policies e.g., ALM policy. Within the scenario-based approach—

(a) assets shall only be sold for purposes of meeting excess liability cashflows otherwise not met through cash flows from asset maturities and coupon payments;

(b) notwithstanding subparagraph (34)(a), insurers shall sell assets, where required, to maintain the existing asset allocation within existing duration limits over time;

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(c) the cumulative impact of default and downgrade costs shall be reflected in the sale proceeds within the projections;
(d) negative net cashflows shall not be rolled forward in the scenario-based approach model projections;
(e) use of borrowing is not allowed;
(f) modelled disinvestment strategy shall be proportionate to the risk profile of an insurer; aligned with an insurer's disinvestment practices; avoid inappropriate simplifications and comply with other relevant requirements in these Rules e.g., fungibility constraints.
(g) No unsellable assets can be sold within the model projections. Unsellable assets, in the context of scenario-based approach calculations, include —
(i) all assets not publicly traded unless approved by the Authority to be treated as sellable, with appropriate haircuts;
(ii) all assets requiring the Authority's approval under subparagraphs (14) and (15), unless approved by the Authority to be treated as sellable with appropriate haircuts, and;
(iii) all encumbered assets, unless being sold for the purpose for which they are encumbered and where relevant pre-requisite processes (e.g. obtaining consent from involved parties) have been complied with.

(35) Simplifications to the requirements of subparagraph (34) are permitted where these are assessed, quantitatively and qualitatively, to be prudent by the chief investment officer and approved actuary.

(36) The chief investment officer (or other officer of the insurer as may be approved by the Authority for this purpose) shall attest to the appropriateness and prudence of the reinvestment and disinvestment strategies and investment expense and spread assumptions modelled in the scenario-based approach model, confirming alignment with the insurer's practices and declaring compliance with the insurer's policies and the requirements in the previous subparagraphs.

(37) When assigning assets to back best estimate liabilities under the scenario based approach, the following requirements are applicable:
(a) assets assigned shall be separately identifiable and documented. Such assets shall not be used or pledged for any purpose other than meeting the policyholder liabilities for which the assets are assigned;
(b) adequate controls must be established to ensure that assets backing liabilities are only exposed to and used to meet payment of the liabilities being valued;
(c) assigned assets shall not be used to cover losses or needs arising from other activities of an insurer;
(d) different approaches may be used to assign assets to back liabilities valued under the scenario-based approach, and must be in line with an insurer's s Asset and Liability Management (ALM) program;
(e) all approaches used in accordance with subparagraph (37)(d) must ensure a high degree of matching while reflecting all constraints imposed (i.e., legal, regulatory, and operational limitations or encumbrances) that may govern specific portfolios of assets and liabilities, restricting full fungibility (under normal and adverse scenarios) of cashflows and assets between different blocks of scenario-based approach liabilities. Where constraints exist, the approved actuary shall assess the extent to which such constraints have been appropriately considered and fully reflected in the valuation of best estimate liabilities under the scenario-based approach;
(f) assumption of fungibility of asset cashflows between blocks of business is not allowed in the scenario-based approach calculation, except to the extent that it is transparent, practical, and allowed by the relevant applicable laws and contractual arrangements. Where fungibility of asset cashflows between blocks of business can be demonstrated and is determined to be appropriate by an insurer to be applied in

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calculating the scenario based approach, it should be documented, tested, taken through the appropriate governance, reviewed, and limited to the legal-entity level. Where fungibility is demonstrated to exist under normal circumstances, insurers shall also test and evidence fungibility across a range of unexpected and potentially severe scenarios, such as counterparty default and market dislocations. Where assets are held in separate collateral accounts or back different blocks of liabilities, fungibility is not allowed without prior written approval of the Authority. No fungibility can be assumed to occur between legal entities in an insurer.

(38) A scenario-based approach model shall be documented by an insurer, and shall have regard to the following—

(a) documentation shall allow a knowledgeable third party to understand the design and details of the model;
(b) confirmation of the materiality of assumptions;
(c) identification of limitations;
(d) confirmation of the manner in which the model complies with regulatory requirements;
(e) a detailed description of the structure, scope, theory, data, assumptions, expert judgment, parameterisation, results, validation, model changes, model governance and model policies; all of which shall be proportionate to the scale and complexity of the insurance business risks of the insurer;
(f) detail of all key software, external models (including their customisation), data and the reasons for their use;
(g) a model documentation standard (e.g., as part of supporting standards to the model risk management policy) defining the approach to document various aspects of the model, such as roles, development, sign-off, update and review processes, and sets out mechanisms that ensure that the standard is adequately implemented;
(h) the documentation shall include an inventory of all the documents forming the model documentation;
(i) identification of the main limitations, simplifications and weaknesses of the model and conditions under which the model may not adequately determine the insurer's best-estimate liability and technical provisions;
(j) that all model risk management activities have been documented accordingly (i.e., include the level of detail required in line with the nature, scale and complexity of the insurer); including but not limited to model development, implementation, testing, ongoing monitoring, review, validation and management deliberation on model risk reports with escalation to board committees, as necessary;
(k) confirmation that the models in relation to best estimate liabilities and technical provisions calculation interacts with other models (upstream and downstream models) and the end-to-end calculation process;
(l) that the level and detail of documentation is proportionate to the materiality of each model area and that independent control functions are required to review and challenge how the proportionality principle is applied to avoid risk leakages.

