

BERMUDA

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)
AMENDMENT RULES 2024**

BR 19 / 2024

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SCHEDULE

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

Citation

1 These Rules, which amend the Insurance (Prudential Standards) (Class 3A Solvency Requirement) Rules 2011 (the “principal Rules”), may be cited as the Insurance (Prudential Standards) (Class 3A Solvency Requirement) Amendment Rules 2024.

Amends paragraph 2

2 Paragraph 2 of the principal Rules is amended as follows—

- (a) by revoking and replacing the definition of “EBS Valuation basis” with the following—

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“EBS Valuation basis” means the Economic Balance Sheet valuation principles to be complied with by a Class 3A insurer in accordance with Schedule XXVI;”;

(b) by revoking the definition of “Form 2A”;

(c) by inserting the following definitions in the appropriate alphabetical order—

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

“man-made catastrophe risk” means catastrophe risk arising from human activity, non-activity or cause;

“natural catastrophe risk” means catastrophe risk arising from natural catastrophes;”.

Amends paragraph 3

3 Paragraph 3 of the principal Rules is amended by inserting after subparagraph (4)—

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

Amends paragraph 6

4 Paragraph 6 of the principal Rules is amended as follows—

(a) in subparagraph (1) by deleting “and XXIV” and substituting the words “, XXIV, XXV and XXVI”;

(b) in subparagraph (2)(a) by deleting “and XXIV” and substituting the words “, XXIV, XXV and XXVI”.

Revokes and replaces Schedule I

5 Schedule I to the principal Rules entitled “Bermuda Solvency Capital Requirement - Class 3A” is revoked and replaced with a new Schedule I entitled “Bermuda Solvency Capital Requirement - Class 3A” as provided in accordance with the Schedule to these Rules.

Inserts Schedule XA

6 The principal Rules are amended by inserting after Schedule X, new Schedule XA entitled “Schedule of Man-Made Catastrophes” as provided in accordance with the Schedule to these Rules.

Revokes and replaces Schedule XIV

7 Schedule XIV to the principal Rules entitled “Class 3A Statutory Economic Balance Sheet” is revoked and replaced with a new Schedule XIV entitled “Class 3A

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Statutory Economic Balance Sheet” as provided in accordance with the Schedule to these Rules.

Revokes and replaces Schedule XV

8 Schedule XV to the principal Rules entitled “Loss Reserve Specialist’s Opinion” is revoked and replaced with a new Schedule XV entitled “Loss Reserve Specialist’s Opinion” as provided in accordance with the Schedule to these Rules.

Amends Schedule XX

9 Schedule XX to the principal Rules is amended by deleting “in Schedule XIV” and substituting the words “in Schedule XXVI”.

Amends Schedule XXA

10 Schedule XXA to the principal Rules is amended by deleting “in Schedule XIV” and substituting the words “in Schedule XXVI”.

Amends Schedule XXI

11 Schedule XXI to the principal Rules is amended by deleting “in Schedule XIV” and substituting the words “in Schedule XXVI”.

Amends Schedule XXIA

12 Schedule XXIA to the principal Rules is amended by deleting “in Schedule XIV” and substituting the words “in Schedule XXVI”.

Inserts Schedules XXV and XXVI

13 (1) The principal Rules are amended by inserting after Schedule XXIV the following—

- (a) Schedule XXV entitled “Schedule of Adjustments”;
- (b) Schedule XXVI entitled “Schedule of Economic Balance Sheet Valuation Principles”.

(2) The Schedules inserted by subparagraph (1) are provided in accordance with the Schedule to these Rules.

Commencement

14 These Rules come into operation on 31 March 2024.

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SCHEDULE

(Paragraphs 5, 6, 7, 8 and 13)

The Schedules referred to in paragraphs 5, 6, 7, 8 and 13 of these Rules are published on the Authority's website (www.bma.bm) in accordance with section 6A(8) of the Insurance Act 1978.

Made this 12th day of March 2024



Chairman
Bermuda Monetary Authority

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SCHEDULE I

(Paragraph 4)

BERMUDA SOLVENCY CAPITAL REQUIREMENT - CLASS 3A

The Class 3A BSCR shall be established, on an EBS Valuation basis, in accordance with the following formula—

$$BSCR = \sqrt{C_{fi}^2 + C_{eq}^2 + C_{int}^2 + C_{curr}^2 + C_{conc}^2 + C_{prem-gb}^2 + \left[\frac{1}{2}C_{cred} + C_{rsvs-gb}\right]^2 + \left[\frac{1}{2}C_{cred}\right]^2 + C_{cat-gb}^2 + C_{op} + C_{adj}} \\ + \left[BSCR_{corr} - \left(\sqrt{C_{fi}^2 + C_{eq}^2 + C_{int}^2 + C_{curr}^2 + C_{conc}^2 + C_{prem-gb}^2 + \left[\frac{1}{2}C_{cred} + C_{rsvs-gb}\right]^2 + \left[\frac{1}{2}C_{cred}\right]^2 + C_{cat-gb}^2 + C_{op} + C_{adj}} \right) \right] \times \text{Transitional Factor}$$

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;
$C_{prem-gb}$	= premium risk charge as calculated in accordance with paragraph 7;
$C_{rsvs-gb}$	= reserve risk charge as calculated in accordance with paragraph 8;
C_{cred}	= credit risk charge as calculated in accordance with paragraph 9;
C_{cat-gb}	= 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: (a) Regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with paragraph 12; and (b) Capital adjustment for the loss-absorbing capacity of deferred taxes calculated as determined in accordance to paragraph 32;
$BSCR_{corr}$	= as calculated in accordance with paragraph 13;
<i>TransitionalFactor</i>	(a) 33%, for the financial year beginning on or after 1 st January 2019; (b) 66%, for the financial year beginning on or after 1 st January 2020; (c) 100%, for the financial year beginning on or after 1 st January 2021.

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

$$C_{fi} = \sum_i \chi_i \times FI_{astclass}_i \times \mu_r \text{ where}$$

χ_i = the capital charge factors prescribed in Table 1 for each type of *FIastclass*_i; and

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$F_{iastclass_i}$ = value of investment in corresponding asset Class i
 μ_r = additional diversification adjustment factor applied to cash and cash equivalent balances, or 1 for other asset classes.

Table 1 – Capital charge factors for $F_{iastclass_i}$

Type of fixed income investments $F_{iastclass_i}$	Statement Source These Rules	Capital Factor χ_i
<i>Corporate and Sovereign Bonds</i>		
BSCR rating 0	Schedule II & IIA, Line 1, Column (1)	0.0%
BSCR rating 1	Schedule II & IIA, Line 2, Column (1)	0.4%
BSCR rating 2	Schedule II & IIA, Line 3, Column (1)	0.8%
BSCR rating 3	Schedule II & IIA, Line 4, Column (1)	1.5%
BSCR rating 4	Schedule II & IIA, Line 5, Column (1)	3.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (1)	8.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (1)	15.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (1)	26.3%
BSCR rating 8	Schedule II & IIA, Line 9, Column (1)	35.0%
<i>Residential Mortgage-Backed Securities</i>		
BSCR rating 1	Schedule II & IIA, Line 2, Column (3)	0.6%
BSCR rating 2	Schedule II & IIA, Line 3, Column (3)	1.2%
BSCR rating 3	Schedule II & IIA, Line 4, Column (3)	2.0%
BSCR rating 4	Schedule II & IIA, Line 5, Column (3)	4.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (3)	11.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (3)	25.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (3)	35.0%
BSCR rating 8	Schedule II & IIA, Line 9, Column (3)	35.0%
<i>Commercial Mortgage-Backed Securities/Asset-Backed Securities</i>		
BSCR rating 1	Schedule II & IIA, Line 2, Column (5)	0.5%
BSCR rating 2	Schedule II & IIA, Line 3, Column (5)	1.0%
BSCR rating 3	Schedule II & IIA, Line 4, Column (5)	1.8%
BSCR rating 4	Schedule II & IIA, Line 5, Column (5)	3.5%
BSCR rating 5	Schedule II & IIA, Line 6, Column (5)	10.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (5)	20.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (5)	30.0%
BSCR rating 8	Schedule II & IIA, Line 9, Column (5)	35.0%
<i>Bond Mutual Funds</i>		
BSCR rating 0	Schedule II & IIA, Line 1, Column (7)	0.0%
BSCR rating 1	Schedule II & IIA, Line 2, Column (7)	0.4%
BSCR rating 2	Schedule II & IIA, Line 3, Column (7)	0.8%
BSCR rating 3	Schedule II & IIA, Line 4, Column (7)	1.5%
BSCR rating 4	Schedule II & IIA, Line 5, Column (7)	3.0%
BSCR rating 5	Schedule II & IIA, Line 6, Column (7)	8.0%
BSCR rating 6	Schedule II & IIA, Line 7, Column (7)	15.0%
BSCR rating 7	Schedule II & IIA, Line 8, Column (7)	26.3%
BSCR rating 8	Schedule II & IIA, Line 9, Column (7)	35.0%
<i>Mortgage Loans</i>		
Insured/guaranteed mortgages	Schedule II & IIA, Line 22, Column (1)	0.3%

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Other commercial and farm mortgages	Schedule II & IIA, Line 23, Column (1)	5.0%
Other residential mortgages	Schedule II & IIA, Line 24, Column (1)	1.5%
Mortgages not in good standing	Schedule II & IIA, Line 25, Column (1)	25.0%
<i>Other Fixed Income Investments</i>		
Other loans	Form 1EBS, Line 8	5.0%
<i>Cash and cash equivalents</i>		
BSCR rating 0	Schedule XIX, Column A	0.0%
BSCR rating 1	Schedule XIX, Column A	0.1%
BSCR rating 2	Schedule XIX, Column A	0.2%
BSCR rating 3	Schedule XIX, Column A	0.3%
BSCR rating 4	Schedule XIX, Column A	0.5%
BSCR rating 5	Schedule XIX, Column A	1.5%
BSCR rating 6	Schedule XIX, Column A	4.0%
BSCR rating 7	Schedule XIX, Column A	6.0%
BSCR rating 8	Schedule XIX, Column A	9.0%
Less: Diversification adjustment	Schedule XIX, Column A	to a maximum of 40.0%

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

- (a) all assets comprising of bonds and debentures, loans, and other miscellaneous investments that are subject to capital charges within the fixed income investment risk charge shall be included;
- (b) all non-affiliated quoted and unquoted bonds and debentures shall be included in the fixed income investment charge;
- (c) all bonds and debentures, loans, and other miscellaneous investments shall be reported on a basis consistent with that used for purposes of statutory financial reporting;
- (d) the capital requirements relating to cash and cash equivalents shall be reduced by a diversification adjustment of up to a maximum of 40%;
- (e) the diversification adjustment in paragraph (d) is determined as 40% multiplied by 1 minus the ratio of the largest cash and cash equivalent balance held with a single counterparty to the total of all cash and cash equivalent balance; and
- (f) amounts are to be reported on an EBS Valuation basis.

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

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

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

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

Table 2 – Capital charge factors for $Eqastclass_i$

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Type of equity investments <i>Eqastclass_i</i>	Statement Source These Rules	Capital Factor χ_i
<i>Common stocks</i>		
Non-affiliated (quoted) common stock	Schedule II & IIA, Line 19, Column (1)	14.4%
Non-affiliated (unquoted) common stock	Schedule II & IIA, Line 20, Column (1)	14.4%
Equity mutual funds	Schedule II & IIA, Line 21, Column (5)	14.4%
<i>Preferred stocks</i>		
BSCR rating 1	Schedule II & IIA, Line 11, Column (3)	0.6%
BSCR rating 2	Schedule II & IIA, Line 12, Column (3)	1.2%
BSCR rating 3	Schedule II & IIA, Line 13, Column (3)	2.0%
BSCR rating 4	Schedule II & IIA, Line 14, Column (3)	4.0%
BSCR rating 5	Schedule II & IIA, Line 15, Column (3)	11.0%
BSCR rating 6	Schedule II & IIA, Line 16, Column (3)	25.0%
BSCR rating 7	Schedule II & IIA, Line 17, Column (3)	35.0%
BSCR rating 8	Schedule II & IIA, Line 18, Column (3)	35.0%
<i>Other equity investments</i>		
Company-occupied real estate less: encumbrances	Form 1EBS, Line 7(a)	10.0%
Real estate investments less: encumbrances	Form 1EBS, Line 7(b)	20.0%
Other equity investments	Form 1EBS, Lines 2(e), 3(e), & Schedule IIA, Line 21, Column (7)	20.0%
Other tangible assets – net of segregated accounts companies	Form 1EBS, Lines 13(k), 14(d) & 36(f) Less Lines 13(d) and 13(h)	20.0%
<i>Investments in affiliates</i>		
Unregulated entities that conduct ancillary services	Form 1EBS, Line 4(a)	5.0%
Unregulated non- financial operating entities	Form 1EBS, Line 4(b)	20.0%
Unregulated financial operating entities	Form 1EBS, Line 4(c)	55.0%
Regulated insurance financial operating entities	Form 1EBS, Line 4(e)	20.0%

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

- (a) all assets comprising of common stock, preferred stock, real estate, and other miscellaneous investments that are subject to capital charges within the equity investment risk charge shall be included;
- (b) all non-affiliated quoted and unquoted common and preferred stock shall be included in the equity investment risk charge;
- (c) all common and preferred stock, real estate, and other miscellaneous investments shall be reported on a basis consistent with that used for purposes of statutory financial reporting; and
- (d) amounts are to be reported on an EBS Valuation basis.

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

$$C_{\text{int}} = \text{bonds} \times \text{duration} \times \text{marketdecline} \text{ where}$$

- bonds* = quoted and unquoted value of total bonds and debentures, preferred stock, or mortgage loans;
- duration* = the higher of
- 1; or
 - the insurer's effective asset duration less the insurer's effective liability duration; or
 - the insurer's effective liability duration less the insurer's effective asset duration; and not to exceed 3.5
 - the statement source for effective asset duration and effective liability duration is Schedule V paragraphs (d) and (e), respectively, of these Rules; and

marketdecline = assumed interest rate adjustment prescribed in Table 3.

