

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND 3B) AMENDMENT RULES 2018

paragraph 3

**SCHEDULE A
AMENDS SCHEDULE I TO THE PRINCIPAL RULES**

Schedule A brought into operation on 1 January 2019

Revokes and replaces paragraph 1

1 Schedule I to the Insurance (Prudential Standards) (Class 4 and 3B Solvency Requirement) Rules 2008 (the “principal Rules”) is amended by revoking and replacing paragraph 1 with the following—

1. The Class 4 and 3B BSCR shall be established, on an EBS Valuation basis, in accordance with the following formula—

$$BSCR = \sqrt{C_{fi}^2 + C_{eq}^2 + C_{int}^2 + C_{Curr}^2 + C_{Conc}^2 + C_{prem}^2 + \left[\frac{1}{2} C_{cred} + C_{rsvs}\right]^2 + \left[\frac{1}{2} C_{cred}\right]^2 + C_{cat}^2 + C_{op} + C_{adj}}$$

$$+ \left(BSCR_{Corr} - \left(\sqrt{C_{fi}^2 + C_{eq}^2 + C_{int}^2 + C_{Curr}^2 + C_{Conc}^2 + C_{prem}^2 + \left[\frac{1}{2} C_{cred} + C_{rsvs}\right]^2 + \left[\frac{1}{2} C_{cred}\right]^2 + C_{cat}^2 + C_{op} + C_{adj}} \right) \right)$$

$$\times \text{Transitional Factor}$$

Where—

- C_{fi} = fixed income investment risk charge as calculated in accordance with paragraph 2;
- C_{eq} = equity investment risk charge as calculated in accordance with paragraph 3;
- C_{int} = interest rate / liquidity risk charge as calculated in accordance with paragraph 4;
- C_{Curr} = currency risk charge as calculated in accordance with paragraph 5;
- C_{Conc} = concentration risk charge as calculated in accordance with paragraph 6;
- C_{prem} = premium risk charge as calculated in accordance with paragraph 7;
- C_{rsvs} = reserve risk charge as calculated in accordance with paragraph 8;
- C_{cred} = credit risk charge as calculated in accordance with paragraph 9;
- C_{cat} = catastrophe risk charge as calculated in accordance with paragraph 10;
- C_{op} = operational risk charge as calculated in accordance with paragraph 11;
- C_{adj} = charge for capital adjustment, calculated as the sum of (a) and (b) where:
- Regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 12; and
 - Capital adjustment for the loss-absorbing capacity of deferred taxes calculated as determined in accordance to paragraph 32;

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

$BSCR_{Corr}$ = as calculated in accordance with paragraph 13;

TransitionalFactor

- (a) 33%, for the financial year beginning on or after 1st January 2019;
- (b) 66%, for the financial year beginning on or after 1st January 2020;
- (c) 100%, for the financial year beginning on or after 1st January 2021.”

Amends Table 2

2 Schedule I to the principal Rules is amended by deleting, in Table 2 – Capital charge factors for *Eqastclass_i*, the requirements for “Other tangible assets – net of segregated accounts” and substituting the following—

Other tangible assets – net of segregated accounts companies	Form 1EBS, Lines 13(k), 14(d) and 36(f) Less Lines 13(d) and 13(h)	20.0%
--	---	-------

Inserts paragraphs 13 to 32

3 Schedule I to the principal Rules is amended by inserting the following after paragraph 12—

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

$$BSCR_{Corr} = \text{Basic BSCR} + C_{operation\cancel{d}} + C_{regulatory\cancel{adj}} + C_{otheradj} + C_{AdjTP} ;$$

Where –

<i>Basic BSCR</i>	= Basic BSCR risk module charge as calculated in accordance with paragraph 14;
$C_{operation\cancel{d}}$	= operational risk charge as calculated in accordance with paragraph 29;
$C_{regulatory\cancel{adj}}$	= regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 30;
C_{AdjTP}	= adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 31; and
$C_{otheradj}$	= adjustment for the loss absorbing capacity of deferred taxes as calculated in accordance with paragraph 32.

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

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

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:

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

	$C_{Market}, C_{P\&C}, C_{Credit};$
C_{Market}	= market risk module charge as calculated in accordance with paragraph 15;
$C_{P\&C}$	= P&C risk module charge as calculated in accordance with paragraph 16; and
C_{Credit}	= credit risk module charge as calculated in accordance with paragraph 27.

Table A – Basic BSCR Correlation Matrix

$CorrBSCR_{i,j}$	C_{Market}	C_{Credit}	$C_{P\&C}$
C_{Market}	1		
C_{Credit}	0.25	1	
$C_{P\&C}$	0.125	0.50	1

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

$$C_{Market} = \sqrt{\sum_{i,j} CorrMarket_{i,j} \times C_i \times C_j}$$

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 20 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: $C_{fixedIncome}, C_{equity}, C_{interest}, C_{currency}, C_{concentration};$
$C_{fixedIncome}$	= fixed income investment risk charge as calculated in accordance with paragraph 17;
C_{equity}	= equity investment risk charge as calculated in accordance with paragraph 18;
$C_{interest}$	= interest rate / liquidity risk charge as calculated in accordance with paragraph 20;
$C_{currency}$	= currency risk charge as calculated in accordance with paragraph 21; and
$C_{concentration}$	= concentration risk charge as calculated in accordance with paragraph 22.