(39) Insurers using the scenario-based approach shall have a data policy in place which shall include but is not limited to the following—

(a) documentation of internal processes and procedures to ensure data used in the calculation of technical provisions is complete, accurate and appropriate,;
(b) to satisfy that data is complete (as per subparagraph (39)(a)), data used in the calculation of technical provisions shall meet the following conditions—;
    (i) there is sufficient historical data to enable assessment of the characteristics of the underlying risks and their trends;
    (ii) data is available for each of the relevant homogeneous risk groups used in the calculation of the technical provisions.
(c) to satisfy the accuracy requirement (as per subparagraph (39)(a)), data used in the calculation of technical provisions shall meet the following conditions;—

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(i) must be free from material errors;
(ii) data from different time periods that is used for the same estimation is consistent;
(iii) data is recorded in a timely manner and consistently over time in keeping with the insurer's nature, scale and complexity;
(iv) data extensions, capping or modifications shall be documented and justified. The process to address outliers and data-smoothing shall be performed prudently to ensure no material underestimation of the technical provisions.

(d) to satisfy the appropriateness requirement (as per subparagraph (39)(a)), data used in the calculation of technical provisions shall, at a minimum, meet the following conditions;
(i) be consistent with the purposes for which it will be used;
(ii) the amount and nature of the data utilised should ensure that the estimations made in the calculation of the technical provisions do not include material estimation errors;
(iii) be consistent with the assumptions underlying the actuarial and statistical techniques that are applied in the calculation of technical provisions;
(iv) appropriately reflect the risks to which an insurer is exposed in relation to the technical provisions calculation;
(v) be used consistently over time in calculating the technical provisions. Where data is not used consistently over time, a description of the inconsistent use and its justification shall be documented and disclosed in the approved actuary's opinion and report.

(e) insurers may use data from external sources provided that, in addition to fulfilling the requirements set out above in subparagraphs (39)(a) to (39)(d), the following requirements are met—
(i) insurers shall demonstrate that the use of such data is more suitable than the use of data that is exclusively available from an internal source;
(ii) insurers confirm the origin of the data and the assumptions or methodologies used to process it;
(iii) insurers identify any trends in the data and the variation, over time or across data, of the assumptions or methodologies in the use of such data;
(iv) insurers shall demonstrate that the assumptions and methodologies referred to in sub-subparagraphs (ii) and (iii) reflect the characteristics of an insurer's portfolio of insurance and reinsurance obligations;
(v) insurers reasonably demonstrate any other data that could have been applied, the impact of not using the data, and why it was not utilised instead. Such requirements also apply to choices within the same data where a different choice of data could have been made.
(vi) Where an insurer is unable to satisfy the requirements of subparagraphs (i)-(v) due to other considerations, (e.g., where the external data is proprietary,) an assessment shall be carried out by the independent control functions to assess the materiality of use of such data and such assessment shall be subjected to annual review by the approved actuary and disclosed as part of regulatory reporting.

(f) an insurer shall document the data controls in place and checks carried out on data used to calculate technical provisions and include an assessment of why the checks are considered adequate and appropriate.

(40) The following requirements on governance and internal control apply on the use of the scenario-based approach—
(a) the board shall approve the initial use of the scenario-based approach and any

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major changes thereafter. Major changes shall be defined in advance within the scenario-based approach model change policy, or where a change occurs that is not already set out in such policy, the board (or any committee constituted by it) shall subsequently approve such matters;

(b) the board shall be responsible for ensuring the ongoing appropriateness of the design and operations of the scenario-based approach model to ensure that it continues to be appropriate for the insurer's business;

(c) the establishment of appropriate and suitably constituted committee(s) that shall effectively challenge new and ongoing model use, model and assumption change approval, and use and reporting of model output. Model validation reports shall also be discussed at the committees' level;

(d) guidance regarding model risk management activities as part of the insurer's overall risk management framework. At a minimum, an insurer shall have a model risk management policy, a model change policy and a data quality policy.

(e) classification of material changes by minor and major changes in the model change policy, including changes triggered by the expansion of the scope of the scenario-based approach model (e.g., to cover new types of businesses, products or assets that require materially different model specifications). Where the scope of the scenario-based approach is extended to cover blocks of business for which the standard approach has been used and the changes are classified as minor, a no objection from the Authority shall be required before the changes are adopted for regulatory reporting. All material changes classified as major shall require the Authority's prior written approval;

(f) roles of the control functions which shall be clearly defined concerning the development, use, ongoing maintenance, monitoring and review, validation and reporting risks and results of the scenario-based approach model;

(g) the identification of conflicts of interest shall be in place and addressed in the model's governance framework, including clear guidance on reporting lines, allocation of responsibilities and escalation paths within an insurer and to the Authority, as necessary. Where conflicts of interest cannot be avoided, e.g., due to proportionality considerations such as the size of an insurer, the potential for conflict shall be taken into account and the requirement applied in an appropriate but proportionate manner. Remaining gaps shall be assessed and reported on by the approved actuary as part of their opinion on scenario-based approach calculations.;

(h) an insurer shall ensure the systems, infrastructure and resources in place are adequate;

(i) there shall be adequate and effective controls in place regarding the scenario-based approach model's operation and maintenance;

(j) an insurer can use third-party actuarial and investment software as part of their scenario-based approach model suite, including scenario-based approach feeder models. However, outsourcing of the process for running, maintaining and managing the scenario-based approach model and its feeder models is not allowed. Where outsourcing is already used either externally to third parties or internally to other affiliated parties, an insurer shall demonstrate oversight and clear accountability for all outsourced activities as if these were performed internally and subject to the insurer's own standards on governance and internal controls. Such outsourcing shall be discussed with the Authority before implementation or, where already in place, will be subject to the Authority's onsite review process.