Table 3 – Interest rate adjustment for bond

Type of investments <i>bonds</i>	Statement Source These Rules	Estimated duration	200 basis point interest rate increase <i>marketdecline</i>
Total bonds and debentures	Schedule II and Schedule IIA, Column 9, Line 10	<i>duration</i>	2.0%
Preferred stock	Schedule II and Schedule IIA, Column 3, Line 21	<i>duration</i>	2.0%
Mortgage loans	Schedule II and Schedule IIA, Column 1, Line 26	<i>duration</i>	2.0%

INSTRUCTIONS AFFECTING TABLE 3: Interest rate adjustment for bonds

- all assets comprising of total bonds and debentures (other), preferred stock, and mortgage loans investments that are subject to capital charges within the interest rate / liquidity risk charge shall be included;
- all quoted and unquoted non-affiliated total bonds and debentures and preferred stock shall be included in the interest rate/liquidity risk charge;
- total bonds and debentures, preferred stock, and mortgage loans investments shall be reported on a basis consistent with that used for purposes of statutory financial reporting; and
- amounts are to be reported on an EBS Valuation basis.

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

$$C_{\text{Curr}} = \sum_i \chi_i \times (\text{Currproxybscr}_i + \text{Currliab}_i - \text{Currast}_i) \text{ where -}$$

χ_i = 25% where $(\text{Currast}_i - \text{Currliab}_i - \text{Currproxybscr}_i) < 0$
0% otherwise

Currency_i = refers to a currency used by an insurer

GrossCurrast_i = value of assets corresponding to *Currency_i* as reported on Form

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1EBS Line 15

$Currast_i$ = value of assets corresponding to $Currency_i$ as reported on Form 1EBS Form 1EBS Line 15 adjusted to allow for currency hedging arrangements

$GrossCurriab_i$ = value of liabilities corresponding to $Currency_i$ as reported on Form 1EBS Line 39 .

$Curriab_i$ = value of liabilities corresponding to $Currency_i$ as reported on Form 1EBS Line 39 adjusted to allow for currency hedging arrangements

$Currproxyscr_i$ = refers to the product of $GrossCurriab_i$ and BSCR Proxy factor

BSCR Proxy factor = greater of:

- i. the Enhanced Capital Requirement divided by Form 1EBS Line 39 Total Liabilities for the preceding year;
- ii. the average of the above ratio for the preceding three years.

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

Table 4 – Capital charge factors for Currency Risk

Currency	$GrossCurrast_i$	$Currast_i$	$GrossCurriab_i$	$Curriab_i$	$Currproxyscr_i$
Currency 1	Schedule XX, Column A, Line 1	Schedule XX, Column B, Line 1	Schedule XX, Column C, Line 1	Schedule XX, Column D, Line 1	$GrossCurriab_i \times$ BSCR Proxy Factor
Currency 2	Schedule XX, Column A, Line 2	Schedule XX, Column B, Line 2	Schedule XX, Column C, Line 2	Schedule XX, Column D, Line 2	$GrossCurriab_i \times$ BSCR Proxy Factor
Currency 3	Schedule XX, Column A, Line 3	Schedule XX, Column B, Line 3	Schedule XX, Column C, Line 3	Schedule XX, Column D, Line 3	$GrossCurriab_i \times$ BSCR Proxy Factor
Currency n	Schedule XX, Column A, Line n	Schedule XX, Column B, Line n	Schedule XX, Column C, Line n	Schedule XX, Column D, Line n	$GrossCurriab_i \times$ BSCR Proxy Factor

INSTRUCTIONS AFFECTING TABLE 4: Capital charge factors for Currency Risk

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

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- (b) any adjustment to reflect currency hedging arrangements shall not apply to the calculation of $Currproxyscr_i$;
- (c) “currency hedging arrangements” means derivative or other risk mitigation arrangements designed to reduce losses due to foreign currency exchange movements, and which meet the Authority’s requirements to be classed as such;
- (d) insurers are to report currencies representing at least 95% of their economic balance sheet liabilities; and
- (e) amounts are to be reported on an EBS Valuation basis.

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

$$C_{conc} = \sum_i \chi_i \times Concastclass_i \text{ where}$$

χ_i = the capital charge factors prescribed in Table 5 for each type of $Concastclass_i$;
 $Concastclass_i$ = value of corresponding asset in Asset Class

Table 5 – 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 XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.1%
BSCR rating 2	Schedule XXI, Column D	0.2%
BSCR rating 3	Schedule XXI, Column D	0.3%
BSCR rating 4	Schedule XXI, Column D	0.5%
BSCR rating 5	Schedule XXI, Column D	1.5%
BSCR rating 6	Schedule XXI, Column D	4.0%
BSCR rating 7	Schedule XXI, Column D	6.0%
BSCR rating 8	Schedule XXI, Column D	9.0%
<i>Corporate & Sovereign Bonds</i>		
BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.4%
BSCR rating 2	Schedule XXI, Column D	0.8%
BSCR rating 3	Schedule XXI, Column D	1.5%
BSCR rating 4	Schedule XXI, Column D	3.0%
BSCR rating 5	Schedule XXI, Column D	8.0%
BSCR rating 6	Schedule XXI, Column D	15.0%
BSCR rating 7	Schedule XXI, Column D	26.3%
BSCR rating 8	Schedule XXI, Column D	35.0%
<i>Residential Mortgage-Backed Securities</i>		
BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.6%
BSCR rating 2	Schedule XXI, Column D	1.2%
BSCR rating 3	Schedule XXI, Column D	2.0%
BSCR rating 4	Schedule XXI, Column D	4.0%
BSCR rating 5	Schedule XXI, Column D	11.0%
BSCR rating 6	Schedule XXI, Column D	25.0%
BSCR rating 7	Schedule XXI, Column D	35.0%
BSCR rating 8	Schedule XXI, Column D	35.0%
<i>Commercial Mortgage-Backed Securities/Asset Backed Securities</i>		

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BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.5%
BSCR rating 2	Schedule XXI, Column D	1.0%
BSCR rating 3	Schedule XXI, Column D	1.8%
BSCR rating 4	Schedule XXI, Column D	3.5%
BSCR rating 5	Schedule XXI, Column D	10.0%
BSCR rating 6	Schedule XXI, Column D	20.0%
BSCR rating 7	Schedule XXI, Column D	30.0%
BSCR rating 8	Schedule XXI, Column D	35.0%
<i>Bond Mutual Funds</i>		
BSCR rating 0	Schedule XXI, Column D	0.0%
BSCR rating 1	Schedule XXI, Column D	0.4%
BSCR rating 2	Schedule XXI, Column D	0.8%
BSCR rating 3	Schedule XXI, Column D	1.5%
BSCR rating 4	Schedule XXI, Column D	3.0%
BSCR rating 5	Schedule XXI, Column D	8.0%
BSCR rating 6	Schedule XXI, Column D	15.0%
BSCR rating 7	Schedule XXI, Column D	26.3%
BSCR rating 8	Schedule XXI, Column D	35.0%
<i>Preferred Shares</i>		
BSCR rating 1	Schedule XXI, Column D	0.6%
BSCR rating 2	Schedule XXI, Column D	1.2%
BSCR rating 3	Schedule XXI, Column D	2.0%
BSCR rating 4	Schedule XXI, Column D	4.0%
BSCR rating 5	Schedule XXI, Column D	11.0%
BSCR rating 6	Schedule XXI, Column D	25.0%
BSCR rating 7	Schedule XXI, Column D	35.0%
BSCR rating 8	Schedule XXI, Column D	35.0%
<i>Mortgage Loans</i>		
Insured/Guaranteed Mortgages	Schedule XXI, Column D	0.3%
Other Commercial and Farm Mortgages	Schedule XXI, Column D	5.0%
Other Residential Mortgages	Schedule XXI, Column D	1.5%
Mortgages Not In Good Standing	Schedule XXI, Column D	25.0%
<i>Other Asset Classes</i>		
Quoted and Unquoted Common Stock and Mutual Funds	Schedule XXI, Column D	14.4%
Other Quoted and Unquoted Investments	Schedule XXI, Column D	20.0%
Investment in Affiliates – Unregulated entities that conduct ancillary services	Schedule XXI, Column D	5.0%
Investment in Affiliates – Unregulated non-financial operating entities	Schedule XXI, Column D	20.0%
Investment in Affiliates – Unregulated financial operating entities	Schedule XXI, Column D	55.0%
Investment in Affiliates – Regulated non-insurance financial operating entities	Schedule XXI, Column D	55.0%
Investment in Affiliates – Regulated insurance financial operating entities	Schedule XXI, Column D	20.0%
Advances to Affiliates –	Schedule XXI, Column D	5.0%
Policy Loans	Schedule XXI, Column D	0.0%

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Real Estate: Occupied by company	Schedule XXI, Column D	10.0%
Real Estate: Other properties	Schedule XXI, Column D	20.0%
Collateral Loans	Schedule XXI, Column D	5.0%

INSTRUCTIONS AFFECTING TABLE 5: Capital charge factors for $Concastclass_i$

- (a) $Concastclass_i$ shall only apply to the insurers 10 largest counterparty exposures based on the aggregate of all instruments included in Table 5 related to that counterparty
- (b) a counterparty shall include all related/connected counterparties defined as:
- (i) Control relationship: if the counterparty, directly or indirectly, has control over the other(s); or
 - (ii) Economic interdependence: if one of the counterparties were to experience financial problems, in particular funding or repayment difficulties, the other(s) as a result, would also be likely to encounter funding or repayment difficulties; and
- (c) amounts are to be reported on an EBS Valuation basis.

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

$$C_{prem-gb} = \left[\sum_{i>1} \alpha_i \times geolineprem_i \right] \times \left[\sum \left\{ \frac{geolineprem_i}{totalprem} \right\}^2 \times \mu + \vartheta - \varepsilon \times \mu \right]$$

where –

- α_i = individual $geolineprem_i$ risk capital charge factor as prescribed in Table 6
- $geolineprem_i$ = geographic diversification of premium measure for line of business i as prescribed in Table 6;
= total geographic diversification of premium measure over all lines of business
- $totalprem_i$ (except Property Catastrophe) i.e. $\sum_{i>1} geolineprem_i$;
- μ = additional concentration adjustment factor equal to 40%;
- ϑ = minimum concentration adjustment factor is equal to 60%; and
- ε = CISSA risk mitigation factor.

Table 6 – Capital charge factors for $geolineprem_i$

Line of business $geolineprem_i$	Statement Source These Rules	Capital Factor χ_i
Property catastrophe	Schedule IV, Line 1	0.0%
Property	Schedule IV, Line 2	49.7%
Property non- proportional	Schedule IV, Line 3	51.6%
Personal accident	Schedule IV, Line 4	34.1%
Personal accident non-proportional	Schedule IV, Line 5	41.2%
Aviation	Schedule IV, Line 6	48.2%
Aviation non- proportional	Schedule IV, Line 7	48.2%
Credit / surety	Schedule IV, Line 8	39.8%
Credit / surety non- proportional	Schedule IV, Line 9	54.4%

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Energy offshore / marine	Schedule IV, Line 10	42.1%
Energy offshore / marine non- proportional	Schedule IV, Line 11	47.0%
US casualty	Schedule IV, Line 12	50.3%
US casualty non- proportional	Schedule IV, Line 13	55.6%
US professional	Schedule IV, Line 14	51.2%
US professional non- proportional	Schedule IV, Line 15	53.8%
US specialty	Schedule IV, Line 16	51.4%
US specialty non- proportional	Schedule IV, Line 17	52.7%
International motor	Schedule IV, Line 18	42.2%
International motor non-proportional	Schedule IV, Line 19	48.2%
International casualty non-motor	Schedule IV, Line 20	50.0%
International casualty non-motor non-proportional	Schedule IV, Line 21	53.6%
Retro property	Schedule IV, Line 22	50.8%
Structured / finite reinsurance	Schedule IV, Line 23	27.2%
Health	Schedule IV, Line 24	15.0%

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

- (a) all reported net premiums written for the relevant year by statutory line of business as prescribed in this Schedule that are subject to capital charges within the premium risk charge shall be included;
- (b) all net premiums written by statutory line of business shall be reported on a basis consistent with that used for purposes of statutory financial reporting; and
- (c) an insurer may provide premium 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 6A. $geolineprem_i$ 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 = net premiums written in that line of business for $Zone_i$; and where the summation covers all zones and
- (d) amounts are to be reported on a consolidated basis.

Table 6A – 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. Mariana Islands, Palau, Papua New Guinea, Pitcairn, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis & Futuna Island

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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

8. The reserve risk charge calculation shall be established in accordance with the following formula-

$$C_{rsvs-gb} = \left[\sum [\beta_i \times geolinersvs_i] \right] \times \left[\sum \left\{ \frac{geolinersvs_i}{totalrsvs} \right\}^2 \times \mu + \vartheta - \varepsilon \times \mu \right]$$

where -

β_i = individual *geolinersvs_i* risk capital charge factor as prescribed in Table 7;

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- $totalrsvs$ = total geographic diversification of reserves over all lines of business, i.e. $\sum_i geolinersvs_i$;
- $geolinersvs_i$ = geographic diversification of reserves for individual line of business i as prescribed in table 7;
- μ = additional concentration adjustment factor equal to 40%;
- ϱ = minimum concentration adjustment factor is equal to 60%;
- ε = CISSA risk mitigation factor.

Table 7 – 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 7: 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 6A. $geolinersvs_i$ is then derived from the total

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loss and loss expense provisions for that line of business by reducing the total by 25% times $\frac{\sum x_i^2}{(\sum x_i)^2}$ 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.

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

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

δ_i = the credit risk capital charge factor for type of $debtor_i$ as prescribed in Table 8; and

$debtor_i$ = receivable amount from debtor i as prescribed in Table 8; and

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

Table 8 – 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%
Receivables from retrocessional contracts less: collateralized balances	Form 1EBS, Line 10(c) and instruction (c) below	10.0%
<i>Particulars of reinsurance balances</i>		
BSCR rating 0	Schedule XVIII paragraph (d)	0.0%
BSCR rating 1	Schedule XVIII paragraph (d)	0.7%
BSCR rating 2	Schedule XVIII paragraph (d)	1.5%
BSCR rating 3	Schedule XVIII paragraph (d)	3.5%
BSCR rating 4	Schedule XVIII paragraph (d)	7.0%
BSCR rating 5	Schedule XVIII paragraph (d)	12.0%
BSCR rating 6	Schedule XVIII paragraph (d)	20.0%
BSCR rating 7	Schedule XVIII paragraph (d)	17.0%
BSCR rating 8	Schedule XVIII paragraph (d)	35.0%
Less: Diversification adjustment	Schedule XVIII paragraph (d)	40.0%
<i>All Other Receivables</i>		
Accrued investment income	Form 1EBS, Line 9	2.5%
Advances to affiliates	Form 1EBS, Line 4(g)	5.0%

INSTRUCTIONS AFFECTING TABLE 8: Capital charge factors for $debtor_i$

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

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- (b) all accounts and premiums receivable, reinsurance balances receivables, all other receivables, and reinsurance recoverable balances shall be reported on a basis consistent with that used for purposes of statutory financial reporting;
- (c) collateralised balances are assets pledged in favour of the insurer relating to accounts and premiums receivable;
- (d) the net qualifying exposure comprises of reinsurance balances receivable and reinsurance recoverable balances less the corresponding reinsurance balances payable and other payables less the qualifying collateral issued in favour of the insurer in relation to the reinsurance balances;
- (e) the net qualifying exposure in instruction (d) shall be subject to the prescribed credit risk capital factor;
- (f) the total capital requirement relating to the reinsurance balances shall be reduced by a diversification adjustment of up to a maximum of 40%; and
- (g) the diversification adjustment in instruction (f) is determined as 40% multiplied by 1 minus the ratio of the largest net reinsurance exposure, on an individual reinsurer basis, to total net reinsurance exposure; and
- (h) amounts are to be reported on an EBS Valuation basis.