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		

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

C_{currency}	0.25	0.25	0.25	1	
$C_{\text{concentration}}$	0.00	0.00	0.00	0.00	1

16. The P&C risk module charge calculation shall be determined in accordance with the following formula—

$$C_{\text{P\&C}} = \sqrt{\sum_{i,j} \text{CorrP\&C}_{i,j} \times C_i \times C_j}$$

Where—

$\text{CorrP\&C}_{i,j}$	= the correlation factors of the P&C 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_{premium} , C_{reserve} , $C_{\text{catastrophe}}$;
C_{premium}	= premium risk charge as calculated in accordance with paragraph 23;
C_{reserve}	= reserve risk charge as calculated in accordance with paragraph 25; and
$C_{\text{catastrophe}}$	= catastrophe risk charge as calculated in accordance with paragraph 28;

P&C Risk Module Correlation Matrix

$\text{CorrP\&C}_{i,j}$	C_{premium}	C_{reserve}	$C_{\text{catastrophe}}$
C_{premium}	1		
C_{reserve}	0.25	1	
$C_{\text{catastrophe}}$	0.125	0.00	1

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

$$C_{\text{fixedIncome}} = \sum_i \chi_i \times FI_{\text{astclass}_i} \times \mu_r + \text{Credit Derivatives}$$

Where—

χ_i	= the capital charge factors prescribed in Table 1A for each type of FI_{astclass_i} ;
FI_{astclass_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
$\text{Credit Derivatives}$	= the spread risk charge for credit derivatives calculated as per the following formula:
CreditDerivatives	= greater of:
i)	$\text{CreditDerivatives}_{\text{ShockUp}}$;
ii)	$\text{CreditDerivatives}_{\text{ShockDown}}$; and
iii)	0.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

$CreditDerivatives_{ShockUp}$	= 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

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

Table 1A – Capital charge factors for $Flastclass_i$

Type of fixed income investments <i>Flastclass_i</i>	Statement Source These Rules	Capital Factor χ_i
<i>Corporate and Sovereign Bonds</i>		
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%
<i>Residential Mortgage-Backed Securities</i>		
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%

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY
REQUIREMENT) AMENDMENT RULES 2018**

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, Column (3), Line 9, Schedule IIF, Column (3), Line 9	35.0%
<i>Commercial Mortgage-Backed Securities/Asset-Backed Securities</i>		
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%
<i>Bond Mutual Funds</i>		
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%
<i>Mortgage Loans</i>		
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%

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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%
<i>Other Fixed Income Investments</i>		
Other loans	Form 4EBS, Line 8	5.0%
<i>Cash and cash equivalents</i>		
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 *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 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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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

$$C_{\text{equity}} = \sqrt{\sum_{i,j} \text{CorrEq}_{i,j} \times C_i \times C_j};$$

Where—

- $\text{CorrEq}_{i,j}$ = 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:
 $C_{\text{Type1}}, C_{\text{Type2}}, C_{\text{Type3}}, C_{\text{Type4}};$
- C_{Type1} = Type1 equity risk charge as calculated in accordance with paragraph 19;
- C_{Type2} = Type2 equity risk charge as calculated in accordance with paragraph 19;
- C_{Type3} = Type3 equity risk charge as calculated in accordance with paragraph 19;
- C_{Type4} = Type4 equity risk charge as calculated in accordance with paragraph 19;

Table 2A – Equity Risk Charge Correlation Matrix

$\text{CorrEq}_{i,j}$	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

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

$$C_{\text{Type1}} = \max \left\{ \sum_{i \in \text{Type1}} \left[\max(L\text{Assets}_i^{\text{BShock}} - L\text{Assets}_i^{\text{AShock}}(\chi_i), 0) + (SQ\text{Assets}_i^{\text{BShock}} - SQ\text{Assets}_i^{\text{AShock}}(\chi_i)) + \dots \right] + \max(SNQ\text{Assets}_i^{\text{BShock}} - SNQ\text{Assets}_i^{\text{AShock}}(\chi_i), 0) - (BELiabilities_i^{\text{BShock}} - BELiabilities_i^{\text{AShock}}(\chi_i)) \right], 0 \right\}$$

$$C_{\text{Type2}} = \max \left\{ \sum_{i \in \text{Type2}} \left[\max(L\text{Assets}_i^{\text{BShock}} - L\text{Assets}_i^{\text{AShock}}(\chi_i), 0) + (SQ\text{Assets}_i^{\text{BShock}} - SQ\text{Assets}_i^{\text{AShock}}(\chi_i)) + \dots \right] + \max(SNQ\text{Assets}_i^{\text{BShock}} - SNQ\text{Assets}_i^{\text{AShock}}(\chi_i), 0) - (BELiabilities_i^{\text{BShock}} - BELiabilities_i^{\text{AShock}}(\chi_i)) \right], 0 \right\}$$

$$C_{\text{Type3}} = \max \left\{ \sum_{i \in \text{Type3}} \left[\max(L\text{Assets}_i^{\text{BShock}} - L\text{Assets}_i^{\text{AShock}}(\chi_i), 0) + (SQ\text{Assets}_i^{\text{BShock}} - SQ\text{Assets}_i^{\text{AShock}}(\chi_i)) + \dots \right] + \max(SNQ\text{Assets}_i^{\text{BShock}} - SNQ\text{Assets}_i^{\text{AShock}}(\chi_i), 0) - (BELiabilities_i^{\text{BShock}} - BELiabilities_i^{\text{AShock}}(\chi_i)) \right], 0 \right\}$$

$$C_{\text{Type4}} = \max \left\{ \sum_{i \in \text{Type4}} \left[\max(L\text{Assets}_i^{\text{BShock}} - L\text{Assets}_i^{\text{AShock}}(\chi_i), 0) + (SQ\text{Assets}_i^{\text{BShock}} - SQ\text{Assets}_i^{\text{AShock}}(\chi_i)) + \dots \right] + \max(SNQ\text{Assets}_i^{\text{BShock}} - SNQ\text{Assets}_i^{\text{AShock}}(\chi_i), 0) - (BELiabilities_i^{\text{BShock}} - BELiabilities_i^{\text{AShock}}(\chi_i)) \right], 0 \right\}$$