(41) Every insurer shall implement a model risk management policy which includes but is not limited to the following requirements when adopting the scenario-based approach—

(a) a materiality definition specific to the use of the scenario-based approach model shall be included, which shall be developed in consultation with the control functions. An insurer's definition of materiality shall determine whether model and assumption changes, enhancements, findings and other relevant considerations are material. Material changes shall be further classified as either

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minor or major in the scenario-based approach model change policy. Those material changes classified as major shall require the Authority's approval;

(b) the roles of the first and second-line functions shall collaborate and ensure a clear definition and ownership for model risk management activities. This shall be performed by considering the need for independence for some activities (e.g., validation);

(c) an attestation of the adequacy of the model risk management practices employed by an insurer, including compliance with the regulatory requirements outlined herein shall be obtained from the chief risk officer and the chief executive officer; the maintenance of a comprehensive set of information as part of the model inventory in line with best-practice model risk management. This applies to the scenario-based approach models implemented for use, under development or recently retired and any associated downstream and upstream models (e.g., liability models, asset models or stress testing models);

(d) the following requirements on Model Development, Testing, Implementation and Use shall be met—

(i) the model development and implementation processes shall be structured and executed in a manner that is aligned with regulatory guidance;

(ii) software, computer code, algorithms, mathematical formulas and other information technology systems used to implement the model shall undergo rigorous quality control and change control procedures. Such systems shall only be edited by authorised parties and changes shall be recorded and auditable;

(iii) testing shall be conducted as part of the scenario-based approach model's lifecycle. All the aspects of the model and its overall functionality shall be required to be assessed to confirm if it is functioning as intended. This shall comprise determining the model's accuracy, proving its stability and robustness, identifying potential flaws, and analysing how the model responds to various inputs and scenarios;

(iv) testing activities shall include the goal, design, and execution of test plans and the summary results with commentary and evaluation, including a detailed analysis of samples. The documentation of test activities shall be fit for purpose

(v) adequate processes shall be put in place to collect and address user feedback. This shall apply to the scenario-based approach model and relevant feeder models e.g., asset and liability models.

(e) measures relating to the limitations and uncertainties of the scenario-based approach model and its feeder models, including how such are mitigated or accounted for shall be provided for in the model risk management policy as follows—

(i) to the extent possible, the impact of such uncertainties shall be quantified. The quantification shall avoid spurious accuracy (e.g., using ranges instead of single-point estimates);

(ii) where only a qualitative assessment is possible, insurers shall implement procedures to ensure an explicit assessment of the impact of model limitations and inaccuracies is carried out;

(iii) the quantitative and qualitative assessment results shall be reported as part of the model risk reporting and a determination shall be made on whether adjustments to the best estimate liabilities are required.

(f) the circumstances under which pre-model and post-model adjustments may or may not be used shall be addressed by insurers, including outlining processes regarding review, approval, continued use, removal and back-testing of such adjustments. Pre-model adjustments mean an insurer overrides a data input or assumption to a model. In-model adjustments refer to when an insurer overrides (e.g., through a cap or floor) a calculated value in a model. Post-model adjustments refer where an

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insurer overrides a model's output by applying a model overlay. In addition to the foregoing requirements—

(i) Processes to monitor and analyze such adjustments and overlays shall be implemented to address underlying limitations and issues e.g., through data enhancements, model recalibration or redevelopment;

(ii) All model adjustments and overlays shall be well-documented in line with an insurer's documentation standards and subject to a transparent process that links appropriate justification to specific model issues and limitations. As part of the process, model adjustments shall be clearly outlined, and model results shall be reported through an insurer's internal governance processes with and without adjustments to enable decision-makers to understand the extent and impact of such adjustments

(g) conduct model validation i.e., the set of processes and activities intended to verify that models perform as expected, in line with their design objectives, existing regulation and business uses. An insurer shall ensure its model validation is effective in reducing model risk through identifying and assessing the impact of model limitations and errors, corrective actions and appropriate use and shall be required to demonstrate the reliability of its models and understanding of the source and extent of model risk. In demonstrating the foregoing, the following requirements on validation of the scenario-based approach model shall also be implemented by the adoption of appropriate policies and processes by an insurer—

(i) model validation shall be performed by staff with appropriate incentives, competence, influence and authority so that there is an effective challenge mechanism. An insurer shall demonstrate that the scenario-based approach model has been validated independently (externally or internally) from those who develop, change, update, run and use the model. Independence shall be demonstrated not just by the separation of lines but also by process, actions and outcomes as well as the degree and way in which models are subject to critical examination;

(ii) all scenario-based approach models shall be validated before being used for regulatory reporting and at fixed intervals of at least three years thereafter or such other higher frequency considered appropriate by an insurer in line with its model risk management policy requirements. The initial model validation shall be in-depth and detailed in line with these Rules. Subsequent model validation activities shall be holistic and proportionate to the use and materiality of the scenario-based approach model to an insurer and the extent of model changes since the last validation;