10. The catastrophe risk charge calculation shall be established in accordance with the following formula-

$$C_{cat-gb} = NetPML - Netcatprem + CR_{PML} \text{ where -}$$

NetPML = net probable maximum loss as prescribed in Schedule V paragraph (g);

Netcatprem = property catastrophe premium as included in Schedule IV, Line (1) of these rules ; and

CR_{PML} = {(gross probable maximum loss as prescribed in Schedule V paragraph (f) less net probable maximum loss as prescribed in Schedule V paragraph (g) less arrangements with respect to property catastrophe recoverables as prescribed in Schedule V paragraph (j)(v) of these Rules) x (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 within the catastrophe risk charge 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.

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

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

ρ = an amount between 1% and 10% as determined by the Authority in accordance with Table 9;

ACov = Class 3A BSCR after Covariance amount or an amount prescribed by the Authority.

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Table 9 – Operational Risk Charge for ρ

Overall Score	Applicable Operational Risk Charge ρ
<=800	10.0%
>800 <=1,200	9.0%
>1,200 <=1,400	8.0%
>1,400 <=1,600	7.0%
>1,600 <=1,800	6.0%
>1,800 <=2,000	5.0%
>2,000 <=2,200	4.0%
>2,200 <=2,400	3.0%
>2,400 <=2,600	2.0%
>2,600	1.0%

INSTRUCTIONS AFFECTING TABLE 9

In this table, “overall score” means an amount equal to the sum of the aggregate score derived from each of tables 9A, and 9B.

TABLE 9A

Corporate Governance Score Table

Criterion	Implemented	Score
Board sets risk policies, practices and tolerance limits for all material foreseeable operational risks at least annually		200
Board ensures they are communicated to relevant business units		200
Board monitors adherence to operational risk tolerance limits more regularly than annually		200
Board receives, at least annually, reports on the effectiveness of material operational risk internal controls as well as senior management’s plans to address related weaknesses		200
Board ensures that systems and/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 9A

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

**TABLE 9B
Risk Management Function (‘RMF’) Score Table**

Criterion	Implemented	Score
RMF is independent of other operational units and has direct access to the Board of Directors		200
RMF is entrenched in strategic planning, decision making and the budgeting process		200
RMF ensures that the risk management procedures and policies are well documented and approved by the Board of Directors		200
RMF ensures that the risk management policies and procedures are communicated throughout the organisation		200
RMF ensures that operational risk management processes and procedures are reviewed at least annually		200
RMF ensures that loss events arising from operational risks are documented and loss event data is integrated into the risk management strategy		200
RMF ensures that risk management recommendations are documented for operational units, ensures that deficiencies have remedial plans and that progress on the execution of such plans are reported to the Board of Directors at least annually		200
Total		XX

Comments

INSTRUCTIONS AFFECTING TABLE 9B

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

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

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

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

Where –

- $Basic\ BSCR$ = Basic BSCR risk module charge as calculated in accordance with paragraph 14;
- $C_{operationd}$ = operational risk charge as calculated in accordance with paragraph 29;
- $C_{regulatoryadj}$ = regulatory capital requirement for regulated non-insurance financial operating entities as determined in accordance with

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- C_{AdjTP} = paragraph 30;
 = 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—

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

Where —

- $CorrBBSCR_{i,j}$ = the correlation factors of the Basic BSCR correlation matrix in accordance with Table A;
 i, j = the sum of the different terms should cover all possible combinations of i and j ;
 C_i and C_j = risk module charge i and risk module charge j which are replaced by the following:
 C_{Market} , $C_{P\&C}$, 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

$CorrBBSCR_{i,j}$	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—

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

Where —

- $CorrMarket_{i,j}$ = the correlation factors of the market risk module in accordance with Table B; where $A = 0$ if interest rate / liquidity risk charge is calculated using the shock-based approach in accordance with paragraph 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} , $C_{interest}$, $C_{currency}$, $C_{concentration}$;

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- $C_{fixedIncome}$ = 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		
$C_{currency}$	0.25	0.25	0.25	1	
$C_{concentration}$	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—

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

Where—

- $CorrP \& C_{i,j}$ = 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:
 $C_{premium}$, $C_{reserve}$, $C_{catastrophe}$;
 $C_{premium}$ = premium risk charge as calculated in accordance with paragraph 23;
 $C_{reserve}$ = reserve risk charge as calculated in accordance with paragraph 25; and
 $C_{catastrophe}$ = catastrophe risk charge as calculated in accordance with paragraph 28;

TableC – P&C Risk Module Correlation Matrix

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

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

$$C_{fixedIncome} = \sum_i \chi_i \times Flastclass_i \times \mu_r + \text{Credit Derivatives}$$

Where—

χ_i	= the capital charge factors prescribed in Table 1A for each type of <i>Flastclass_i</i> ;
<i>Flastclass_i</i>	= value of investment in corresponding asset <i>class_i</i> ; and
μ_r	= additional diversification adjustment factor applied to cash and cash equivalent balances, or 1 for other asset classes; and
<i>Credit Derivatives</i>	= the spread risk charge for credit derivatives calculated as per the following formula:
<i>CreditDerivatives</i>	= greater of:
	i) <i>CreditDerivatives_{ShockUp}</i> ;
	ii) <i>CreditDerivatives_{ShockDown}</i> ; and
	iii) 0.
<i>CreditDerivatives_{ShockUp}</i>	= the spread risk charge for credit derivatives resulting from an upward credit spread shock calculated as per the following formula:
<i>CreditDerivatives_{ShockUp}</i>	= $\sum_i [(LCD_i^{BShock} - LCD_i^{AShock}(\chi_i)) + (SCD_i^{BShock} - SCD_i^{AShock}(\chi_i))]$
<i>CreditDerivatives_{ShockDown}</i>	= the spread risk charge for credit derivatives resulting from a downward credit spread shock calculated as per the following formula:
<i>CreditDerivatives_{ShockDown}</i>	= $\sum_i [(LCD_i^{BShock} - LCD_i^{AShock}(\chi_i)) + (SCD_i^{BShock} - SCD_i^{AShock}(\chi_i))]$
LCD_i^{BShock}	= refers to the valuation of long exposures for credit derivatives before applying the instantaneous shock χ_i as per table 1B
$LCD_i^{AShock}(\chi_i)$	= refers to the valuation of long exposures for credit derivatives after applying instantaneous shock χ_i as per table 1B
SCD_i^{BShock}	= refers to the valuation of short exposures for credit derivatives before applying the instantaneous shock χ_i as per table 1B
$SCD_i^{AShock}(\chi_i)$	= refers to the valuation of short exposures for credit derivatives after applying the instantaneous shock χ_i as per table 1B

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Table 1A – Capital charge factors for *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%

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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%

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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*,

- (a) all assets comprising of bonds and debentures, loans, and other miscellaneous investments that are subject to capital charges within the fixed income investment risk charge shall be included;
- (b) all non-affiliated quoted and unquoted bonds and debentures shall be included in the fixed income investment charge;
- (c) all bonds and debentures, loans, and other miscellaneous investments shall include amounts reported for economic balance sheet reporting purposes and include fixed income risk exposures as determined by application of the “look-through” approach calculated in accordance with the criteria prescribed by the Authority for the following items:
 - (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
 - (ii) segregated accounts assets and liabilities;
 - (iii) deposit asset and liabilities;
 - (iv) assets and liabilities held by ceding insurers or under retrocession;
 - (v) other sundry assets and liabilities; and
 - (vi) derivatives.
- (d) The capital requirements relating to cash and cash equivalents shall be reduced by a diversification adjustment of up to a maximum of 40%; and
- (e) the diversification adjustment in paragraph (d) is determined as 40% multiplied by 1 minus the ratio of the largest cash and cash equivalent balance held with a single counterparty to the total of all cash and cash equivalent balance.

Table 1B – Spread risk shocks for credit derivatives

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Spread Up	SPREAD UP				Shock basis points
	Long Exposures		Short Exposures		
	Before Shock	After Shock	Before Shock	After Shock	
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	SPREAD DOWN				Shock Rate
	Long Exposures		Short Exposures		
	Before Shock	After Shock	Before Shock	After Shock	
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.

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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_{Type1} , C_{Type2} , C_{Type3} , C_{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—

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

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

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

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

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Where—

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

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Table 2B – Shocks for classes of equity

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

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	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					

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INSTRUCTIONS AFFECTING TABLE 2B: Shocks for $Eqastclass_i$

- (a) all assets (except regulated non-insurance financial operating entities) and liabilities (except the risk margin) whose value is subject to equity risk shocks are to be reported on a basis consistent with that used for the purposes of economic balance sheet reporting. Such assets and liabilities shall include equity risk exposures determined by application of the “look-through” approach calculated in accordance with criteria prescribed by the Authority for the following items:
- (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
 - (ii) segregated accounts assets and liabilities;
 - (iii) deposit asset and liabilities;
 - (iv) assets and liabilities held by ceding insurers or under retrocession;
 - (v) other sundry assets and liabilities; and
 - (vi) derivatives.
- (b) for asset types referred to in paragraph (a) (i) to (vi) where the “look through” approach cannot be applied, the residual balance shall be included in “Equity Securities – Other Investments”;
- (c) short exposures qualifying as assets held for risk-mitigation purposes and short exposures not qualifying as assets held for risk-mitigation purposes, shall both be determined in accordance with criteria prescribed by the Authority; and
- (d) amounts are to be reported on an EBS Valuation basis.

20. The interest rate and liquidity risk charge calculation may be calculated in accordance with paragraph 4 (mutatis mutandis) 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.

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

Where—

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

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

$\omega = Down, Up$

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

= 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 ($\omega=Up$ or Down) by currency type (CCY), that has been converted to the functional currency as reported 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;

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

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

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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	*

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Currency	$MVA_{Before}^{CCY,Q} - MVA_{After}^{CCY,Q}$	$MVA_{Before}^{CCY,NO} - MVA_{After}^{CCY,NO}$	$MVL_{Before}^{CCY} - MVL_{After}^{CCY}$	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	*
Canadian Dollars	Schedule XXIII, Column F Line 5 Less Schedule XXIII Column G, Line 5	Schedule XXIII, Column H Line 5 Less Schedule XXIII Column I, Line 5	Schedule XXIII, Column J Line 5 Less Schedule XXIII Column K, Line 5	*
Swiss Francs	Schedule XXIII, Column F Line 6 Less Schedule XXIII Column G, Line 6	Schedule XXIII, Column H Line 6 Less Schedule XXIII Column I, Line 6	Schedule XXIII, Column J Line 6 Less Schedule XXIII Column K, Line 6	*
Australia Dollars	Schedule XXIII, Column F Line 7 Less Schedule XXIII Column G, Line 7	Schedule XXIII, Column H Line 7 Less Schedule XXIII Column I, Line 7	Schedule XXIII, Column J Line 7 Less Schedule XXIII Column K, Line 7	*
New Zealand Dollars	Schedule XXIII, Column F Line 8 Less Schedule XXIII Column G, Line 8	Schedule XXIII, Column H Line 8 Less Schedule XXIII Column I, Line 8	Schedule XXIII, Column J Line 8 Less Schedule XXIII Column K, Line 8	*
Other currency 1	Schedule XXIII, Column F Line 9 Less Schedule XXIII Column G, Line 9	Schedule XXIII, Column H Line 9 Less Schedule XXIII Column I, Line 9	Schedule XXIII, Column J Line 9 Less Schedule XXIII Column K, Line 9	*
Other currency 2	Schedule XXIII, Column F Line 10 Less Schedule XXIII Column G, Line 10	Schedule XXIII, Column H Line 10 Less Schedule XXIII Column I, Line 10	Schedule XXIII, Column J Line 10 Less Schedule XXIII Column K, Line 10	*
Other currency 3	Schedule XXIII, Column F Line 11 Less Schedule XXIII Column G, Line 11	Schedule XXIII, Column H Line 11 Less Schedule XXIII Column I, Line 11	Schedule XXIII, Column J Line 11 Less Schedule XXIII Column K, Line 11	*
Other currency 4	Schedule XXIII, Column F Line 12 Less Schedule XXIII Column G, Line 12	Schedule XXIII, Column H Line 12 Less Schedule XXIII Column I, Line 12	Schedule XXIII, Column J Line 12 Less Schedule XXIII Column K, Line 12	*
Other currency 5	Schedule XXIII, Column F Line 13 Less Schedule XXIII Column G, Line 13	Schedule XXIII, Column H Line 13 Less Schedule XXIII Column I, Line 13	Schedule XXIII, Column J Line 13 Less Schedule XXIII Column K, Line 13	*
Other currency 6	Schedule XXIII, Column F Line 14 Less Schedule XXIII Column G, Line 14	Schedule XXIII, Column H Line 14 Less Schedule XXIII Column I, Line 14	Schedule XXIII, Column J Line 14 Less Schedule XXIII Column K, Line 14	*
Other currency 7	Schedule XXIII, Column F Line 15 Less Schedule XXIII Column G, Line 15	Schedule XXIII, Column H Line 15 Less Schedule XXIII Column I, Line 15	Schedule XXIII, Column J Line 15 Less Schedule XXIII Column K, Line 15	*
Other currency 8	Schedule XXIII, Column F Line 16 Less Schedule XXIII Column G, Line 16	Schedule XXIII, Column H Line 16 Less Schedule XXIII Column I, Line 16	Schedule XXIII, Column J Line 16 Less Schedule XXIII Column K, Line 16	*
Other currency 9	Schedule XXIII, Column F Line 17 Less Schedule XXIII Column G, Line 17	Schedule XXIII, Column H Line 17 Less Schedule XXIII Column I, Line 17	Schedule XXIII, Column J Line 17 Less Schedule XXIII Column K, Line 17	*
Other currency 10	Schedule XXIII, Column F Line 18 Less Schedule XXIII Column G, Line 18	Schedule XXIII, Column H Line 18 Less Schedule XXIII Column I, Line 18	Schedule XXIII, Column J Line 18 Less Schedule XXIII Column K, Line 18	*

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

Currency	$MVA_{Before}^{CCY,Q} - MVA_{After}^{CCY,Q}$	$MVA_{Before}^{CCY,NQ} - MVA_{After}^{CCY,NQ}$	$MVL_{Before}^{CCY} - MVL_{After}^{CCY}$	Shock Vector $\chi(CCY, Up)$
Interest Rate Up – Derivative Exposure				

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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.