Where—

- χ_i = the instantaneous shocks prescribed in Table 2B for each type of equity class i ; and
- $L\text{Assets}^{\text{BShock}}$ = refers to the valuation of long asset exposures before applying shock

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

LA_{Assets}^{AShock}	= refers to the valuation of long asset exposures after applying shock
SQ_{Assets}^{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
SQ_{Assets}^{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
SNQ_{Assets}^{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
SNQ_{Assets}^{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
$BE_{Liabilities}^{BSHock}$	= refers to the best estimate of insurance liabilities and other liabilities before applying shock
$BE_{Liabilities}^{AShock}$	= refers to the best estimate of insurance liabilities and other liabilities after applying shock

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

Table 2B – Shock for classes of equity

	Assets				Shock Factor
	Long Exposures	Short Exposures		Liabilities	
Equity investments Equity class, <i>i</i>			Qualifying as Assets held for risk-mitigation purposes	Not Qualifying as Assets held for risk-mitigation purposes	Without Management Action
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	35.0%
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%

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY
REQUIREMENT) AMENDMENT RULES 2018**

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 (3), Line 35 Less	Schedule IIB, IIC, IID, IIE, & IIF, Column (5), Line 35 Less	Schedule IIB, IIC, IID, IIE, & IIF, Column (7), Line 35 Less	10.0%

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY
REQUIREMENT) AMENDMENT RULES 2018**

	Schedule IIB, IIC, IID, IIE, & IIF, Column (2), Line 35	Schedule IIB, IIC, IID, IIE, & IIF, Column (4), Line 35	Schedule IIB, IIC, IID, IIE, & IIF, Column (6), Line 35	Schedule IIB, IIC, IID, IIE, & IIF, Column (8), Line 35	
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					
	<u>Correlation Matrix</u>	<u>Type 1</u>	<u>Type 2</u>	<u>Type 3</u>	<u>Type 4</u>
	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					

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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.

20. The interest rate and 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—

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

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

$$\omega = Down, Up$$

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

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

$$MVA_{Before}^{CCY,Q}$$

= 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 $\chi(CCY,\omega)$ 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;

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

$MVA_{After}^{CCY, NQ}$	=	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 4EBS;
$MVA_{After}^{CCY, NQ}$	=	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 $\chi(CCY, \omega)$ 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 $\chi(CCY, \omega)$ 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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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	*

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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	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	*

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

Currency	$MVA_{Before}^{CCY} - MVA_{After}^{CCY}$	$MVL_{Before}^{CCY} - MVL_{After}^{CCY}$	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	*

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

INSTRUCTIONS AFFECTING TABLE 3B: 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.

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

$$C_{\text{Currency}} = \sum_i \max \left\{ \begin{aligned} & \left(MVA_{i, \text{Before}} - MVA_{i, \text{After}}(\chi_i) \right) + \left(MVDL_{i, \text{Before}}^Q - MVDL_{i, \text{After}}^Q(\chi_i) \right) + \dots \\ & + \left(MVDS_{i, \text{Before}}^Q - MVDS_{i, \text{After}}^Q(\chi_i) \right) + \max(MVDL_{i, \text{Before}}^{NQ} - MVDL_{i, \text{After}}^{NQ}(\chi_i), 0) + \dots \\ & + \max(MVDS_{i, \text{Before}}^{NQ} - MVDS_{i, \text{After}}^{NQ}(\chi_i), 0) - \left(MVL_{i, \text{Before}} - MVL_{i, \text{After}}(\chi_i) \right) + \dots \\ & + \text{Currproxybscr}_i \times \chi_i \end{aligned} \right\}, 0$$

Where—

- χ_i = the instantaneous shocks prescribed in Table 4A for each type of currency where ($MVA_{i, \text{Before}} + MVDL_{i, \text{Before}}^Q + MVDS_{i, \text{Before}}^Q + MVDL_{i, \text{Before}}^{NQ} + MVDS_{i, \text{Before}}^{NQ} - MVL_{i, \text{Before}} - \text{Currproxybscr}_i$) < 0 and 0 otherwise;
- Currency_i = refers to currency type that has been converted to the functional currency as reported in Form 1EBS
- $MVA_{i, \text{Before}}$ = 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;
- $MVA_{i, \text{After}}$ = 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;
- $MVDL_{i, \text{Before}}^Q$ = 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;
- $MVDL_{i, \text{After}}^Q$ = 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

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

	Authority) 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;
$MVDS_{i, \text{Before}}^Q$	= 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;
$MVDS_{i, \text{After}}^Q$	= 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 $\chi(\text{CCY})$ 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;
$MVDL_{i, \text{Before}}^{NQ}$	= 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; prescribed by the Authority
$MVDL_{i, \text{After}}^{NQ}$	= 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 $\chi(\text{CCY})$ 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;
$MVDS_{i, \text{Before}}^{NQ}$	= 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;
$MVDS_{i, \text{After}}^{NQ}$	= 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 $\chi(\text{CCY})$ 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; prescribed by the Authority
$MVL_{i, \text{Before}}$	= 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;
$MVL_{i, \text{After}}$	= refers to the revaluation of the best estimate of insurance liabilities and other liabilities 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;
Currproxybscr_i	= 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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