(iii) the model validation process shall, among other items, specify the scope of validation, processes, methods and tools to be used, frequency of validation, treatment of model changes, persons involved, outputs and reporting;

(iv) the model validation process shall apply to all scenario-based approach model components and cover all requirements. It shall also encompass models developed in-house and those purchased from or developed by vendors or consultants. Material model changes, for example, in terms of scope, structure, methodologies, assumptions and governance, and all model redevelopment—shall be subject to validation activities of appropriate range and rigor before implementation for regulatory reporting;

(v) the model validation process shall include validation of any feeder model utilised (i.e., a model which produces outputs that are used as inputs for another model(s)) in the scenario-based approach model that is undergoing validation, validators shall confirm that an

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effective validation programme is in place for such feeder models and consider the extent to which the feeder model should be included in the current validation.

(vi) downstream models shall also be validated as part of the model validation process, where the scenario-based approach model undergoing validation is used within other existing models. Where there is limited access to feeder or downstream models (e.g., code, formulas), the requirements specified in the paragraph below on 'Use of and Reliance on Third Party Models' shall apply;

(vii) an insurer shall have regard for the following including but not limited to— review of conceptual soundness elements, including developmental evidence; sensitivity, stress and scenario testing; dynamic and static validation; roll-forward analysis; nit/cell testing; reconciliation against the input source or ledger; Outcome analysis, including back-testing; trend analysis and stability testing; movement or profit and loss attribution; independent full model replications, sample recalculations and formula inspection, as appropriate; process and controls verification; and benchmarking or alternative design methods/models;

(viii) the items in sub-subparagraph (vii) above shall also be considered as part of the first-line actuarial activities, such as a model review;

(ix) the scenario-based approach model validation shall require an insurer to produce detailed model validation reports. The reports shall document the validation process and conclude on the adequacy of the model component or model being validated and the appropriateness of the resulting technical provisions for regulatory reporting purposes;

(x) there shall be a clearly defined reporting structure to senior management and the board, a remediation and follow-up process for model validation findings, an action plan and implementation monitoring. If material deficiencies classified as major are noted as an outcome of the validation process, the model's use shall not be allowed or shall only be permitted under very tight constraints, including escalation to, and approval by, the Authority. The definition of major shall be in line with the definitions in an insurer's model risk management and model change policies. Where some uncertainty still remains on whether a material finding should be classified as major, an insurer shall consult with the model validators and the internal control functions.

(h) the scenario-based approach model is subject to requirements on model review, ongoing development and monitoring:

(i) periodic review of the scenario-based approach models must occur as part of its model risk management programme. The model review shall be carried out by any party as determined by an insurer e.g., model developers, users, external party etc. The model review shall highlight changes since the last validation or reporting cycle, determine the sufficiency of the latest validation activities, highlight areas needing a deeper dive, model performance monitoring and reverify the technical aspects of the model. Such reviews shall be carried out regularly but no less frequently than annually. An insurer shall consider whether feeder models, such as asset and liability models, shall be considered in the model review process and what reliance is placed on work already done on those models. The model review shall not be as detailed as model validation, but the level and scope of review shall be assessed to be proportionate and fit for purpose in line with the model tier, frequency of review and depth of the most recent review;

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(ii) the model's performance shall be regularly monitored, and key metrics observed and reported. As part of the monitoring process, an assessment shall be carried out to determine if the model's performance in production is in line with model development and testing stage expectations/results. An insurer should have mechanisms in place to gather insights about the models' performance. This could include applying key controls, such as best estimate liabilities and/or spread movement analysis, where the current-period best estimate liabilities and/or spread is reconciled with that from the prior period; and

(iii) the work carried out by first-line actuarial teams as part of ongoing reporting (e.g., regular model and control updates as part of quarterly or half-yearly reporting) does qualify as a model review to the extent that such work also covers a proportionate review of the technical aspects of the model, including model performance. Setting up a separate and dedicated model review team is not required. The requirements in these Rules can be fulfilled by ensuring model review is embedded in the work by first-line actuarial teams. A log shall be kept listing all model and control updates and changes. Updates considered material shall be subject to testing, and the testing results also captured in the log. The decision and rationale to include or exclude feeder models from the model review process shall also be logged. Material changes and the decision to include or exclude feeder models shall also be subject to the challenge of an appropriate management committee. An insurer shall have mechanisms to monitor the aggregate impact of a combination of individually immaterial changes to the extent they become material. The minimum documentation requirement for model review is maintenance of the model review log. The model review log shall be subject to annual review by the Approved Actuary.

(i) the scenario-based approach model is subject to requirements on model risk reporting and deliberation:

(i) an insurer shall ensure model risk is captured promptly and reported to a management committee regularly. This could take the form of standalone model risk management reports or dedicated sections within the existing wider risk and actuarial functions reporting. An insurer's risk, investment and actuarial functions shall collaborate and ensure there is clarity within the firm on ownership for model risk reporting for both the scenario-based approach and its feeder models to avoid leakages in reporting. Management shall be able to demonstrate (e.g., through management committee minutes, report improvements and ultimate decisions taken) that the level of deliberation on model risk reports offers appropriate challenge and is adequate considering an insurer's nature, scale and complexity. While no explicit deliberation by the board on model risk reports is mandated, it is important that the board recognises it is the ultimate owner of the use of the scenario-based approach model and is, therefore, expected to have and be able to demonstrate an overall understanding of the application of the scenario-based approach and its importance for an insurer's business;