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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-

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

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 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

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prescribed by the Authority) by currency type (CCY), that has been converted to the functional currency as reported in Form 1EBS;

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

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- $MVL_{i,After}$ = refers to the revaluation of the best estimate of insurance liabilities and other liabilities after shocking by $\chi(CCY)$ where (CCY) refers to currency type and χ refers to the shock, where the revalued amount has been converted to the functional currency as reported in Form 1EBS;
- $Currproxybscr_i$
BSCR Proxy factor = refers to the product of $MVL_{i,Before}$ and BSCR Proxy factor
= greater of paragraphs (a) and (b) below:
(a) the ECR divided by Form 1EBS Line 39 Total Liabilities for the preceding year and
(b) the average of the above ratio for the preceding three years.

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

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Table 4A – Shocks for Currency Risk

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

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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,

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- “25%” otherwise.
 - “J” by:
 - “2.00%” if reporting currency is the Euro or,
 - “25%” otherwise.
- (b) all assets and liabilities (except the risk margin) whose value is subject to currency risk shocks shall be reported on a basis consistent with that used for purposes of economic balance sheet reporting. These assets and liabilities shall include currency risk exposures determined by application of the “look-through approach” calculated in accordance with criteria prescribed by the Authority for the following items:
- (i) collective investment vehicles and other investments packaged as funds, including related undertakings used as investment vehicles;
 - (ii) segregated accounts assets and liabilities;
 - (iii) deposit asset and liabilities;
 - (iv) assets and liabilities held by ceding insurers or under retrocession;
 - (v) other sundry assets and liabilities; and
 - (vi) derivatives.
- (c) where the reporting currency is the United States Dollar, the capital factor χ_i charge shall be reduced to:
- i. 0.00% for the Bermuda Dollar;
 - ii. 5.00% for the Qatari Riyal;
 - iii. 1.00% for the Hong Kong Dollar.
- (d) where the reporting currency is the Bermuda Dollar the capital factor χ_i charge shall be reduced to 0.00% for the United States Dollar.
- (e) where the reporting currency is the Qatari Riyal the capital factor χ_i charge shall be reduced to 5.00% for the United States Dollar.
- (f) where the reporting currency is the Hong Kong Dollar the capital factor χ_i charge shall be reduced to 1.00% for the United States Dollar.
- (g) where the reporting currency is Euros, the capital factor χ_i shall be reduced to:
- i. 0.39% for the Danish Krone;
 - ii. 1.81% for the Bulgarian Lev;
 - iii. 2.18% for the West African CFA Franc;
 - iv. 1.96% for the Central African CFA Franc;
 - v. 2.00% for the Comorian Franc.
- (h) where the reporting currency is the Danish Krone the capital factor χ_i charge shall be reduced to 0.39% for the Euro.

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- (i) where the reporting currency is the Bulgarian Lev the capital factor χ_i charge shall be reduced to 1.81% for the Euro.
- (j) where the reporting currency is the West African CFA Franc the capital factor χ_i charge shall be reduced to 2.18% for the Euro.
- (k) where the reporting currency is the Central African CFA Franc the capital factor χ_i charge shall be reduced to 1.96% for the Euro.
- (l) where the reporting currency is the Comorian Franc the capital factor χ_i charge shall be reduced to 2.00% for the Euro.
- (m) insurers are to report currencies representing at least 95% of their economic balance sheet liabilities; and
- (n) amounts are to be reported on an EBS Valuation basis.

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.

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Table 5A – Capital charge factors for *Concastclass*;

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%
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%

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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*

- (a) *Concastclass_i* shall only apply to an insurers' ten largest counterparty exposures based on the aggregate of all assets set out in the in Table 5A relating to that counterparty;
- (b) for the purposes of Table 5A, a counterparty exposure shall be reported on the valuation of individually underlying assets i.e. determined by application of the "look through" approach in accordance with criteria prescribed by the Authority for all amounts reported on the balance sheet;
- (c) for the purposes of Table 5A, a counterparty shall include all related or connected counterparties captured by either of the following criteria:
- (i) controller relationship: if a counterparty, directly or indirectly, has control of (as a result of its majority shareholding in or effective management) which it is a subsidiary company; or
 - (ii) economic interdependence: if one of the counterparties were to experience financial difficulties which directly or indirectly affect the ability of any or all of the remaining counterparties to perform their financial obligations (for example where a counterparty becomes unable to fund or repay certain financial contractual obligations, and as a result, other counterparties, are likely to be unable to fund or repay certain obligations imposed on them); and
- (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-

$$C_{Premium} = \sqrt{\sum_{i,j} CorrPrem_{i,j} \times C_i \times C_j} - [[\sum_i C_i] \times [\varepsilon \times \mu]];$$

Where—

$Corr Prem_{i,j}$ = the correlation factors of the premium risk module correlation matrix in accordance with Table 6B;

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- 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.
- ε = CISSA risk mitigation factor; and
- μ = additional concentration adjustment factor equal to 40%.

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<i>Corr Pr em.,</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/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

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

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

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 $FPEexisting_i$ risk capital charge factor as prescribed in Table 6C;
- $FPEexisting_i$ = 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 $BaseExp_i$, $FPEexisting_i$ and $FPFuture_i$

Table 6C – Capital charge factors for Premium Risk

	(1)	(2)	(3)	(4)	(5)	(6)
Line of business	Statement Source These Rules $BaseExp_i$	Capital Factor χ_i^1	Statement Source These Rules $FPEexisting_i$	Capital Factor χ_i^2	Statement Source These Rules $FPFuture_i$	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%

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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%

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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 and in accordance with 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. 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

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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—

$$C_{reserve} = \sqrt{\sum_{i,j} CorrReserve_{i,j} \times C_i \times C_j} - [[\sum_i C_i] \times [\varepsilon \times \mu]];$$

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;

ε = CISSA risk mitigation factor;

μ = additional concentration adjustment factor equal to 40%.

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Table 7A – Reserve Risk Module Correlation Matrix

<i>Corr</i> <i>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	0.25	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	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	0.25	1	

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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 <i>geolinersvs_i</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

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provisions for that Line of Business by reducing the total by 25% times $\frac{\sum x_i^2}{(\sum x_i)^2}$ 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—

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

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:

$$CCROTC = \sum_i \text{Max}(0, MVDerivativeP_i - (1 - \beta) \text{Min}(MVderivativeP_i, MVCollateral_i)) \times \alpha_i$$

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

β = 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%

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Balances receivable on sale of investments	Form 1EBS, Line 4(g)	5.0%
	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%
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 δ_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*

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

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All receivables such as premiums receivable, reinsurance balances receivables, all other receivables, and reinsurance recoverable balances shall be reported on a basis consistent with that used for purposes of statutory financial reporting;

- (c) “collateralized balances” for the purposes of this paragraph shall mean assets pledged in favor of the insurer relating to accounts and premiums receivable under Table 8A – Capital charge factors for *debtor_i* ;
- (d) Particulars of reinsurance balances shall be the greater of paragraphs (i) and (ii) below
- (i) Particulars of reinsurance balances for current year by BSCR rating are as follows:
- (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 the “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*, *FPExisting_i* and *FPFuture_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%;
 - (E) the “diversification” adjustment” referenced in paragraph (d)(i)(C) above shall be determined by calculating 40% multiplied by 1 minus the ratio of

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(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%
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 total catastrophe risk calculation for general business shall be a calculated as the total of the natural catastrophe risk and the total of the man-made catastrophe risk charge established in accordance with the following formula

$$C_{catastrophe} = \sqrt{C_{nat\ cat-gb}^2 + C_{mmcat-gb}^2}$$

(i) total natural catastrophe risk module ($C_{nat\ cat-gb}$) is calculated as follows —

$$C_{nat\ cat-gb} = NetPML - Netcatprem + CR_{PML};$$

Where—

- $NetPML$ = net probable maximum loss as prescribed in Schedule V paragraph (h);
- $Netcatprem$ = 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 (f); minus net probable maximum loss as prescribed in Schedule V paragraph (g); minus arrangements with respect to property catastrophe recoverables as prescribed in Schedule V paragraph (j)(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.

and

(ii) The total man-made catastrophe risk module ($C_{mmcat-gb}$) is calculated as follows —

$$C_{mmcat-gb} = Transitional_{mmcat} \times \sqrt{Terrorism^2 + Credit\&Surety^2 + Aviation^2 + Marine^2}$$
 where -

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AMENDMENT RULES 2024 for financial year beginning on or after 1st January 2024, 2/3 for
financial year beginning on or after 1st January 2025, 3/3 for all
subsequent financial years;

Terrorism	= net probable maximum loss arising from acts of terrorism as prescribed in Schedule XA, Instructions Affecting Table XA1, paragraph (a) (<i>Terror_Net</i>);
Aviation	= net probable maximum loss arising from the Aviation and Aviation non - proportional statutory lines of general business as prescribed in Schedule XA, Instructions Affecting Table XA5, paragraph (a) (<i>Avn_Net</i>);
Marine	= $\sqrt{Tanker^2 + Platform^2}$; where - <i>Tanker</i> = net probable maximum loss arising from the insurance of sea, lake, river and canal vessels as prescribed in Schedule XA, Instructions Affecting Table XA4, paragraph (a) (<i>VC_Net</i>); <i>Platform</i> = net probable maximum loss arising from the insurance of oil and gas offshore platforms as prescribed in Schedule XA, Instructions Affecting Table XA4, paragraph (d) (<i>PE_Net</i>);
Credit&Surety	For the calculation of the Credit & Surety module, insurers may select between 'Option A (ICS)' or 'Option B (SII)' prescribed under the corresponding headings below. Once the insurer has selected to utilize one of the two options for their BSCR calculation, they will only be allowed to switch to the alternative option only after written approval of the Authority pursuant to an application made in accordance with Section 6D of the Act.

Option A (ICS)

$$= \sqrt{\sum_{i,j} CorrC\&S_{i,j} \times C\&S_i \times C\&S_j}; \text{ where -}$$

$$i, j \in \{Mortgage, Surety, TradeCredit\}$$

$$CorrC\&S_{i,j} = 0.75 \text{ when } i \neq j \text{ and } 1 \text{ when } i = j;$$

$$C\&S_{Mortgage} = \text{net probable maximum loss arising from mortgage insurance as prescribed in Schedule XA, Instructions Affecting Table XA2, paragraph (a) } (MI_Net);$$

$$C\&S_{Surety} = \text{net probable maximum loss arising from surety insurance as prescribed in Schedule XA, Instructions Affecting Table XA2, paragraph (h) } (Sur_Net);$$

$$C\&S_{TradeCredit} = TC_{GR} - TC_{RI}; \text{ where -}$$

$$TC_{RI} = \text{amount of reinsurance recoverable under the specified trade credit insurance stress scenario as prescribed in Schedule XA, Instructions Affecting Table XA2, paragraph (f) } (TC_{RI});$$

$$TC_{GR} = \sum_i TC_{Charge}_i \times TCPrem_i; \text{ where -}$$

$$i \in \{Inv, NonInv\};$$

$$TC_{Charge}_i = 80\% \text{ when } i = Inv \text{ and } 200\% \text{ when } i = NonInv;$$

$$TCPrem_{Inv} = \text{insurer's trade credit gross premium estimate earned over the next 12 months relating to investment grade exposures only;}$$

$$TCPrem_{NonInv} = \text{insurer's trade credit gross premium estimate earned over the next 12 months relating to non-investment grade exposures;}$$

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$$= \sqrt{C\&S_{default}^2 + C\&S_{recession}^2 + C\&S_{np}^2}; \text{ where -}$$

$C\&S_{default}$ = **net probable maximum Credit / surety (statutory line of business) loss arising from the default of credit insurance exposures as prescribed in Schedule XA, Instructions Affecting Table XA3, paragraph (a) (DR_Net);**

$C\&S_{recession}$ = net probable maximum Credit / surety (statutory line of business) loss arising from a recession as prescribed in Schedule XA, Instructions Affecting Table XA3, paragraph (c) (Rec_Net);

$C\&S_{np}$ = $C\&S_{np-Gr} - C\&S_{np-RI}$; where-

$C\&S_{np-RI}$ = **amount of reinsurance recoverable under a gross loss equal to $C\&S_{np-Gr}$;**

$C\&S_{np-Gr}$ = $CSCharge_{np-Gr} \times CSPrem_{np-Gr}$ where -

$CSCharge_{np-Gr}$ = **250%**;

$CSPrem_{np-Gr}$ = insurer's Credit / surety non- proportional (statutory line of business) gross premium estimate earned over the next 12 months;

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

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

Where —

ρ = an amount between 1% and 20% as determined by the Authority in accordance with Table 9C;

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

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

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Table 9C – Operational Risk Charge for ρ

Overall Score	Applicable Operational Risk Charge ρ
<=600	20.0%
>600 <=800	20.0%
>800 <=1200	18.0%
>1200 <=1400	15.0%
>1400 <=1600	12.0%
>1600 <=1800	9.0%
>1800 <=2000	7.0%
>2000 <=2200	5.0%
>2200 <=2400	3.0%
>2400	1.0%

INSTRUCTIONS AFFECTING TABLE 9C

In this table, “overall score” means an amount equal to the sum of the aggregate score derived from each of tables 9D and 9E.