Table 4A – Shock factors for Currency Risk

Currency	$MVA_{i,Before} - MVA_{i,After}$	Long Exposure		Short Exposure		$MVL_{i,Before} - MVL_{i,After}$	Shock	
		$MVDL_{i,Before}^Q - MVDL_{i,After}^Q$	$MVDL_{i,Before}^{NQ} - MVDL_{i,After}^{NQ}$	$MVDS_{i,Before}^Q - MVDS_{i,After}^Q$	$MVDS_{i,Before}^{NQ} - MVDS_{i,After}^{NQ}$		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	Schedule XXA, Column A, Line 11 Less Schedule	Schedule XXA, Column B, Line 11 Less Schedule XXA,	Schedule XXA, Column C, Line 11	Schedule XXA, Column D, Line 11 Less Schedule XXA,	Schedule XXA, Column E, Line 11 Less Schedule XXA,	Schedule XXA, Column F, Line 11 Less Schedule	0%	25.00%

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

[illegible]

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

INSTRUCTIONS AFFECTING TABLE 4A: Shock factors 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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

- (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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

(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.

22. 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* and

Concastclass_i = the value of the corresponding asset prescribed in Table 5A, for each type of Asset Class.

Table 5A – Capital charge factors for *Concastclass_i*

Asset Class	Statement Source	Capital Factor
	These Rules	χ_i
<i>Cash and Cash Equivalents</i>		
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%
<i>Corporate & Sovereign Bonds</i>		
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%
<i>Residential Mortgage-Backed Securities</i>		
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%
<i>Commercial Mortgage-Backed Securities/Asset Backed Securities</i>		
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%

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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%
<i>Bond Mutual Funds</i>		
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%
<i>Preferred Shares</i>		
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%
<i>Mortgage Loans</i>		
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%
<i>Other Asset Classes</i>		
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*

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

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

- (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.

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

$$C_{Premium} = \sqrt{\sum_{i,j} CorrPrem_{i,j} \times C_i \times C_j} - avgpremcap \times \frac{avgannloss}{catlossratio};$$

Where—

$Corr Prem_{i,j}$	=	the correlation factors of the premium risk module correlation matrix in accordance with Table 6B;
i,j	=	the sum of the different terms should cover all possible combinations of i and j; and
C_i and C_j	=	risk charge i and risk charge j which are replaced by the following: $C_{premium_i}$, $C_{premium_j}$ as calculated in accordance with paragraph 24;
$avgpremcap$	=	weighted average premium risk capital charge factor for $BaseExp_i$, as defined below, (excluding the Property Catastrophe line of business and after correlation adjustment and allowing for geographic diversification);
$avgannloss$	=	average annual loss estimated with catastrophe models;
$catlossratio$	=	expected industry average catastrophe loss ratio prescribed by the Authority.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

Table 6B – Premium Risk Module Correlation Matrix

<i>CorrPrem_{i,j}</i>	Prop Cat	Prop	Prop NP	PA	PA NP	Aviat n	Aviatn NP	C/S	C/S NP	Ergy O/M	Ergy O/M NP	US Cas	US Cas NP	US Prof	US Prof NP	US Spec	US Spec NP	Int Motor	Int Motor NP	Int Cas	Int Cas NP	Retro Prop	Str/Fin Re	Health
Prop Cat	1																							
Prop	0.25	1																						
Prop NP	0.25	0.5	1																					
PA	0.25	0.25	0.25	1																				
PA NP	0.25	0.25	0.25	0.5	1																			
Aviat n	0.25	0.25	0.25	0.25	0.25	1																		
Aviatn NP	0.25	0.25	0.25	0.25	0.25	0.5	1																	
C/S	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1																
C/S NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1															
Ergy O/M	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1														
Ergy O/MN P	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1													
US Cas	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1												
US CasNP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1											
US Prof	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	0.5	1										
US Prof NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	0.5	0.5	1									
US Spec	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1								
US Spec NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1							
Int Motor	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1						
Int Motor NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1					
Int Cas	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	0.5	0.5	0.5	0.25	0.25	0.25	0.25	1				
Int Cas NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	0.5	0.5	0.5	0.25	0.25	0.25	0.25	0.5	1			
Retro Prop	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1		
Str / Fin Re	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1	
Health	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

24. The Line of Business premium risk charge $C_{premium_i}$ calculation shall be determined in accordance with the following formula:

$$C_{premium_i} = [(\chi_i^1 \times BaseExp_i) + (\chi_i^2 \times FPExisting_i) + (\chi_i^3 \times FPFuture_i)] \frac{ExposureMeasure_i}{geolineprem_i}$$

Where—

χ_i^1	=	individual $BaseExp_i$ risk capital charge factor as prescribed in Table 6C;
$BaseExp_i$	=	the greater of premium written in reporting period and the estimate of the net premiums to be earned by the insurer during the next twelve-month accounting period;
$geolineprem_i$	=	geographic diversification of premium exposure measure for line of business i as prescribed in Table 6D;
χ_i^2	=	individual $FPExisting_i$ risk capital charge factor as prescribed in Table 6C;
$FPExisting_i$	=	expected present value of premiums to be earned by the insurer after the next twelve-month reporting period for existing qualifying multi-year insurance policies for line of business i as prescribed in Table 6C;
χ_i^3	=	individual $FPFuture_i$ risk capital charge factor as prescribed in Table 6C;
$FPFuture_i$	=	expected present value of net premiums to be earned by the insurer after the next twelve-month reporting period for qualifying multi-year insurance policies where the initial recognition date falls in the following twelve-months for line of business i as prescribed in Table 6C;
$ExposureMeasure_i$	=	the sum of $BaseExp_i$, $FPExisting_i$ and $FPFuture_i$