(ii) model risk management reports shall be of the appropriate detail, covering all relevant key information proportionately. Information submitted to management committees on the use and application of the scenario-based approach shall include at least a reasoned analysis of the reliability and adequacy of the calculation and the sources and degree of uncertainty of the output. The reasoned analysis shall be supported by a sensitivity analysis that includes an investigation of the sensitivity of the output to each of the major risks

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underlying the obligations covered in the technical provisions, including an assessment of the impact of identified limitations. The risk and/or actuarial function shall clearly state and explain any concerns they may have regarding the adequacy of the best estimate liabilities and technical provisions;

(iii) tolerance levels shall be in place and reviewed periodically to ensure they are not set too low or too high in line with an insurer's definition of materiality. Other items to be considered for reporting, including how they measure against tolerances, may include but shall not be limited to:

a. the volume of models considered high-risk;
b. models with temporary exemptions or provisional approvals;
c. status of model issues (e.g., past due, work in progress, partially completed);
d. summary of model performance metrics, including a list of underperforming models and actions being taken;
e. lists and trends by the tier of the number of models: with past-due validations; in use without validation; used outside of approved purpose; and used despite rejection outcome from review/validation;
f. model risk events/incidents reported for the period;
g. quantification and treatment of material and/or aggregate model uncertainties;
h. model development and enhancement efforts in progress and allocated resources;
i. resource-related indicators (e.g., budget, people, infrastructure) and an assessment of the impact on other areas (e.g., impact on model testing, documentation, ongoing monitoring); and
j. summary of key model outputs plus the outputs of key model risk management activities for the period under review.

(j) the scenario-based approach model is subject to requirements on the use of and reliance on third-party models ('vendor models') and external experts:

(i) vendor models shall be included in an insurer's broader model risk management framework following the same principles as applied to in-house models, with any modifications appropriately justified and documented. An insurer shall, for both scenario-based approach model and its feeder models, obtain the following:

a. developmental evidence explaining the model's components, design and intended use to determine whether the model is appropriate for an insurer's products and risk exposures;
b. information regarding the data used to develop the model, including the use and effect of alternative data;
c. sufficiently detailed testing results that show the third party's model works as expected;
d. documentation of the model's limitations and assumptions about when the model's use may be unsuitable or problematic; clear instructions for model implementation, including any decisions that shall be made regarding parameters or thresholds;
e. an insurer shall require vendors to conduct ongoing performance monitoring and outcomes analysis, with disclosure to the insurer, and to make appropriate modifications and updates over time;
f. an insurer is expected to validate their use of vendor products;
g. an insurer shall obtain information regarding the data used in the development of the model and assess the extent to which that data is representative of their circumstances;

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h. an insurer shall conduct ongoing monitoring and an outcomes analysis of vendor model performance using an insurer's outcomes;

i. additionally, where third-party/vendor models do not provide complete access to development codes, an insurer shall be able to demonstrate how they obtain confidence from using third-party models (e.g., through using in-house models for benchmarking and or building challenger models); and

j. an insurer shall have contingency plans for instances when the vendor model is no longer available or cannot be supported by the vendor.

(ii) where reliance was placed on outside experts and third-party models (e.g., on asset assumptions) in developing the scenario-based approach models, systems and processes shall be in place to determine the appropriate level of reliance. The following shall be considered at a minimum:

a. whether the individual or individuals upon whom reliance has been placed are experts in the applicable field;

b. the extent to which the model has been reviewed or validated by experts in the applicable field, including known material differences of opinion among experts concerning aspects of the model that could be material to the insurer's use of the model;

c. whether there are industry or regulatory standards that apply to the model or the testing or validation of the model, and whether the model has been certified as having met such standards; and

d. whether the science underlying the expertise is likely to produce useful models for the intended purpose.

(iii) where it is practically not possible for an insurer to comply with some of the requirements above, an insurer shall make reasonable efforts to meet the intended outcomes of the requirement and any remaining gaps shall be subject to internal challenge by the control functions and reported to the Authority as part of the model validation report.

(k) internal audit shall review all use of the scenario-based approach including model risk management to ensure there is an effective challenge provided by second-line and model validators to the model owner, developers, users and implementers and that the model risk management policy and procedures are kept current, in keeping with regulatory requirements and best practices. Internal audit shall provide assurance on the level of critical review and challenge provided by the validation and model review activities, adequacy and frequency of model risk reporting and the manner of challenge (and decisions thereof) by management and board to such reporting. Overall, internal audit shall form its own independent opinion and provide assurance or otherwise on the adequacy of the model risk management activities performed by both the first-line and second-line functions in line with the scenario-based approach regulatory requirements.