**TABLE 9D
Corporate Governance Score Table**

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

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INSTRUCTIONS AFFECTING TABLE 9D

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

**TABLE 9E
Risk Management Function ('RMF') Score Table**

Criterion	Implemented	Score
RMF is independent of other operational units and has direct access to the Board of Directors		200
RMF is entrenched in strategic planning, decision making and the budgeting process		200
RMF ensures that the risk management procedures and policies are well documented and approved by the Board of Directors		200
RMF ensures that the risk management policies and procedures are communicated throughout the organisation		200
RMF ensures that operational risk management processes and procedures are reviewed at least annually		200
RMF ensures that loss events arising from operational risks are documented and loss event data is integrated into the risk management strategy		200
RMF ensures that risk management recommendations are documented for operational units, ensures that deficiencies have remedial plans and that progress on the execution of such plans are reported to the Board of Directors at least annually		200
Total		XX
Comments		

INSTRUCTIONS AFFECTING TABLE 9E

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

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—

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

Where—

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

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

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AMENDMENT 1EBS 2024 = the correlation factors of the Basic BSCR correlation matrix in accordance with Table A of Paragraph 14;

- C_i = risk module charge i is 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—

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

Where —

- Basic BSCR** = Basic BSCR risk module charge as calculated in accordance with paragraph 14;
- $C_{operational}$ = operational risk charge as calculated in accordance with paragraph 29;
- $C_{regulatoryadj}$ = 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;
- t = insurer's standard federal tax rate;
- Limit** = $PastLAC + CurrentLAC + FutureLAC$;
- PastLAC** = Loss Carryback Provision multiplied by t ;
- CurrentLAC** = Current Deferred Tax Liabilities minus Current Deferred Tax Assets;
- FutureLAC** = Risk Margin as reported on Form 1EBS Line 18 multiplied by t .

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Insurers shall disclose the following matters under the Schedule of Man-Made Catastrophes —

Table XA1 – Terrorist Attack Catastrophe Risk Scenario

	Estimated loss gross of reinsurance	Estimated loss net of reinsurance
Terrorist attack total	<i>Terror_Gross</i>	<i>Terror_Net</i>

Instructions Affecting Table XA1

- (a) *Terror_Net* shall—
 - (i) be equal to the net probable maximum loss arising from acts of terrorism;
 - A. calculated as the sum insured for the largest building concentration, after deduction of amounts recoverable from outwards reinsurance arrangements, covering property and content damage due to fire or explosion as a result of terrorist attacks;
 - B. the measure of concentration of exposure to be taken into account under paragraph (i), are buildings that are fully or partially covered under insurance contracts within a radius of 200 meters;
 - C. measure of concentration of exposure under sub-paragraph (i), may occur over one or multiple insurance contracts.
- (b) *Terror_Gross* shall be—
 - i. calculated in accordance with the requirements of *Terror_Net*, in paragraph (a);
 - ii. gross of any outwards reinsurance arrangements.

Table XA2 – (Option A) Credit and Surety Catastrophe Risk Scenario

	Estimated loss gross of reinsurance	Estimated loss net of reinsurance	Credit and Surety NEP earned over the Next 12 months attributable to
Credit and Surety total			
Mortgage insurance	<i>MI_Gross</i>	<i>MI_Net</i>	<i>MI_NEP</i>
Trade credit	<i>TC_Gross</i>	<i>TC_Net</i>	<i>TC_NEP</i>
Surety	<i>Sur_Gross</i>	<i>Sur_Net</i>	<i>Sur_NEP</i>
Other			<i>Other_NEP</i>
Credit and Surety total (EU only)			<i>C&S_EU_NEP</i>
Description of the business/risk that is allocated under ' Credit and Surety - Other '			

Insurers shall populate this field with an explanation as to why *Other_NEP*, as defined in paragraph (k) is non-zero.

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Instructions Affecting Table XA2

- (a) *MI_Net* shall be —
- (i) equal to the net probable maximum loss arising from mortgage insurance;
 - (ii) calculated as the average net (of the amounts recoverable from any outwards reinsurance arrangements) annual loss resulting from an increase in the frequency of delinquency, defaults and loss severity that results from a 25% decline in home prices;
- (b) *MI_Gross* shall be set equal to *MI_Net*, as defined in paragraph (a), gross of any outwards reinsurance arrangements;
- (c) *MI_NEP* shall equal the net premium to be earned over the next 12 months in relation to mortgage insurance policies;
- (d) *TC_Gross* shall be equal to **TC_{GR}** as defined in paragraph 28 of Schedule I;
- (e) *TC_Net* shall be equal to *TC_Gross*, as defined in paragraph (d), net of any outwards reinsurance arrangements;
- (f) *TC_RI* shall be equal to *TC_Gross*, as defined in paragraph (d), less *TC_Net*, as defined in paragraph (e);
- (g) *TC_NEP* shall be equal to the net premium to be earned over the next 12 months in relation to trade credit insurance policies;
- (h) *Sur_Net* shall be—
- (i) equal to the sum of the two largest net (of co-surety arrangements, acceptable cash collateral and outwards reinsurance arrangements) losses arising from two separate surety counterparties;
 - (ii) for the purposes of calculating the net losses in subparagraph (i) the gross loss to exposure ratios shall be calibrated at the 90th percentile for US exposures and 95th percentile for non-US exposures;
- (i) *Sur_Gross* shall be equal to *Sur_Net*, as defined in paragraph (h), but gross of outwards reinsurance arrangements;
- (j) *Sur_NEP* shall be equal to the net premium to be earned over the next 12 months in relation to surety insurance policies;
- (k) *Other_NEP* shall —
- (i) be set equal to the net premium to be earned over the next twelve months in relation to Credit / surety and Credit / surety non- proportional statutory lines of business;
 - (ii) less the totals of *MI_NEP*, as defined in paragraph (c), *TC_NEP*, as defined in paragraph (g) and *Sur_NEP* as defined in paragraph (j);
- (l) *C&S_EU_NEP* shall be equal to the net premium to be earned over the next twelve months and relate to—
- (i) the Credit / surety and Credit / surety non- proportional statutory lines of business and
 - (ii) risks written in the European Union;

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Table XA3 – (Option B) Credit and Surety Catastrophe Risk Scenario

	Estimated gross reinsurance loss of	Estimated net reinsurance loss of	Gross Premium in the following 12 months
Credit and Surety total			
Credit/Surety - Default Risk	<i>DR_Gross</i>	<i>DR_Net</i>	
Credit/Surety – Recession Risk	<i>Rec_Gross</i>	<i>Rec_Net</i>	
Credit/Surety Non-Proportional Cat Charge		<i>NP_Net</i>	<i>NP_GEP</i>
Credit and Surety total (EU only)			C&S_EU_NEP

Instructions Affecting Table XA3

- (a) *DR_Net* shall—
 - (i) be equal to the loss that would arise from an immediate default of the two largest, net of outwards reinsurance, credit insurance exposures. This calculation should take into account that—
 - (A) the assumption is made that the loss-given-default, before the deduction of the *amounts recoverable from any outwards reinsurance arrangements, of each credit insurance exposure* is 10% of the sum insured in relation to the exposure;
 - (B) the Credit/surety line of business only is considered;
- (b) *DR_Gross* shall be set equal to *DR_Net*, as defined in paragraph (a), but gross of outwards reinsurance arrangements;
- (c) *Rec_Net*—
 - (i) shall be set equal to the net probable maximum Credit / surety (statutory line of business) loss arising from a recession; and
 - (ii) shall be equal to the loss that would result from an instantaneous loss of an amount that, before the deduction of the amounts recoverable from any outwards reinsurance arrangements, is equal to 100 % of the Credit / surety statutory line of business premiums earned during the following 12 months;
 - (iii) estimated loss should be net of the amounts recoverable from any outwards reinsurance arrangements;
- (d) *Rec_Gross* shall be equal to *Rec_Net*, as defined in paragraph (c), gross of outwards reinsurance arrangements;
- (e) *NP_Net* shall be equal to $C\&S_{np-Gr}$, as defined in paragraph 28 of Schedule I, and net of outwards reinsurance arrangements;
- (f) *NP_GEP* shall be equal to $CSPrem_{np-Gr}$, as defined in paragraph 28 of Schedule I;

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 (a) *CS_BI_NEP* shall be equal to the net earned premium to be earned over the next twelve months and take into account—

- (a) the Credit/surety and Credit/surety non- proportional lines of business only
- (b) risks written in the European Union only.

Table XA4 – Marine Catastrophe Risk Scenario

	Estimated loss gross of reinsurance	Estimated loss net of reinsurance
Marine total		
Vessel collision	VC_Gross	VC_Net
Platform explosion	PE_Gross	PE_Net

Instructions Affecting Table XA4

- (a) *VC_Net* shall be—
 - (i) equal to the net probable maximum loss arising from the insurance of sea, lake, river and canal vessels; and
 - (ii) calculated as the maximum sum insured for a single vessel across the hull, liability and pollution exposures, net of the amounts recoverable from any outwards reinsurance arrangements;
- (b) *VC_Gross* shall be set equal to *VC_Net*, as defined in paragraph (a), gross of any outwards reinsurance arrangements;
- (c) *PE_Gross* shall be equal to *PE_Net*, as defined in point (d), gross of outwards reinsurance arrangements;
- (d) *PE_Net* shall —
 - (i) be equal to the net probable maximum loss arising from the insurance of oil and gas offshore platforms;
 - (ii) be calculated as the maximum sum insured for a single (oil or gas) platform, net of the amounts recoverable from any outwards reinsurance arrangements;
 - (iii) include the sum insured for compensation for property damage, wreckage removal, loss of production, capping and securing the well and liability obligations.

Table XA5 – Aviation Catastrophe Risk Scenario

	Estimated loss gross of reinsurance	Estimated loss net of reinsurance
Aviation total	Avn_Gross	Avn_Net

- (a) *Avn_Net* shall be—
 - (i) set equal to the net probable maximum loss arising from the Aviation and Aviation non - proportional lines of general business; and

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AMENDMENT RULES 2024 (ii) calculated as the single largest aircraft sum insured across both hull and liability perils, net of the amounts recoverable from outwards reinsurance arrangements.

- (b) *Avn_Gross* shall be equal to *Avn_Net*, as defined in paragraph (a), gross of any outwards reinsurance arrangements.

SCHEDULE XIV (Paragraph 6)

CLASS 3A STATUTORY ECONOMIC BALANCE SHEET

Schedule XIV Class 3A Statutory Economic Balance Sheet (EBS), shall provide particulars of the following matters—

Form 1EBS

CLASS 3A STATUTORY ECONOMIC BALANCE SHEET

[blank] name of insurer

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expressed in [blank] (currency used)

Line No		20XX	20XX-1
1.	CASH AND CASH EQUIVALENTS	XXX	XXX
2.	QUOTED INVESTMENTS:		
(b)	Total Bonds and Debentures	XXX	XXX
(c)	Equities		
	(i) Common stocks	XXX	XXX
	(ii) Preferred stocks	XXX	XXX
	(iii) Mutual funds	XXX	XXX
(d)	Total equities	XXX	XXX
(e)	Other quoted investments	XXX	XXX
(f)	Total quoted investments	XXX	XXX
3.	UNQUOTED INVESTMENTS:		
(b)	Total Bonds and Debentures	XXX	XXX
(c)	Equities		
	(i) Common stocks	XXX	XXX
	(ii) Preferred stocks	XXX	XXX
	(iii) Mutual Funds	XXX	XXX
(d)	Total equities	XXX	XXX
(e)	Other unquoted investments	XXX	XXX
(f)	Total unquoted investments	XXX	XXX
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES (Equity)		
(a)	Unregulated entities that conduct ancillary services	XXX	XXX
(b)	Unregulated non-financial operating entities	XXX	XXX
(c)	Unregulated financial operating entities	XXX	XXX
(d)	Regulated non-insurance financial operating entities	XXX	XXX

(e)	Regulated insurance financial operating entities	XXX	XXX
(f)	Total investments in affiliates	XXX	XXX
(g)	Advances to affiliates	XXX	XXX
(h)	Total investments in and advances to affiliates (equity)	XXX	XXX
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens	XXX	XXX
(b)	Other than first liens	XXX	XXX

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	Investment in mortgage loans on real estate	XXX	XXX
7.	REAL ESTATE:		
(a)	Occupied by the insurer (less encumbrances)	XXX	XXX
(b)	Other properties (less encumbrances)	XXX	XXX
(c)	Total real estate	XXX	XXX
8.	COLLATERAL LOANS	XXX	XXX
9.	INVESTMENT INCOME DUE AND ACCRUED	XXX	XXX
10.	ACCOUNTS AND PREMIUMS RECEIVABLE		
(a)	In course of collection	XXX	XXX
(c)	Receivables from retrocessional contracts	XXX	XXX
(d)	Total accounts and premiums receivable	XXX	XXX
11.	REINSURANCE BALANCES RECEIVABLE		
(a)	Foreign affiliates	XXX	XXX
(b)	Domestic affiliates	XXX	XXX
(c)	Pools & associations	XXX	XXX
(d)	All other insurers	XXX	XXX
(e)	Total reinsurance balance receivable	XXX	XXX
12.	FUNDS HELD BY CEDING REINSURERS		
(a)	Affiliated reinsurers	XXX	XXX
(b)	Non-affiliated reinsurers	XXX	XXX
(c)	Total funds held by ceding reinsurers	XXX	XXX
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	XXX	XXX
(d)	Segregated accounts - General business	XXX	XXX
(e)	Deposit assets	XXX	XXX
(f)	Balances receivable on sale of investments	XXX	XXX
(g)	Intangible assets	XXX	XXX
(h)	Deferred tax assets	XXX	XXX
(i)	Pension Benefit Surplus	XXX	XXX

(j)	Other sundry assets (please specify)	XXX	XXX
(k)	Total other assets	XXX	XXX
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	XXX	XXX
(b)	Guarantees	XXX	XXX
(c)	Other instruments	XXX	XXX
(d)	Total letters of credit, guarantees and other instruments	XXX	XXX

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15.	TOTAL ASSETS	XXX	XXX
	GENERAL BUSINESS INSURANCE TECHNICAL PROVISIONS		
16.	BEST ESTIMATE PREMIUM PROVISIONS		
(a)	Gross premium provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other reinsurers	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Net premium provisions	XXX	XXX
17.	BEST ESTIMATE LOSS AND LOSS EXPENSE PROVISIONS		
(a)	Gross loss and loss expense provisions	XXX	XXX
(b)	Less: Reinsurance recoverable balance		
	(i) Foreign affiliates	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX
	(iii) Pools & associations	XXX	XXX
	(iv) All other reinsurers	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX
(d)	Net loss and loss expenses provisions	XXX	XXX
18.	RISK MARGIN - GENERAL INSURANCE BUSINESS	XXX	XXX
19.	TOTAL GENERAL BUSINESS INSURANCE TECHNICAL PROVISIONS	XXX	XXX