Table 6C – Capital charge factors for Premium Risk

	(1) Statement Source These Rules $BaseExp_i$	(2) Capital Factor χ_i^1	(3) Statement Source These Rules $FPExisting_i$	(4) Capital Factor χ_i^2	(5) Statement Source These Rules $FPFuture_i$	(6) Capital Factor χ_i^3
Property catastrophe	Schedule IVD, Line 1, Column (C)	0.0%	Schedule IVD, Line 1, Column (D)	11.5%	Schedule IVD, Line 1, Column (E)	5.8%
Property	Schedule IVD, Line 2, Column (C)	49.7%	Schedule IVD, Line 2, Column (D)	12.4%	Schedule IVD, Line 2, Column (E)	6.2%
Property non-proportional	Schedule IVD, Line 3, Column (C)	51.6%	Schedule IVD, Line 3, Column (D)	12.9%	Schedule IVD, Line 3, Column (E)	6.5%
Personal accident	Schedule IVD, Line 4, Column (C)	34.1%	Schedule IVD, Line 4, Column (D)	8.5%	Schedule IVD, Line 4, Column (E)	4.3%
Personal accident non-proportional	Schedule IVD, Line 5, Column (C)	41.2%	Schedule IVD, Line 5, Column (D)	12.4%	Schedule IVD, Line 5, Column (E)	6.2%
Aviation	Schedule IVD, Line 6, Column (C)	48.2%	Schedule IVD, Line 6, Column (D)	14.5%	Schedule IVD, Line 6, Column (E)	7.2%
Aviation non-proportional	Schedule IVD, Line 7, Column (C)	48.2%	Schedule IVD, Line 7, Column (D)	14.5%	Schedule IVD, Line 7, Column (E)	7.2%
Credit / surety	Schedule IVD, Line 8, Column (C)	39.8%	Schedule IVD, Line 8, Column (D)	11.9%	Schedule IVD, Line 8, Column (E)	6.0%
Credit / surety non-proportional	Schedule IVD, Line 9, Column (C)	45.4%	Schedule IVD, Line 9, Column (D)	13.6%	Schedule IVD, Line 9, Column (E)	6.8%
Energy offshore /marine	Schedule IVD, Line 10, Column (C)	42.1%	Schedule IVD, Line 10, Column (D)	12.6%	Schedule IVD, Line 10, Column (E)	6.3%
Energy offshore / marine non-proportional	Schedule IVD, Line 11, Column (C)	47.0%	Schedule IVD, Line 11, Column (D)	14.1%	Schedule IVD, Line 11, Column (E)	7.1%
US casualty	Schedule IVD, Line 12, Column (C)	50.3%	Schedule IVD, Line 12, Column (D)	25.1%	Schedule IVD, Line 12, Column (E)	12.6%
US casualty non-proportional	Schedule IVD, Line 13, Column (C)	55.6%	Schedule IVD, Line 13, Column (D)	27.8%	Schedule IVD, Line 13, Column (E)	13.9%

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

US professional	Schedule IVD, Line 14, Column (C)	51.2%	Schedule IVD, Line 14, Column (D)	25.6%	Schedule IVD, Line 14, Column (E)	12.8%
US professional non-proportional	Schedule IVD, Line 15, Column (C)	53.8%	Schedule IVD, Line 15, Column (D)	26.9%	Schedule IVD, Line 15, Column (E)	13.5%
US specialty	Schedule IVD, Line 16, Column (C)	51.4%	Schedule IVD, Line 16, Column (D)	25.7%	Schedule IVD, Line 16, Column (E)	12.9%
US specialty non-proportional	Schedule IVD, Line 17, Column (C)	52.7%	Schedule IVD, Line 17, Column (D)	26.3%	Schedule IVD, Line 17, Column (E)	13.2%
International motor	Schedule IVD, Line 18, Column (C)	42.2%	Schedule IVD, Line 18, Column (D)	12.7%	Schedule IVD, Line 18, Column (E)	6.3%
International motor non-proportional	Schedule IVD, Line 19, Column (C)	48.2%	Schedule IVD, Line 19, Column (D)	24.1%	Schedule IVD, Line 19, Column (E)	12.1%
International casualty non-motor	Schedule IVD, Line 20, Column (C)	50.0%	Schedule IVD, Line 20, Column (D)	25.0%	Schedule IVD, Line 20, Column (E)	12.5%
International casualty non-motor non-proportional	Schedule IVD, Line 21, Column (C)	53.6%	Schedule IVD, Line 21, Column (D)	26.8%	Schedule IVD, Line 21, Column (E)	13.4%
Retro property	Schedule IVD, Line 22, Column (C)	50.8%	Schedule IVD, Line 22, Column (D)	12.7%	Schedule IVD, Line 22, Column (E)	6.4%
Structured / finite reinsurance	Schedule IVD, Line 23, Column (C)	27.2%	Schedule IVD, Line 23, Column (D)	6.8%	Schedule IVD, Line 23, Column (E)	3.4%
Health	Schedule IVD, Line 24, Column (C)	15.0%	Schedule IVD, Line 24, Column (D)	3.8%	Schedule IVD, Line 24, Column (E)	1.9%