Lapse risk in scenario-based approach

29 For eligibility, an insurer shall satisfy one of the two conditions below, in order to use the scenario-based approach —

(1) the contracts underlying the insurance or reinsurance obligations include no options for the policyholder and the cashflows thereof are well-matched with the assets; or

(2) where policyholder options exist, the residual risk arising from asset and liability portfolios with such options shall be demonstrated to be insignificant through adequate modelling, robust ALM, stress testing and liquidity risk management. To satisfy this condition, an insurer shall demonstrate that the asset-liability portfolios are well-matched and meet the following requirements—

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(i) hold a Lapse Cost (LapC) as part of the scenario-based approach best estimate liabilities. This shall apply to all business written post these Rules coming into force including any new business on flow business written under existing contracts. The LapC required to meet scenario-based approach eligibility conditions shall be calculated as outlined below—

A. calculate the difference between the historical actual and expected lapse rates expressed as a percentage of expected lapse rates;

B. calculate the 1 standard deviation of lapse rate differences obtained from i) above. Round up the result to the nearest 1% to obtain the 1 standard deviation, i.e., lapse rate sigma. An insurer can use other approaches to calculate the lapse rate sigma provided they are shown to be prudent e.g., where there is limited or no historical lapse experience data. The approved actuary shall review these as part of forming his opinion and report;

C. calculate the capital charge for lapse up or down using the lapse up or down BSCR shock prescribed under paragraph 34A of Schedule I, i.e., lapse up down capital requirement;

D. the LapC shall be determined by the following formula—

(Lapse Rate Sigma ÷BSCR lapse up down shock)×Lapse up down capital requirement

(ii) pass a 100% Enhanced Capital Ratio (ECR) under the BSCR lapse up and lapse down stresses, as prescribed under paragraph 34A of Schedule I, representing a permanent increase or decrease in base lapse rates;

(iii) pass a liquidity stress test with a minimum 105% Liquidity Coverage Ratio (LCR). The LCR shall be defined by the formula— (Eligible Liquidity Sources ÷Liability Outflows) expressed as a percentage;

(iv) the eligible liquidity sources and shocks to determine the liability outflows shall be prescribed by the Authority;

(v) through the Commercial Insurer Solvency Self-Assessment (CISSA) process and reporting, an insurer shall demonstrate robust—

a. ALM, capital and liquidity management;

b. lapse risk management through diligent underwriting, experience analysis and risk monitoring; and

c. insurer-specific solvency and liquidity stress testing;

(vi) provide the lapse, liquidity and scenario-based approach Return reporting as prescribed by the Authority under paragraph 32 on lapse, liquidity and scenario-based approach reporting.

Scenario-based approach application package

30 Before the scenario-based approach can be used to determine the best estimate liabilities, an insurer shall send an application to the Authority for approval.

(1) The following requirements apply depending on the date of approval of using the scenario-based approach for any (sub-)portfolio—

(i) insurers registered on or after 1 January 2024 that propose to use the scenario-based approach will require approval by the Authority;

(ii) insurers registered before 1 January 2024 and not using the scenario-based approach will be required to obtain approval from the Authority before using the scenario-based approach;

(iii) insurers already currently applying the scenario-based approach shall obtain prior approval from the Authority before making material changes to their

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scenario-based approach model that are classified as "major" in the scenario-based approach model change policy.

(2) An application shall include all the information and documentation required to enable the Authority to assess if relevant requirements are met. An insurer shall comply with any additional approval requirements determined by the Authority.

Liquidity risk management

31 Insurers using the standard approach which have exposure to liquidity and/or lapse risk; and insurers using the scenario-based approach shall implement a liquidity risk management programme that is approved by its board. The liquidity risk management programme shall meet the following minimum requirements—

(i) confirmation of clear ownership in the organisation of key elements of the liquidity risk management framework;

(ii) a review to be undertaken annually or more frequently as circumstances require;

(iii) provision for the roles of the first and second-line functions in liquidity risk management to be clearly defined, including mechanisms to identify and mitigate conflicts of interest;

(iv) confirmation that the insurer has identified and understood the sources of demand and supply of cash and how the dynamics of supply and demand could change under different scenarios;

(v) confirmation that the level of liquidity risk appetite that the insurer seeks or accepts is informed by stress and scenario testing, set and approved by the board-. The liquidity risk appetite shall be documented and make provision for the types, horizons and severity of liquidity stress scenarios an insurer targets to withstand;

(vi) the manner in which the liquidity risk management framework shall be integrated into wider risk management framework and how it informs day-to-day operations and key business decisions;

(vii) clearly define liquidity metrics (e.g., liquidity coverage ratios or excess liquidity measures) and target thresholds in operationalising its risk appetite.. An insurer shall consider setting prudent risk limits for each source of liquidity risk. Where this is not the case, the rationale shall be clear, documented and subjected to independent challenge;

(viii) provision and maintenance of a cash needs and sources register, which systematically documents each need and a potential source of liquidity. This register shall also critically assess the key characteristics associated with each need and source and the relevant uncertainties and risks. Such assessment shall feed into how the different liquidity needs and sources are used and categorised (e.g., in terms of liquidity quality, within an insurers' liquidity risk management framework);

(ix) provision for the holding of a liquidity buffer. This refers to a pool of highly liquid assets that an insurer shall specifically set aside to address any deficiencies in cash inflow that may arise to meet cash outflow requirements over a specified scenario horizon. Insurers shall clearly demonstrate the process and criteria used to determine the appropriate size of the liquidity buffer and how it aligns with an insurer's' approved risk appetite;

(x) an insurer shall consider varying degrees of stressed conditions in various stressed scenarios, where a balance shall be struck between severity and plausibility. An insurer shall assess liquidity risk over different time horizons with a focus on those horizons over which particular risks are expected to arise. Consideration shall be given to insurer-specific and market-wide scenarios, including their combinations. The scenarios shall cover both fast-moving (i.e., scenarios where the insurer's liquidity deteriorates rapidly) and more sustained scenarios where an insurer's liquidity position deteriorates slowly. An insurer shall perform tests of its liquidity breaking point (i.e., liquidity reverse stress tests) the frequency of which shall be defined as part of the liquidity risk management framework;