	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	XXX	XXX
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	XXX	XXX
30.	LOANS AND NOTES PAYABLE	XXX	XXX
31.	TAX LIABILITIES		
	(a) INCOME TAXES PAYABLE	XXX	XXX
	(b) DEFERRED INCOME TAXES	XXX	XXX
32.	AMOUNTS DUE TO AFFILIATES	XXX	XXX

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	FUNDS HELD UNDER REINSURANCE CONTRACTS		
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS		
(a)	Affiliated	XXX	XXX
(b)	Non-affiliated	XXX	XXX
(c)	Total funds held under reinsurance contracts	XXX	XXX
35.	DIVIDENDS PAYABLE	XXX	XXX
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments – held for hedging purposes	XXX	XXX
(b)	Derivative instruments – not held for hedging purposes	XXX	XXX
(e)	Segregated accounts - General business	XXX	XXX
(f)	Deposit liabilities	XXX	XXX
(g)	Pension benefit obligations	XXX	XXX
(h)	Balances payable for purchase of investments	XXX	XXX
(i)	Other sundry liabilities (please specify)	XXX	XXX
(j)	Total sundry liabilities	XXX	XXX
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	XXX	XXX
(b)	Guarantees	XXX	XXX
(c)	Other instruments	XXX	XXX
(d)	Total letters of credit, guarantees and other instruments	XXX	XXX
38.	TOTAL OTHER LIABILITIES	XXX	XXX
39.	TOTAL INSURANCE TECHNICAL PROVISIONS AND OTHER LIABILITIES	XXX	XXX
	STATUTORY ECONOMIC CAPITAL AND SURPLUS		
40.	TOTAL STATUTORY ECONOMIC CAPITAL AND SURPLUS	XXX	XXX
41.	TOTAL	XXX	XXX

NOTES TO FORM 1EBS

The notes to the statutory economic balance sheet shall include the following, and any other information which in the opinion of the insurer's directors is required to be disclosed if the insurer statutory economic financial statements are not to be misleading -

Additional Disclosures		20XX
Line 10	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 11(e)	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 17(c)-(ii)	Details of the amount of any collateral placed in favour of the insurer	XXX
Line 13(j)	Details of the assets included as "other sundry assets" as part of Line 13(j).	XXX
Line 36(i)	Details of the liabilities included as "other sundry liabilities" as part of Line 36(i).	XXX

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	The total amount of encumbered assets that are not securing policyholder obligations shall be disclosed, split between the following items, and stating the purpose of the encumbrance: Line 1: Cash and cash equivalents Line 2(f): Total quoted investments Line 3(f): Total unquoted investments Line 12: Funds held by ceding reinsurers Other assets	XXX
Line 13(e)	Details of business treated under deposit accounting techniques as an asset	XXX
Line 36(f)	Details of business treated under deposit accounting techniques as a liability	XXX
Line 37	Details of the basis used to derive the amounts disclosed on this line, including the undiscounted amounts of the liabilities.	XXX
Line 40	A reconciliation between Line 40 of Form 1EBS and Line 40 of Form 1 required under Schedule 1 of the Insurance (Class 3A) Rules 2011	XXX

General Business Provisions Additional Disclosures

Line 16(c)	The adjustment included in the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual disputes)	XXX
Line 17(c)-(i)	The adjustment included in the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual disputes)	XXX
Line 16(d)-(i)	The amount of premium included as 'Bound But Not Incepted' (as defined in paragraph 28 of the Economic Balance Sheet Valuation Principles under Schedule XXVI in the calculation of line 16(d),	XXX
Line 16(d)-(ii)	The amount of best estimate premium included in line 16(d) in respect of the 'Bound but Not Incepted' business identified above. The amount shall be separately split between the statutory lines of general business set out in Schedule III.	XXX
Line 17(d)-(i)	The amount by which the best estimate loss and loss expense provisions were reduced as a result of discounting.	XXX

General Business Reserves:

	20XX
Net best estimate loss and loss expense provisions at start of year (line 17(d) prior year)	XXX
Net loss and loss expenses incurred related to business written in prior years	XXX
Foreign exchange and other adjustments	XXX
Unwind discount (start year discount curve)	XXX

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)
 AMENDMENT RULES 2024**

Impact of change in discount curve	XXX
Net loss and loss expenses incurred related to prior years	XXX
Net best estimate loss and loss expense provisions at end of year related to prior years	XXX
Net loss and loss expenses incurred related to business written in current year	XXX
Net loss and loss expenses paid or payable related to current year	XXX
Net best estimate loss and loss expense provisions at end of year related to current year	XXX
Net best estimate loss and loss expense provisions at end of year (line 17(d))	XXX

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)
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INSTRUCTIONS AFFECTING FORM 1EBS

Line of statutory economic balance sheet	Instructions	
1. Cash and cash equivalents	Cash and cash equivalents (maturities of less than 90 days) as at balance sheet shall be included here. This includes restricted cash	
2. Quoted investments	There shall be disclosed severally -	
	(b)	Total bonds and debentures;
	(c)	Equities –
	(i)	common stock: investments in quoted common shares
	(ii)	preferred shares: investments in quoted preferred shares; and
	(iii)	mutual funds: investments in quoted mutual funds, etc
	(d)	Total equities: The total of (c)(i), (ii) and (iii).
	(e)	Other quoted investments: Other quoted investments not included in 2(b) and 2(d) e.g. alternative funds.
	(f)	Total quoted investments: The total of 2(b), (d) and (e).
3. Unquoted investments	There shall be disclosed severally -	
	(b)	Total bonds and debentures;
	(c)	Equities –
	(i)	common stock: investments in unquoted common shares
	(ii)	preferred shares: investments in unquoted preferred shares; and
	(iii)	mutual funds: investments in unquoted mutual funds, etc
	(d)	Total equities: The total of (c)(i), (ii) and (iii).
	(e)	Other unquoted investments: Other unquoted investments not included in 3(b) and 3(d) e.g. alternative funds.
	(f)	Total unquoted investments: The total of 3(b), (d) and (e).
4. Investment in and advances to affiliates (equity)	<p>All investments where the insurer does not hold a majority equity interest but has the ability to exercise significant influence (generally at least a 20% interest or a general partner interest) over operating and financial matters shall be included here and should be accounted for under the equity method of accounting.</p> <p>Economic Balance Sheet valuation principles shall be applied to the affiliates before deriving values to be included here.</p> <p>There shall be disclosed severally</p>	

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)
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	(a)	Unregulated entities that conduct ancillary services : All unregulated entities that conduct ancillary services accounted for under equity method shall be included here;
	(b)	Unregulated non-financial operating entities: All unregulated non-financial operating entities accounted for under equity method shall be included here;
	(c)	Unregulated financial operating entities: All unregulated financial operating entities accounted for under equity method shall be included here;
	(d)	Regulated non-insurance financial operating entities: All regulated non-insurance financial operating entities accounted for both under control and equity method shall be included here;
	(e)	Regulated insurance financial operating entities: All regulated insurance financial operating entities accounted for under equity method shall be included here.
	(f)	Total investments in affiliates: The total of (a) to (e) inclusive.
5. Investments in mortgage loans on real estate		Residential and commercial investment loans shall be included here. There shall be disclosed severally
	(a)	First liens.
	(b)	Liens other than first liens.
	(c)	Total investments in mortgage loans on real estate: The total of (a) and (b).
7. Real estate		Commercial investments occupied by insurer shall be included here.
	(a)	Occupied by the insurer (less encumbrances): Both land and buildings and any other commercial investments occupied by the insurer shall be included here.
	(b)	Other properties (less encumbrances): Other residential and commercial investments.
	(c)	Total real estate: The total of (a) and (b).
8. Collateral loans		Other loans shall be included here.
9. Investment income due and accrued		Accrued investment income shall be included here.
10. Accounts and premiums receivable		Amounts due in more than one year shall be discounted at the relevant risk free rate. There shall be disclosed severally:
	(a)	In course of collection: Insurance balances receivable and accounts receivable. Note that amounts not yet due should not be included here as they will be reflected in the insurance technical provisions
	(c)	Receivables from retrocessional contracts: Insurance balances receivable
	(d)	Total accounts and premiums receivable: The total of (a) to (c) inclusive.

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Reinsurance balances receivable	Amounts due in more than one year shall be discounted at the relevant risk free rate. The amount of any collateral placed in favour of the insurer shall be disclosed in a supplementary note. There shall be disclosed severally -
	(a) Foreign affiliates: reinsurance balance received from foreign affiliates
	(b) Domestic affiliates: reinsurance balance received from domestic affiliates
	(c) Pools and associations: Reinsurance balances receivables from pools and associations
	(d) All other insurers
	(e) Total reinsurance balances receivable: The total of (a) to (d) inclusive.
12. Funds held by ceding	Funds held by ceding reinsurers shall be included here. Any amounts deemed uncollectible shall be deducted.
	(a) Affiliated reinsurers
	(b) Non-affiliated reinsurers
	(c) The total of (a) and (b)
13. Sundry assets	Any asset not accounted for in lines 1 to 12 and 14 may be included here if it has a readily realisable value. There shall be disclosed severally -
	(a) Derivative instruments: Derivative instruments with a favourable position shall be included here
	(d) Segregated accounts – General business
	(e) Deposit assets.
	(f) Balances receivable on the sale of investments
	(g) Intangible assets: These shall only be recognised if it is probable that the expected future economic benefits will flow to the insurer and the value of the assets can be reliably measured. The assets must be separable and there should be evidence of exchange transactions for the same or similar assets indicating they are saleable in the marketplace. If a fair value assessment of an intangible asset is not possible then such an asset should be valued at nil. Goodwill shall be valued at nil.
	(h) Deferred tax assets
	(i) Pension Benefit surplus
	(j) Any other assets – please provide details in a supplementary note
	(k) Total sundry assets: The total of (a) to (j) inclusive.

14. Letters of credit,	These are contractual rights arising from off-balance sheet
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INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)

<p>AMENDMENT RULES 2024</p> <p>arrangements to receive financial assets through:</p>	
	(a) Letters of Credit
	(b) Guarantees
	(c) Other instruments
	(d) Total letters of credit, guarantees and other instruments: The total of (a) to (c).
	Such assets may, with the approval of the Authority obtained on an application made for that purpose, be recorded and the capital increased by a corresponding amount. Letters of credit, guarantees or other instruments in favour of the insurer which relate to insurance or reinsurance contracts shall not be recorded.
<p>15. Total Assets</p>	<ul style="list-style-type: none"> This shall be the total of lines 1 to 14 inclusive. The total amount of encumbered assets that are not securing policyholder obligations shall be disclosed, stating the purpose of the encumbrance.
<p>General Business Insurance Technical Provisions</p>	
<p>16. Best Estimate Premium Provisions</p>	<p>Best estimate premium provisions shall be assessed using the Economic Balance Sheet valuation principles under Schedule XXVI, and shall cover all claims events that are expected to be incurred after the valuation date in respect of all contracts written on or before the valuation date – this includes business which has been written on or before the valuation date and incepts after the valuation date ('bound but not incepted' business). They shall also take into account any guaranteed options included in these contracts for future coverage on rates and terms and conditions which are fixed and which the insurer is unable to change.</p> <p>Cash flows to be considered here include all those referred to in paragraph 16 of the Economic Balance Sheet valuation principles under Schedule XXVI.</p> <p>There shall be disclosed severally -</p>
	(a) Gross premium provisions: Gross premium provisions assessed on the Economic Balance Sheet valuation principles under Schedule XXVI
	(b) Less: reinsurance recoverable balances): Amounts expected to be recoverable from reinsurers assessed on the Economic Balance Sheet valuation principles under Schedule XXVI on a basis consistent with the gross assessment. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. Allowance shall be made for expected uncollectable amounts (for whatever reason). The amounts shall be subdivided between:
	(i) Foreign affiliates
	(ii) Domestic affiliates
	(iii) Pools and associations
	(iv) All other reinsurers
	(c) Total reinsurance recoverable balance: The total of (b) (i) to (iv).

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)

AMENDMENT RULES 2024

		The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default shall be disclosed in a supplementary note.
	(d)	Net premium provisions: The total of (a) and (c).
17. Best Estimate Loss and loss expense provisions		Best Estimate loss and loss expense provisions shall be assessed on the Economic Balance Sheet valuation principles under Schedule XXVI. It shall include all unpaid amounts in respect of claim events that have occurred on or before the valuation date, whether reported to the insurer or not. There shall be disclosed severally -
	(a)	Gross loss and loss expense provisions: Gross unpaid loss and loss expenses assessed on the Economic Balance Sheet valuation principles under Schedule XXVI.
	(b)	Less: reinsurance recoverable balances): Losses and loss expenses recoverable shall be assessed on the Economic Balance Sheet valuation principles under Schedule XXVI on a basis consistent with the gross assessment. Allowance shall be made for any reinstatement premiums that may be payable to reinsurers. Allowance shall be made for expected uncollectable amounts (for whatever reason). The amounts shall be subdivided between:
	(i)	Foreign affiliates
	(ii)	Domestic affiliates
	(iii)	Pools and associations
	(iv)	All other reinsurers
	(c)	Total reinsurance recoverable balance: The total of (b) (i) to (iv). The adjustment to the best estimate of reinsurance recoveries that was made to reflect expected losses due to counterparty default shall be disclosed in a supplementary note. The amount of any collateral placed in favour of the insurer shall be disclosed in a supplementary note.
	(d)	Net loss and loss expense provisions: The total of (a) and (c).
18. Risk Margin – General Insurance Business		The risk margin shall be calculated using the cost of capital method, as per the Economic Balance Sheet valuation principles under Schedule XXVI.
19. Total general insurance business technical provisions		This shall be the total of lines 16(d), 17(d), and 18 inclusive.
Other Liabilities		

28. Insurance and Reinsurance balances payable	These are amounts payable to reinsurers (e.g., premiums received in advance, reinsurance premiums payable. etc.) Amounts payable in more than one year shall be discounted at the relevant risk free rate.
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INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)

29. Commissions, expenses, fees and taxes payable	All unearned commissions shall be included here.	
	Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
30. Loans and notes payable	Loans and notes payable shall be included here. This shall include subordinated debt. Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
31. Tax liabilities		Amounts payable in more than one year shall be discounted at the relevant risk free rate. There shall be disclosed severally:
	(a)	Income taxes payable
	(b)	Deferred income taxes
32. Amounts due to affiliates	All amounts due to affiliates shall be included here. Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
33. Accounts payable and accrued liabilities	All accounts payable and accrued liabilities shall be included here Amounts payable in more than one year shall be discounted at the relevant risk free rate.	
34. Funds held under reinsurance contracts	Funds held under reinsurance contracts shall be included here, and shall be included at amounts consistent with the fair value of the underlying assets.	
	(a)	Affiliated reinsurers
	(b)	Non-affiliated reinsurers
	(c)	This shall be the total of (a) and (b)
35. Dividends payable	All dividends payable shall be included here	
36. Sundry liabilities	There shall be disclosed severally:	
	(a)	Those derivative instruments which are held for hedging purposes, with an unfavourable position shall be included here;
	(b)	Other derivative instruments (i.e., those which are not held for hedging purposes), with an unfavourable position shall be included here.
	(e)	Segregated accounts – General business
	(f)	Deposit liabilities
	(g)	Pension benefit obligations
	(h)	Balances payable for purchase of investments