INSTRUCTIONS AFFECTING TABLE 6C: Capital charge factors for Premium Risk

- (a) all reported net premium exposure measures as prescribed in Schedule IVD that are subject to capital charges within the premium risk charge shall be included;
- (b) “qualifying multi-year insurance policies” means those insurance policies with a term longer than twelve months after allowing for the criteria prescribed by the Authority;
- (c) all net premium exposure measures by statutory Line of Business shall be reported on a basis consistent with that prescribed in Schedule IVD;
- (d) an insurer may provide net premium exposure measures for all statutory Lines of General Business, or for particular statutory Lines of General Business, split by geographic zone as set out in Table 6D. $geolineprem_i$ is then derived from the total premium for that Line of Business by reducing the total by 25% times $\frac{\sum x_i^2}{(\sum x_i)^2}$ where x_i = the net premium exposure measure in the Line of Business for $Zone_i$; and where the summation covers all zones; and
- (e) amounts are to be reported on a consolidated basis.

Table 6D – Underwriting Geographical Zones

Underwriting Zone	Location
Zone 1 - Central & Western Asia	Armenia, Azerbaijan, Bahrain, Georgia, Iraq, Israel, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Oman, Palestinian, 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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

	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)	Bermuda, Canada, Greenland, and St Pierre & Miquelon
Zone 12 - Caribbean & Central America	Anguilla, Antigua & Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Costa Rica, Cuba, Dominica, Dominican, El Salvador, Grenada, Guadeloupe, Guatemala, Haiti, Honduras, Jamaica, Martinique, Mexico, Montserrat, Netherlands Antilles, Nicaragua, Panama, 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

25. The reserve risk charge calculation shall be established in accordance with the following formula—

$$C_{reserve} = \sqrt{\sum_{i,j} Corr Reserve_{i,j} \times C_i \times C_j}$$

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

;

Where—

- $Corr Reserve_{i,j}$ = the correlation factors of the reserve risk module correlation matrix in accordance with table 7A;
- 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:
 $C_{reserve_i}$, $C_{reserve_j}$ as calculated in accordance with paragraph 26.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

Table 7A – Reserve Risk Module Correlation Matrix

<i>Corr Re serve_{i,j}</i>	Prop Cat	Prop	Prop NP	PA	PA NP	Aviat n	Aviatn NP	C/S	C/S NP	Ergy O/ M	Ergy O/M NP	US Cas	US Cas NP	US Prof	US Prof NP	US Spec	US Spec NP	Int Mot or	Int Motor NP	Int Cas	Int Cas NP	Retro Prop	Str/ Fin Re	Health
Prop Cat	1																							
Prop	0.25	1																						
Prop NP	0.25	0.5	1																					
PA	0.25	0.25	0.25	1																				
PA NP	0.25	0.25	0.25	0.5	1																			
Aviat n	0.25	0.25	0.25	0.25	0.25	1																		
Aviatn NP	0.25	0.25	0.25	0.25	0.25	0.5	1																	
C/S	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1																
C/S NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1															
Ergy O/M	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1														
Ergy O/MNP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1													
US Cas	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1												
US CasNP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1											
US Prof	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	0.5	1										
US Prof NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	0.5	0.5	1									
US Spec	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1								
US Spec NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1							
Int Motor	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1						
Int Motor NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	1					
Int Cas	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	0.5	0.5	0.5	0.25	0.25	0.25	0.25	1				
Int Cas NP	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.5	0.5	0.5	0.5	0.25	0.25	0.25	0.25	0.5	1			
Retro Prop	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1		
Str / Fin Re	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1	
Health	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

26. The Line of Business reserve risk charge $C_{reserve_i}$ calculation shall be determined in accordance with the following formula—

$$C_{reserve_i} = \beta_i \times geolinersvs_i;$$

Where—

β_i = individual $geolinersvs_i$ risk capital charge factor as prescribed in Table 7B;
 $geolinersvs_i$ = geographic diversification of reserves for individual Lines of Business i as prescribed in Table 6D;

Table 7B – Capital charge factors for $geolinersvs_i$

Line of business $geolinersvs_i$	Statement Source These Rules	Capital Factor β_i
Property catastrophe	Schedule III, Line 1	46.2%
Property	Schedule III, Line 2	43.8%
Property non- proportional	Schedule III, Line 3	49.7%
Personal accident	Schedule III, Line 4	29.7%
Personal accident non-proportional	Schedule III, Line 5	34.9%
Aviation	Schedule III, Line 6	46.0%
Aviation non- proportional	Schedule III, Line 7	48.3%
Credit / surety	Schedule III, Line 8	38.4%
Credit / surety non- proportional	Schedule III, Line 9	43.5%
Energy offshore /marine	Schedule III, Line 10	39.5%
Energy offshore / marine non- proportional	Schedule III, Line 11	43.9%
US casualty	Schedule III, Line 12	43.0%
US casualty non- proportional	Schedule III, Line 13	48.8%
US professional	Schedule III, Line 14	46.3%
US professional non- proportional	Schedule III, Line 15	51.5%
US specialty	Schedule III, Line 16	46.5%
US specialty non- proportional	Schedule III, Line 17	48.3%
International motor	Schedule III, Line 18	37.1%
International motor non-proportional	Schedule III, Line 19	43.5%
International casualty non-motor	Schedule III, Line 20	43.7%
International casualty non-motor non-proportional	Schedule III, Line 21	49.4%
Retro property	Schedule III, Line 22	47.8%
Structured / finite reinsurance	Schedule III, Line 23	24.1%
Health	Schedule III, Line 24	12.5%