(xi) the creation and implementation of a liquidity contingency plan to serve as a playbook to meet potential liquidity deficits. Clear triggers shall be identified within the plan, and regularly reviewed. The plan shall further require for an assessment to be made on how such matters interact with stress and scenario testing. The liquidity contingency plan shall be regularly tested and enhanced through dry-run simulation exercises. The results of such testing shall be reported to the board;

(xii) provisions for identifying liquidity sources which are encumbered or whose fungibility is restricted and confirmation such constraints are reflected within the liquidity stress testing and other liquidity risk management activities as outlined in these Rules;

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(xiii) the production of liquidity reporting which shall be of the appropriate detail while capturing the key liquidity risk areas. The reporting shall be proportionate, forward-looking (e.g.,

through early warning indicators) and able to facilitate informed decision-making. An insurer shall implement appropriate infrastructure and systems to access relevant data and, thus, assess and monitor its liquidity exposures.

Lapse, liquidity and scenario-based approach reporting

32

(1) Insurers shall provide on at least an annual basis the completed 'Lapse, Liquidity and Scenario-based approach reporting' template as shall be prescribed by the Authority.

(2) This reporting shall apply to all insurers that use the scenario-based approach, and to those insurers not using the scenario-based approach but having exposure to lapse and/or liquidity risk.

Affiliate, related party or connected party

33 Every insurer applying either the scenario-based approach or the standard approach shall obtain prior written approval from the Authority of all assets with counterparty credit exposure to an affiliate, related party or connected party of the insurer. For the purposes of this paragraph, "affiliate", "related party" and "connected party" have the following meaning—

(a) "affiliate" means a company that is affiliated with another company where one of them is the subsidiary of the other or both are subsidiaries of the same company; or each of them is controlled by the same person;

(b) "related party" means related party as defined under the respective insurer's accounting standards, namely the: International Financial Reporting Standards (IFRS); Generally Accepted Accounting Principles (GAAP) that apply in Bermuda, Canada, the United Kingdom or the United States of America; or such other GAAP as the Authority may recognise;

(c) "connected party" means a party other than a related or affiliated party associated with the insurer and whereby such association, however defined, may result in a conflict of interest in relation to an investment between the connected party and the insurer.

Calculation principles specific to general business

34 (1) This paragraph is applicable to business that is managed and valued using general business techniques.

(2) The best estimate for general business shall be calculated by insurers and shown separately for premium provisions, as defined in subparagraph (3), and for outstanding claims provisions as defined under subparagraph (4)

(3) Premium provisions shall relate to future claim events relating to insurance obligations falling within the contract boundary (as defined in paragraph 12).

(4) Outstanding claims provisions shall relate to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

(5) Insurers shall produce best estimate outstanding claims by BSCR line of business for the purposes of calculating the BSCR.

(6) Where a member of an insurer has settled a claim and is making a series of payments over the lifetime of a policyholder or beneficiary, and is managing the claim using techniques similar to those usually employed by long-term business insurers for pay-out annuity business, then the insurer may elect to establish best estimate provisions for the outstanding claims for this business in a similar manner to the requirements imposed on long-term business under paragraph 35.

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(7) In relation to general business, insurers shall ensure that the risk margin shall not be split between premium provisions and loss and loss expense provisions.

(8) In relation to cashflows for insurance contracts with inception date after the valuation date, and the terms of the insurance contract cannot be changed unilaterally by an insurer, then such cashflows shall be included by insurers in the best estimate premium provisions as "bound but not incepted" or BBNI business.

(9) Premiums that relate to unincepted exposure (i.e. policies which incept after the valuation date) may include:

(a) premiums written before the valuation date but incepting afterwards;

(b) "tacit" renewals, which are renewals relating to offers that were made several months prior to the valuation date, but advice has not yet been received from the customer(s) that they wish to take them up.

(10) The insurer, when determining whether to include such business within the premium provisions, shall consider paragraph 12 subparagraph (2).

(11) Allowance shall be made by insurers for events that are not adequately reflected in the data used to derive the best estimate. The expected present value of future cash-flows relating to such events is referred to as "Events Not in Data Set" (ENIDS).

(12) Insurers shall ensure that approaches to arriving at estimates of ENIDS in accordance with subparagraph (10), shall be governed by well-informed assessments of the tail risks that apply to the portfolio being reviewed.

Calculation principles specific to long-term business

35 (1) This paragraph is applicable to business that is managed and valued using long-term business techniques.

(2) Cash-flow projections used in the calculation of best estimates for long-term business insurer obligations shall be undertaken separately for each contract of insurance, unless the requirements of subparagraph (3) are appropriate to be applied instead.

(3) Where the separate calculation for each contract of insurance in accordance with the requirements of subparagraph (2) would be a burden, an insurer may perform the projection by grouping contracts of insurance, provided that: —

(a) there are no significant differences in the nature and complexity of the risks underlying the contracts of insurance in the same group;

(b) the grouping of contracts of insurance does not misrepresent the risk underlying the contracts of insurance and does not misrepresent their expenses;

(c) the grouping of contracts of insurance is likely to give approximately the same results for the best estimate calculation as a calculation on a per contract of insurance basis, in particular in relation to financial guarantees and contractual options included in the contracts of insurance.