INSTRUCTIONS AFFECTING TABLE 7B: Capital charge factors for $geolinersvs_i$

- all reported net loss and loss expense provisions for the relevant year by statutory Line of Business as prescribed in this Schedule are subject to capital charges within the reserve risk charge and shall be included;
- all reported net loss and loss expense provisions by statutory Line of Business shall be reported on a basis consistent with that used for purposes of statutory financial reporting;
- an insurer may provide loss and loss expense provisions exposure for all statutory Lines of General Business, or for particular statutory Lines of General Business, split by geographic zone as set out in Table 6D. $geolinersvs_i$ is then derived from the total loss and loss expense provisions for that Line of Business by reducing the total by 25% times

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

$\frac{\sum x_i^2}{(\sum x_i)^2}$ where x_i = best estimate net loss and loss expense provisions in that line of business for $Zone_i$; and where the summation covers all zones; and

(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 8A;

$debtor_i$ = 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:

$$\text{CCROTC} = \sum_i \text{Max}(0, \text{MVDerivative}P_i - (1 - \beta)\text{Min}(\text{MVDerivative}P_i, \text{MVCollateral}_i)) \times \alpha_i$$

$\text{MVDerivative}P_i$ = Market value of over-the-counter derivatives with positive market values and BSCR rating i ,

β = collateral factor as prescribed in Table 8B;

α_i = capital factor for the BSCR rating i as prescribed in Table 8B;

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

Table 8A – Capital charge factors for $debtor_i$

Type of debtor $debtor_i$	Statement Source These Rules	Capital Factor δ_i
<i>Accounts and Premiums Receivable</i>		
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%
<i>All Other Receivables</i>		
Accrued investment income	Form 1EBS, Line 9	2.5%
Advances to affiliates	Form 1EBS, Line 4(g)	5.0%
Balances receivable on sale of investments	Form 1EBS, Line 13(f)	2.5%
<i>Particulars of reinsurance balances shall be the maximum of the amounts calculated from paragraphs (i) and (ii) below:</i>		
<i>(i) Particulars of reinsurance balances for current year by BSCR Rating</i>		
BSCR rating 0	Schedule XVIII paragraph (d)	0.0%

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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%
<i>(ii) Particulars of reinsurance balances for future premium by BSCR Rating</i>			
Premium Risk Capital Charge (Gross)		As prescribed in paragraph (d)(ii)(B)	
Premium Risk Capital Charge (Net)		Premium Risk Charge as prescribed in paragraph 23	
Premium Risk Capital Charge (Ceded)		Premium Risk Capital Charge (Gross) less Premium Risk Capital Charge Net	
Type of debtor <i>debtor_i</i>	Statement Source These Rules	Debtor Allocation	Capital Factor <i>δ_i</i>
BSCR rating 0	paragraph (i) BSCR Rating 0 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	0.0%
BSCR rating 1	paragraph (i) BSCR Rating 1 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	0.7%
BSCR rating 2	paragraph (i) BSCR Rating 2 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	1.5%
BSCR rating 3	paragraph (i) BSCR Rating 3 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	3.5%
BSCR rating 4	paragraph (i) BSCR Rating 4 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	7.0%
BSCR rating 5	paragraph (i) BSCR Rating 5 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	12.0%
BSCR rating 6	paragraph (i) BSCR Rating 6 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	20.0%
BSCR rating 7	paragraph (i) BSCR Rating 7 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	17.0%
BSCR rating 8	paragraph (i) BSCR Rating 8 / paragraph (i) Sum(BSCR Ratings 0 – 8)	Premium Risk Capital Charge (Ceded)	35.0%
Less: Diversification adjustment		Schedule XVIII paragraph (d)	40.0%

INSTRUCTIONS AFFECTING TABLE 8A: Capital charge factors for *debtor_i*

- all accounts and premiums receivable and all other receivables that are subject to capital charges within the credit risk charge shall be included;
- 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;
- “collateralized balances” for the purposes of this paragraph shall mean assets pledged in favor of the insurer relating to accounts and premiums receivable under Table 8A – Capital charge factors for *debtor_i* ;
- Particulars of reinsurance balances shall be the greater of paragraphs (i) and (ii) below
 - Particulars of reinsurance balances for current year by BSCR rating are as follows:

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

- (A) the net qualifying exposure which is comprised of reinsurance balances receivable and reinsurance balances recoverable, less the corresponding reinsurance balances payable and other payables less the qualifying collateral issued in favor of the insurer in relation to the reinsurance balances;
 - (B) the “net qualifying exposure” referenced in paragraph (d)(i)(A) above shall be subject to the prescribed credit risk capital factor under Table 8A;
 - (C) the total capital requirement relating to the reinsurance balances shall be reduced by a diversification adjustment of up to a maximum of 40%;
 - (D) the “diversification” adjustment” referenced in paragraph (d)(i)(C) above shall be determined by calculating 40% multiplied by 1 minus the ratio of the largest net reinsurance exposure, on an individual reinsurer basis, to total net reinsurance exposure;
- (ii) Particulars of reinsurance balances for future premium by BSCR rating are as follows:
- (A) the Premium Risk Capital Charge (Gross), as prescribed in paragraph (d)(ii)(B) below less the Premium Risk Capital Charge (Net), as prescribed in paragraph 23, shall be referred to as “Premium Risk Capital Charge (Ceded)”. Such amount shall be allocated to the type of debtor (*debtor_i*) by BSCR rating Net Qualifying Exposure Measure as reported on Schedule XVIII;
 - (B) the Premium Risk Capital Charge (Gross) is calculated in the same manner as Premium Risk Capital Charge (Net) using the Gross Premium Exposure Measure (Schedule IVD, Column G) rather than the Net Premium Exposure Measure (Schedule IVD, Column F) as the input *ExposureMeasure_i* parameter in paragraph 24. *ExposureMeasure_i* is allocated to *BaseExp_i*, *FPEexisting_i* and *FPEfuture_i* for the Premium Risk Capital Charge (Gross) calculation in the same proportions as in the Premium Risk Capital Charge (Net) calculation;
 - (C) the Premium Risk Capital Charge (Ceded) shall be subject to the prescribed credit risk capital charge factor under Table 8A;
 - (D) the total capital requirement relating to the reinsurance balances shall be reduced by a diversification adjustment of up to a maximum of 40%; and
 - (E) the “diversification” adjustment” referenced in paragraph (d)(i)(C) above shall be determined by calculating 40% multiplied by 1 minus the ratio of the largest net reinsurance exposure, on an individual reinsurer basis, to total net reinsurance exposure; and
- (e) amounts are to be reported on an EBS Valuation basis

Table 8B – 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%

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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 catastrophe risk charge calculation shall be established in accordance with the following formula—

$$C_{catastrophe} = NetPML - Netcatprem + CR_{PML};$$

Where —

- NetPML* = net probable maximum loss as prescribed in Schedule V paragraph (h);
- Netcatprem* = average annual loss excluding property catastrophe as prescribed in Schedule V paragraph (i) divided by {(estimated industry catastrophe loss ratio of 40% as prescribed in this Schedule) plus property catastrophe premium as included in Schedule IVD, Line 1, Column B}; and
- CR_{PML}* = {(gross probable maximum loss as prescribed in Schedule V paragraph (g); minus net probable maximum loss as prescribed in Schedule V paragraph (h); minus arrangements with respect to property catastrophe recoverables as prescribed in Schedule V paragraph (k)(v) of these Rules); times (Credit risk charge, equal to 10%, associated with reinsurance recoveries of ceded catastrophe losses)}:
- (a) all reported net probable maximum loss, gross probable maximum loss, average annual loss excluding property catastrophe, property catastrophe premium and arrangements with respect to property catastrophe recoverables as prescribed in Schedule V that are subject to capital charges herein shall be included; and
 - (b) the amount of collateral and other funded arrangements with respect to property catastrophe recoverables shall be reported and reduced by 2% to account for the market risk associated with the underlying collateral assets.

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

$$C_{Operational} = \rho \times (Basic\ BSCR + Adj_{TP});$$

Where —

- ρ = an amount between 1% and 20% as determined by the Authority in accordance with Table 9G;
- Basic BSCR* = Basic BSCR risk module charge as calculated in accordance with paragraph 14;
- Adj_{TP}* = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 31;

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

Table 9G – 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 9G

In this table, “overall score” means an amount equal to the sum of the aggregate score derived from each of tables 9H, 9I, 9J, 9K, 9L, and 9M.

**TABLE 9H
Corporate Governance Score Table**

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

INSTRUCTIONS AFFECTING TABLE 9H

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

**TABLE 9I
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

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

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 9I

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

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

TABLE 9J

Risk Identification Processes ('RIP') Score Table

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

Comments

INSTRUCTIONS AFFECTING TABLE 9J

- (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 the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

TABLE 9K

Risk Measurement Processes ('RMP') Score Table

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	50	RMP are ad hoc								
2	100	RMP have been implemented but not standardized across the organization								
3	150	RMP have been documented, implemented, and relevant staff have been trained on and execute the RMP; and the RMP are standardized 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 9K

- (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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

TABLE 9L

Risk Response Processes ('RRP') Score Table

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

Comments

INSTRUCTIONS AFFECTING TABLE 9L

- (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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

TABLE 9M

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

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	50	RMRP are ad hoc								
2	100	RMRP have been implemented but not standardized across the organization								
3	150	RMRP have been implemented, well documented, understood by relevant staff, and standardized 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 9M

- (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.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 4 AND CLASS 3B SOLVENCY REQUIREMENT) AMENDMENT RULES 2018

30. 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

31. 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—

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

Where—

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

$$Basic\ nBSCR = \sqrt{\sum_{i,j} CorrBBSCR_{i,j} \times nC_i \times nC_j}$$

$CorrBBSCR_{i,j}$ = the correlation factors of the Basic BSCR correlation matrix in accordance with Table A of Paragraph 14;

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

$$C_{Market}, C_{P\&C}, C_{Credit};$$

C_{Market} = market risk module charge as calculated in accordance with paragraph 15;

$C_{P\&C}$ = P&C risk module charge as calculated in accordance with paragraph 16; and

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:

$$nC_{Market}, nC_{P\&C}, nC_{Credit};$$

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

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

$$C_{otheradj} = \min\left(\left((Basic\ BSCR + C_{operation\&} + C_{regulatoradj} + Adj_{TP}) \times t, Limit, (Basic\ BSCR + C_{operation\&} + C_{regulatoradj} + Adj_{TP}) \times 20\%\right)\right)$$

Where —

$Basic\ BSCR$ = Basic BSCR risk module charge as calculated in accordance with paragraph 14;

$C_{operation\&}$ = operational risk charge as calculated in accordance with paragraph 29;

$C_{regulatoradj}$ = regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 30;

Adj_{TP} = adjustment for the loss-absorbing capacity of technical provisions as calculated in accordance with paragraph 31;

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 .