(4) Insurers shall ensure that no implicit or explicit surrender value floor shall be assumed for the amount of the market consistent value of liabilities for a contract of insurance.

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PART 5: TECHNICAL PROVISIONS - RISK MARGIN AND TECHNICAL PROVISIONS AS A WHOLE

Risk margin

36 (1) The risk margin of every insurer shall be calculated to ensure that the value of its technical provisions is equivalent to the amount that third party insurers would be expected to require in order to assume and fulfil their insurance obligations.

(2) Where insurers value the best estimate and the risk margin separately, the risk margin shall be calculated by determining the cost of providing an amount of available statutory economic capital and surplus equal to the ECR necessary to support the existing insurance obligations over their lifetime.

(3) An insurer shall calculate its risk margin using the cost of capital approach as set out in paragraph 36.

(4) The risk margin for an insurer's entire portfolio of insurance obligations shall be calculated using the following formula:

$RM = CoC \sum_{t \geq 0} \frac{ModECR_t}{(1+r_{t+1})^{t+1}}$

Where:

CoC = the Cost-of-Capital rate as prescribed by the Authority on its *website at* www.bma.bm*;*

$ModECR_t$ = the projected ECR at time t, for the insurance, credit, operational and material, non-hedgeable market risks only. It shall be calculated at the valuation date (t=0), and annually thereafter until all insurance obligations have been settled.

r_t= the risk-free discount rate, prescribed by the Authority, for maturity at time t, for the currency in which the EBS has been prepared in.

(5) Insurers shall further ensure that the calculation of the risk margin under subparagraph (4), covers the full period required to run-off insurance liabilities and be discounted, applying the relevant risk-free discount curve (without the illiquidity adjustment) prescribed by the Authority;

(6) The calculation of the $ModECR_t$ component of the risk margin shall be calculated using the same principles as the insurer's ECR.

(7) The risk margin shall be calculated net of outwards reinsurance, at an aggregate level, separately by insurers relating to any general business or long-term business.

Technical provisions 'as a whole'

37 (1) Where future cash flows associated with insurance obligations can be replicated reliably using financial instruments for which a reliable market value is observable, the value of technical provisions associated with those future cash flows shall be determined by insurers based on the market value of those financial instruments.

(2) Insurers are not required to provide separate calculations of the best estimate and the risk margin in connection with cash flows under subparagraph (1).

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(3) For the purpose of determining the circumstances where some or all future cash flows associated with insurance obligations can be replicated reliably using financial instruments for which a reliable market value is observable under subparagraph (1), insurers shall —

(a) assess whether obligations arising under subparagraphs (b) and (c) are met;

(b) ensure that the value of technical provisions relating to such future cash flows, shall be equal to the market price of the financial instruments used in the replication;

(c) further separate a policy into two or more components as appropriate ('unbundling') in order to satisfactorily identify liabilities for this purpose with some parts valued 'as a whole' and others where a best estimate is calculated.

(4) Insurers are required to ensure that —

(a) cash flows of financial instruments replicate the uncertainty, in amount and timing, of its cash flows and any risks related to such cash flows, associated with its insurance obligations, in all possible scenarios;

(b) cash flows of the financial instruments must, provide the same expected amount as the cash flows associated with the insurance obligations and the same pattern of variability.

(5) The following cash flows associated with insurance obligations of insurers will not be regarded by the Authority as replicable in a reliable manner by an insurer—

(a) cash flows associated with insurance obligations that depend on the likelihood that policyholders will exercise contractual options, including lapses and surrenders;

(b) cash flows associated with insurance obligations that depend on the level, trend, or volatility of mortality, disability, sickness and morbidity rates;

(c) all expenses incurred in servicing insurance obligations.

(6) For insurers to use financial instruments in replications, these shall be traded in active, deep, liquid and transparent markets.

INSTRUCTIONS AFFECTING SCHEDULE XXVI

Sixteen (16) year transitional arrangements for long-term business

(1) This applies only for long-term business written by members of an insurer on or before 31 December 2015 for which the standard approach has been applied.

(2) The transitional arrangements allow an insurer to phase in the new valuation arrangements over 16 years. Using a linear interpolation between the reserves determined under the 2015 reserve valuation principles and the reserves determined under the Economic Balance Sheet Valuation Principles.

(3) The technical provisions under the transitional arrangements (TP_y) shall be calculated by applying the following formula:

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$$TP_y = \frac{Min(y-2015,16)}{16} EBSTP_y + \left(1 - \frac{Min(y-2015,16)}{16}\right) CurrentRes_y$$

Where:

y ∈ {2016, 2017, 2018…, 2031} – year of yearend submission;

$EBSTP_y$= technical provision, for the business within the scope of the transitional arrangements, at end of year y as determined under these Rules;

$CurrentRes_y$ = Reserves, for the business within the scope of the transitional arrangements, at end of year y as determined by the reserve valuation methodology that was in force in 2015.

(4) Due to the manner in which an insurer's risk margin is determined, and where insurers are unable to directly attribute the risk margin to business written pre and post an insurer's 2015 financial year-end, insurers shall allocate a process to determine the risk margin. An application under Section 6D(7) of the Act may be made for the application of transitional adjustments. An insurer shall provide details of the business subject to the transition adjustments and any allocations or approximations to be used.

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