	(i)	Any other liabilities – please provide details in a supplementary note
	(j)	This shall be the total of (a) to (i) inclusive
37. Letters of credit, guarantees and other instruments	All contractual liabilities or contingent liabilities arising from off-balance sheet arrangements are reported in this line. A liability is recorded decreasing the statutory capital and surplus equal to the expected present value of such contingent obligations discounted to take into consideration the time value of money at an	

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)

AMENDMENT RULES 2024

	appropriate rate (to be disclosed).
	<p>Material contingent liabilities shall be recognised and recorded on this line. The Contingent liabilities shall be valued based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate.</p> <p>Where the present value of contingent obligations cannot be determined, the amount of the liability must be recorded at its undiscounted value. Letters of credit, guarantees or other instruments not in favour of the insurer which relate to the insurer's insurance or reinsurance contracts shall not be recorded.</p> <p>Details of the basis used to derive amounts disclosed shall be set out in a supplementary note, including the undiscounted amounts of the liabilities.</p> <p>There shall be disclosed severally -</p>
	(a) Letters of credit
	(b) Guarantees
	(c) Other instruments
	(d) This shall be the total of (a) to (c) inclusive
38. Total other liabilities	This shall be the total of lines 28 to 37 inclusive
39. Total insurance technical provisions and other liabilities	This shall be the total of lines 19, and 38 inclusive
40. Total statutory economic capital and surplus	<p>This is the capital and surplus total as at the valuation date.</p> <p>It is derived as line 15 less line 39</p> <p>A reconciliation between this amount and line 40 for Form 1A as required under Schedule I of the Insurance Accounts Regulations 1980 shall be shown in a supplementary note.</p>
41. Total	<p>This shall be the total of lines 39 and 40.</p> <p>It should equal line 15.</p>

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SCHEDULE XV

(Paragraph 6)

LOSS RESERVE SPECIALIST’S OPINION

- 1 The loss reserve specialist’s Opinion must state whether or not, in the opinion of the loss reserve specialist, the aggregate amount of technical provisions shown at Line 19 in the Statutory Economic Balance Sheet as at the end of the relevant financial year:
 - (a) meets the requirements of the Insurance Act 1978 and related rules and regulations;
 - (b) makes reasonable provision for the total technical provisions of the insurer under the terms of its insurance contracts and agreements.

- 2 The loss reserve specialist shall state their own best estimates (and/or ranges for the best estimates) and confirm that such estimates have been determined in accordance with the requirements set out in the Economic Balance Sheet valuation principles under Schedule XXVI. The loss reserve specialist shall also state (but is not limited to) their best estimates for the following (as applicable) —
 - (a) Line 16(a)
 - (b) Line 16(d)
 - (c) Line 17(a)
 - (d) Line 17(d)

- 3 The loss reserve specialist is required to state their estimates for the risk margin (Line 18) and state whether or not, in their opinion, these amounts have been calculated in accordance with the requirements set out in the Economic Balance Sheet valuation principles under Schedule XXVI.

- 4 In relation to Lines 16(a), the loss reserve specialist shall provide commentary on the assumptions made in relation to Bound But Not Incepted business, as described in paragraph 28 (8) to (10), inclusive, set out in the Economic Balance Sheet valuation principles under Schedule XXVI.

- 5 The loss reserve specialist shall provide commentary for Lines 16(d) and 17(d) on the assumptions made for expected losses due to counterparty default (for whatever reason, including reinsurer insolvency or contractual dispute) in relation to reinsurance recoveries.

- 6 Where the loss reserve specialist has not used risk discount curves provided by the Authority they shall state the rates used for calculation and provide commentary on how they were derived.

- 7 The loss reserve specialist shall provide commentary on any aspects of the technical provisions of the insurer which give rise to greater levels of uncertainty than would typically be associated with the insurer’s business.

- 8 The loss reserve specialist Opinion shall further confirm:
 - (a) the loss reserve specialist’s name, employer and professional designations attained (which qualifies them to issue the opinion and formed the basis for their application to the Authority for approval as Loss Reserve Specialist) ;
 - (b) whether or not the loss reserve specialist continues to be a qualified member in good standing of all official actuarial bodies included in their application to the Authority for approval;
 - (c) whether or not the loss reserve specialist is in full compliance with the most recent Continuing Professional Development requirements of their official actuarial body;

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- (d) whether or not the loss reserve specialist has any perceived conflicts of interest relative to providing the opinion; and
 - (e) whether or not the work supporting the Opinion complies with applicable standards of actuarial practice.
- 9 Working papers supporting the loss reserve specialist's Opinion are required to be made available to the Authority by the loss reserve specialist upon request and should be sufficient in and of themselves to enable the completion of an independent review of the Opinion and supporting analysis by another unrelated but experienced actuary.
- 10 The Opinion shall be signed and dated by the loss reserve specialist and must include their current contact information, including but not limited to, telephone number and email address.

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)
AMENDMENT RULES 2024**

Schedule XX - Schedule of Currency Risk

[blank] name of Company

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

All amounts expressed in (currency used)

Currency	<i>GrossCurrast_i</i> (A)	<i>Currast_i</i> (B)	<i>GrossCurliab_i</i> (C)	<i>Curliab_i</i> (D)
Financial Year	Liabilities	ECR Charge		
	<u>Form 1EBS, Line 39</u>	<u>Summary Schedule</u>		
XXX-1				
XXX-2				
XXX-3				

INSTRUCTIONS AFFECTING SCHEDULE XX:

- (i) Insurers are to report currencies representing at least 95% of their economic balance sheet liabilities
- (ii) *GrossCurrast_i* and *GrossCurliab_i* shall be valued in line with the Economic Balance Sheet principles set out in Schedule XXVI;
- (iii) where an insurer uses currency hedging arrangements to manage its currency risk, then *Currast_i* and *Curliab_i* may be adjusted to reflect the impact of those arrangements on *GrossCurrast_i* and *GrossCurliab_i* of a 25% adverse movement in foreign exchange rates, otherwise the amounts *GrossCurrast_i* and *GrossCurliab_i* shall apply;
- (iv) a ‘currency hedging arrangement’ means derivative or other risk mitigation arrangements designed to reduce losses due to foreign currency exchange movements, and which meet the Authority’s requirements to be classed as such”; and
- (v) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)
AMENDMENT RULES 2024**

Schedule XXA - Schedule of Currency Risk

[blank] name of Insurer

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

All amounts expressed in (currency used)

Currency	MARKET VALUE BEFORE SHOCK						MARKET VALUE AFTER SHOCK						Liabilities without Management Actions	Liabilities with Management Actions	
	Assets - Excluding currency-derivatives	Long Exposures		Short Exposures		Liabilities without Management Actions	Assets - Excluding currency-derivatives	Long Exposures		Short Exposures		Liabilities without Management Actions			Liabilities with Management Actions
		Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes			Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes	Currency Derivatives Qualifying as held for risk-mitigation purposes	Currency Derivatives Not Qualifying as held for risk-mitigation purposes				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)			
United States Dollars															
Bermuda Dollars															
Qatari Riyals															
Hong Kong Dollars															
Euros															
Danish Kroner															
Bulgarian Levs															
West African CFA Francs															
Central African CFA Francs															
Comorian Francs															

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)
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United Kingdom Pounds													
Canada Dollars													
Japan Yens													
Other currency 1													
Other currency 2													
Other currency 3													
Other currency 4													
Other currency 5													
Other currency 6													
Other currency 7													
Other currency 8													
Other currency 9													
Other currency 10													
Financial Year	Liabilities		ECR Charge										
	<u>Form 1EBS, Line 39</u>		<u>Summary Schedule</u>										
XXX-1													
XXX-2													

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT)
AMENDMENT RULES 2024**

XXX-3														
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**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT) AMENDMENT
RULES 2024**

INSTRUCTIONS AFFECTING SCHEDULE XXA:

- (i) insurers shall report currencies representing not less than 95% of their economic balance sheet liabilities;
- (ii) assets qualifying as held for risk mitigation purposes; assets not qualifying for risk mitigation purposes and liabilities without management actions shall be valued in line with the Economic Balance Sheet principles set out in Schedule XXVI and in accordance with criteria prescribed by the Authority;
- (iii) liabilities with management actions shall be valued in accordance with criteria prescribed by the Authority in relation to the valuation of future bonuses and other discretionary benefits; and
- (iv) amounts shall be reported on both an EBS Valuation and unconsolidated basis.

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT) AMENDMENT
RULES 2024**

Schedule XXI - Schedule of Concentration Risk

(Paragraph 6)

[blank] name of Company

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

All amounts expressed in (currency used)

Name of Exposure	Asset Type (A)	Asset sub-type (B)	BSCR Rating (C)	Asset Value (D)

INSTRUCTIONS AFFECTING SCHEDULE XXI:

- (i) Disclosure of an insurer's 10 largest exposures to single counterparty risk by reporting the name, the exposure and allocation by asset type, bond / mortgage type (if applicable), BSCR Rating (if applicable) and asset value consistent with Form 1EBS.
- (ii) a counterparty shall include all related/connected counterparties defined as:
 - (A) Control relationship: if the counterparty, directly or indirectly, has control over the other(s); or
 - (B) Economic interdependence: if one of the counterparties were to experience financial problems, in particular funding or repayment difficulties, the other(s) as a result, would also be likely to encounter funding or repayment difficulties.
- (iii) Asset Type (Column A) shall be one of the following lines taken from Form 1EBS;
 - (A) Cash and cash equivalents (Line 1)
 - (B) Quoted Investments (Line 2)
 - (C) Unquoted investments (Line 3)
 - (D) Investments in and Advances to Affiliates (Line 4)
 - (E) Investments in Mortgage Loans on Real estate (Line 5)
 - (F) Policy Loans (Line 6)
 - (G) Real Estate (Line 7)
 - (H) Collateral Loans (Line 8)
 - (I) Funds held by ceding reinsurers (Line 12)
- (iv) Asset sub-type (Column B) shall provide further details of the type of asset as included in Table 1, Table 2 or Table 8 as appropriate;
- (v) BSCR Rating (Column C) shall be the BSCR rating that was allocated to the asset when it was included in Table 1, Table 2 or Table 8 as appropriate;
- (vi) Asset Value (Column D) shall be the value of the asset as required by the Economic Balance Sheet valuation principles as set out in Schedule XXVI; and
- (vii) Amounts shall be reported on both an EBS Valuation and unconsolidated basis.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT) AMENDMENT RULES 2024

Schedule XXIA - Schedule of Concentration Risk

(Paragraph 6)

[blank] name of Insurer

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

All amounts expressed in (currency used)

Name of Exposure	Asset Type (A)	Asset sub-type (B)	BSCR Rating (C)	Asset Value (D)

INSTRUCTIONS AFFECTING SCHEDULE XXIA:

- (i) disclosure of an insurer’s ten largest exposures to single counterparty risk by reporting the name, the exposure and allocation by asset type, bond or mortgage type (if applicable), BSCR Rating (if applicable) and asset value consistent with Form 1EBS.
- (ii) for the purposes of this Schedule, a counterparty shall include all related or connected counterparties captured by either of the following criteria:
 - (i) controller relationship: if a counterparty, directly or indirectly, has control of (as a result of its majority shareholding in or significant influence) the other counterparties; or
 - (ii) economic interdependence: if one of the counterparties were to experience financial difficulties which directly or indirectly affect the ability of any or all of the remaining counterparties to perform their financial obligations (for example where a counterparty becomes unable to fund or repay certain financial contractual obligations, and as a result, other counterparties, are likely to be unable to fund or repay certain obligations imposed on them);
- (iii) asset Type (Column A) shall be determined by the insurer as one of the following:
 - (i) cash and cash equivalents (as defined in Schedule XIX Column B Schedules IIB, IIC, IID, IIE, and IIF Column (1), Line 68);
 - (ii) quoted and Unquoted Investments (as defined in Schedules IIB, IIC, IID, IIE, and IIF Column (11), Line 14);
 - (iii) equity holdings (as defined in Schedules IIB, IIC, IID, IIE, and IIF Column (11), Line 37);
 - (iv) advances to Affiliates (reported on Form 1EBS, Line 4(g));
 - (v) policy Loans (reported on Form 1EBS, Line 6);
 - (vi) real Estate 1 (reported on Form 1EBS, Line 7(a));
 - (vii) real Estate 2 (reported on Form 1EBS, Line 7(b));
 - (viii) collateral Loans (reported on Form 1EBS, Line 8).
- (iv) when reporting asset sub-type (under Column B) shall provide further details of the type of asset as included in Table 1, Table 2 or Table 8 as appropriate;
- (v) when applying the BSCR Rating (under Column C) the insurer shall apply the BSCR rating that was allocated to the asset when it was included in Table 1, Table 2 or Table 8 as appropriate;

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT) AMENDMENT
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- (vi) asset value (under Column D) shall be the value of the asset as required by the Economic Balance Sheet valuation principles as set out in Schedule XXVI; and
- amounts shall be reported on both an EBS Valuation and unconsolidated basis.

**INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY REQUIREMENT) AMENDMENT
RULES 2024**

(Paragraph 6)

SCHEDULE XXV

SCHEDULE OF ADJUSTMENTS

1. An insurer may make an application to the Authority in accordance with section 6D (7) of the Act, to request for any of the following adjustments, as applicable, to be made to the insurer's enhanced capital requirement, available statutory capital and surplus, total statutory capital and surplus or available statutory economic capital and surplus, and any adjustment approved by the Authority shall take effect on the date determined by the Authority—
 - (a) to allow for the recognition of material limits and other risk mitigation techniques when not adequately captured by the insurer's ECR calculation;
 - (b) to modify the BSCR premium risk and reserve risk capital charge factors for general business;
 - (c) to allow for deductions of premiums derived from an acquisition of legacy insurance reserves from the BSCR premium risk calculation for general business;
 - (d) to set the *TransitionalFactor* or $\text{Transitional}_{mmcat}'$ of the BSCR calculation to 100%;
 - (e) to allow the use of alternative credit ratings for determining the BSCR Ratings within the BSCR calculation;
 - (f) to assess correct classification of specific assets or liabilities;
 - (g) to adjust the insurance reserves; and
 - (h) to modify the calculation of the minimum margin of solvency requirement.
 - (i) to switch to the alternative BSCR methodology for the interest rate and liquidity risk charge calculation (as per paragraph 20 of Schedule I) or the Credit & Surety module (as per paragraph 28 of Schedule I).
2. The Authority may request an insurer to provide it with any information and documents required in order to appropriately assess an application made to it by an insurer under paragraph 1.
3. In reviewing an application for an adjustment by an insurer under paragraph 1, the Authority shall take into consideration the nature, scale, risk profile and complexity of the insurer's business.
4. Further consideration may be made by the Authority to the following matters, which include but are not limited to the following—
 - (a) materiality of the adjustment;
 - (b) scope and reasoning for the adjustment;
 - (c) quality of supporting analysis provided;
 - (d) data completeness, accuracy and appropriateness;
 - (e) consistency in the design, assumptions, methodologies and calibration of the BSCR;
 - (f) solvency position of the insurer pre and post the proposed adjustment;

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- (g) appropriateness and suitability of the methodologies utilised in preparing the adjustment requested (for example calibration and statistical analysis applied);
 - (h) validation and documentation;
 - (i) governance and risk management requirements of the insurer and whether such aligns with the proposed adjustment;
 - (j) governance relating to the production, review and use of the proposed adjustment;
 - (k) adjustments already granted to the insurer; and
 - (l) the extent to which the model underpinning the proposed adjustment is used in and plays an important role in the insurer's system of governance.
5. Where an application for approval has been granted by the Authority under section 6D (7) prior to 31 December 2023, insurers shall apply the following calculations to any transitional arrangements agreed by the Authority. For an insurer with a liability duration of—
- (a) < (less than) 5 years, a five-year transition will apply; and
 - (b) >= (greater than or equal to) 5 years, a transition period equal to the insurers' liability duration will apply up to ten years.
6. The Authority, at its discretion, may approve applications under subsection 6D(7) for adjustments outside the scope set out in paragraph 1. The conditions that apply to adjustments made under paragraph 1 will also apply to adjustments made under this paragraph. Additionally—
- (a) in determining whether to approve such applications, the Authority will also consider the extent to which the scope of the proposed adjustment overlaps with the scope of the adjustments listed in paragraph 1; and
 - (b) where an approval is granted by the Authority to adjust an insurer's ECR with an adjustment that does not fall under the adjustments listed under paragraph 1, a floor equal to 90% of the unadjusted ECR will apply for the duration of the adjustment;

(Paragraph 6)

SCHEDULE XXVI

SCHEDULE OF ECONOMIC BALANCE SHEET VALUATION PRINCIPLES

PART 1: ECONOMIC BALANCE SHEET – VALUATION PRINCIPLES

- 1 The economic balance sheet (EBS) shall be produced on a consolidated basis in line with GAAP principles adopted by the insurer, as notified and agreed by the Authority (“GAAP Principles”). Except where specifically mentioned below, the consolidated assets and liabilities shall be assessed and fair-valued in line with the GAAP principles adopted by the insurer, as notified to and agreed by the Authority.
- 2 For cases where the GAAP principles permit both a fair value model and a non-economic valuation model for valuing an asset or liability, the insurer shall apply the fair value model.
- 3 For cases where the GAAP principles do not require an economic valuation the insurer shall fair value the asset or liability using the following hierarchy of high-level principles of valuation of assets and liabilities:
 - (a) quoted market prices in active markets for the same or similar assets or liabilities must be used whenever possible;
 - (b) an active market for the purposes of this Schedule is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis;
 - (c) where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used;
 - (d) if there are no quoted market prices in active markets available, mark-to-model techniques, which are alternative valuation techniques that have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input, should be used; and
 - (e) maximum use must be made of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimising the use of unobservable inputs.
- 4 When valuing liabilities, no adjustments shall be made to take account of the own credit standing of the insurer.
- 5 Insurers shall follow the GAAP principles it has adopted in the treatment of insurance contracts that do not transfer significant insurance risk.
- 6 The exceptions to these principles are mainly related to line items affecting the valuation of insurance technical provisions.
- 7 All contractual liabilities or contingent liabilities arising from off-balance sheet arrangements are to be recognised on the EBS. Contractual liabilities should be valued consistently with GAAP principles. In cases where the GAAP principles do not require fair value, the insurer should value the contractual liabilities using the valuation hierarchy in paragraph 3. Contingent liabilities shall be valued based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate. Where the present value of contingent obligations cannot be determined, the liability should be valued at its undiscounted value.

PART 2: TECHNICAL PROVISIONS – APPLICATION PRINCIPLES

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Proportionality, nature, scale, complexity and simplifications

8 (1) Insurers shall use methods to calculate technical provisions which are proportionate to the nature, scale and complexity of the risks underlying their insurance obligations.

(2) In determining whether a method of calculating technical provisions under subparagraph (1) is proportionate, insurers shall carry out—

- (a) an assessment, which includes an assessment of the nature, scale and complexity of the risks underlying their insurance obligations; and
- (b) an evaluation of the error introduced in the results of the method due to any deviation between the following —
 - (i) the assumptions underlying the method in relation to the risks; and
 - (ii) the results of the assessment referred to in subparagraph (3).

(3) The assessment referred to in subparagraph (2)(b)(ii) shall include all risks which affect the amount, timing or value of the cash in- and out-flows required to settle the insurance obligations over their lifetime. This shall include the following risk characteristics, where applicable —

- (a) the degree of homogeneity of the risks;
- (b) the variety of different sub-risks or components of which the risk is comprised;
- (c) the manner in which sub-risks referred to in sub-subparagraph (b) are interrelated;
- (d) the level of uncertainty of cash flows, including the extent to which future cash flows can be estimated;
- (e) the nature of the occurrence or crystallisation of the risk in terms of frequency and severity;
- (f) the manner in which claims develop over time;
- (g) the extent of potential loss, including the tail of the claims distribution;
- (h) the type of business from which risks originate;
- (i) the degree of dependency between different risk types, including the tail of the risk distribution; and
- (j) risk mitigation instruments applied, if any, and their impact on the underlying risk profile.

(4) The method of calculating technical provisions under subparagraph (1), shall be considered by the Authority to be disproportionate to the nature, scale and complexity of the risks of the insurer's business if the error introduced in accordance with subparagraph (2) (b), leads to a misstatement of technical provisions or their components that could influence the decision-making or judgment of the intended user of the information relating to the value of technical provisions, unless one of the following conditions are met—

- (a) no other method with a smaller error is available and the method is not likely to result in an underestimation of the amount of technical provisions; and
- (b) the method leads to an amount of technical provisions that is higher than an amount that would result from the application of a proportionate method and the method does not lead to an underestimation of the risk inherent in the insurance obligations that it is applied to.

(5) Insurers may make suitable simplifications in the calculation of technical provisions as follows —

- (a) simplification methods referred to in subparagraph (5) may include —
 - (i) scaling, mapping to similar products to gross up;

- (ii) using a deterministic model instead of stochastic model;
 - (iii) performing an aggregate calculation instead of policy by policy calculation;
- (b) simplification methods may also apply to the determination of best estimate liabilities and risk margin, including but not limited to expected losses on reinsurance recoverables due to counterparty default, reinstatement premiums on reinsurance recoverables, or application of contract boundaries.

Application of assumptions and expert judgement relating to technical provisions

9 (1) Insurers may utilise expert judgement when applying data used in the calculation of the technical provisions, the assumptions underlying the calculations, and the method applied to derive the technical provisions.

(2) Where expert judgement is utilised by an insurer to calculate the technical provisions in accordance with subparagraph (1), the following additional requirements apply —

- (a) the use of expert judgement shall not replace appropriate collection, processing and analysis of data;
- (b) expert judgement shall not be used in isolation unless there is no reliable alternative;
- (c) where expert judgement is solely utilised in accordance with subparagraph (2)(b), or results in a material impact on the derived best estimate, reasonable alternative assumptions are required to be tested by the insurer to ensure the selected assumption appropriately reflects the uncertainty in the outcome; and
- (d) persons applying expert judgment shall have adequate experience and sufficient relevant knowledge and understanding of the subject.

(3) Insurers shall ensure that internal users, which includes, but is not limited to, external service providers to whom functions or activities have been outsourced, of relevant assumptions are informed about the content, reliability and limitations of such assumptions.

(4) Where an insurer uses a model to produce projections of future financial market parameters, such model shall comply with the following requirements, it shall—

- (a) be risk neutral;
- (b) generate prices that are consistent with deep, liquid, and transparent financial markets;
- (c) assume no arbitrage opportunity; and
- (d) ensure that the calibration of the parameters and scenarios used is consistent with the relevant risk-free interest rate term structure used to calculate the best estimate.

(5) Assumptions applied by insurers in the calculation of technical provisions shall meet the following minimum requirements, whereby they are —

- (a) clear and justified, whereby insurers have taken into account —
 - (i) the significance of the assumption;
 - (ii) any uncertainty in the use of the assumption ; and
 - (iii) any relevant alternative assumption.
- (b) consistent with the characteristics of the portfolio of the insurer's insurance obligations;
- (c) applied by the insurer consistently over time and within homogeneous risk groups and lines of business, without arbitrary change;
- (d) adequately reflective of any uncertainty underlying the insurer's cash flows.

PART 3: TECHNICAL PROVISIONS – GENERAL CALCULATION PRINCIPLES

General

10 (1) Every insurer shall establish technical provisions under these Rules, with respect to insurance obligations relating to insurance contracts.

(2) The value of technical provisions shall be equal to the sum of a best estimate and a risk margin. The two components shall be calculated separately unless the technical provisions as a whole approach, under paragraph 31, is applied.

(3) Notwithstanding subparagraph (1), where cash flows associated with insurance obligations can be replicated using financial instruments, then insurers may use the market values of those financial instruments as the technical provisions.

(4) The value of technical provisions shall correspond to the current amount insurers would have to pay if they were to transfer their insurance obligations immediately to another insurer in an arm's length transaction.

(5) Insurers shall ensure that the calculation of the technical provisions shall include and be consistent with up-to-date financial market information and generally available data on insurance risks.

Segmentation

11 Insurers shall segment insurance obligations into homogeneous risk groups when calculating the technical provisions.

Insurance obligation recognition and contract boundaries

12 (1) When calculating the technical provisions, insurers shall recognise an insurance obligation at the date an insurer becomes a party to the contract of insurance that gives rise to the obligation or the date the insurance cover begins, whichever date occurs earlier. Insurers shall only recognise the obligations within the boundary of the contract.

(2) An insurer, when determining whether to include a contract of insurance within the technical provisions, shall consider—

- (i) whether or not such contract is legally enforceable; or
- (ii) on what terms the insurer could avoid the liability associated with the exposure.
- (iii) whether or not the insurer is able to materially change the terms or premium associated with the contract of insurance, where an insurer is legally required under law to provide the insurance cover.

(3) Insurers shall no longer recognise insurance obligations referred to in subparagraph (1), from the date such obligations become extinguished, including but not limited to, where they are discharged, cancelled or upon the date of expiration of the contract of insurance.

(4) All obligations relating to a contract of insurance will be considered by an insurer to be within the boundaries of such contract until any of the following matters arise —

- (a) an insurer is no longer required to provide coverage under the contract of insurance;
- (b) an insurer that has the contractual right or ability to reassess the risk of a policyholder or beneficiary of a contract of insurance and, as a result, can set a price that fully reflects the revised risk; or
- (c) where an insurer has the ability to reassess the risk of the portfolio that contains a contract of insurance and, as a result can set a price that fully reflects the risk of that portfolio.

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Data

13 (1) Insurers shall implement internal processes and procedures to ensure the appropriateness, completeness and accuracy of the data utilised in the calculation of technical provisions applicable to them.

(2) Where insurers have insufficient quality data to apply a reliable actuarial method to a set or subset of insurance obligations, or amounts recoverable from outwards reinsurance contracts, approximations may be used in the calculation of the best estimate.

Comparison against experience

14 (1) Insurers shall implement processes and procedures to ensure that the best estimate calculation, and the assumptions underlying such calculation, are regularly compared against experience.

(2) Where the review identifies systematic deviation between experience and the best estimate calculations conducted in accordance with the technical provisions Rules, the insurer shall make appropriate adjustments to the actuarial methods being used or the assumptions being made.

PART 4: TECHNICAL PROVISIONS - BEST ESTIMATE

Overview

15 (1) Insurers shall ensure that the best estimate calculation that is applied shall—

- (a) correspond to the probability-weighted average of future cash flows discounted, using the relevant interest rate term structure.
- (b) take into account the time value of money, using the relevant risk-free interest rate term structure with an appropriate illiquidity adjustment.
- (c) allow for uncertainty in future cash flows, and reflect the full potential range of possible outcomes, each weighted to reflect their respective probability of occurrence.
- (d) be based upon up-to-date, reliable, and credible information and realistic current assumptions and be performed using adequate, applicable and relevant actuarial and statistical methods. At each valuation date, the insurer shall consider whether the assumptions and methods applied continue to be appropriate and justify changes or no-changes.

(2) The best estimate gross of any recoverable amounts from outwards reinsurance contracts, and the corresponding best estimate of the recoverable amounts, shall be calculated and shown separately.

Cashflows and uncertainty in future cashflows

16 (1) The cash flows applied in the calculation of the best estimate shall include all future cash inflows and outflows required to settle insurance obligations that are within the contract boundaries (as defined in paragraph 12) of the existing insurance contracts.

(2) In relation to cash flows used in the calculation of best estimates in subparagraph (1), insurers shall take into account of the following types of cashflows, including but not limited to—

- (a) premium payments, including outwards (reinstatement or otherwise) premiums, and any additional cash flows resulting from such premiums;
- (b) benefit payments, including discretionary benefits, to cedents, policyholders and beneficiaries;
- (c) payments that the insurer will incur in providing contractual benefits in kind;

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- (d) expenses (including payments to intermediaries, claim costs, servicing costs and profit commissions) incurred in servicing insurance obligations over their lifetime;
 - (e) investment costs including payments between the insurer and investment firms in relation to contracts with index-linked and unit-linked benefits;
 - (f) payments between the insurer and intermediaries related to insurance obligations;
 - (g) payments for salvage and subrogation to the extent that such do not qualify as separate assets or liabilities in accordance with international accounting standards (such as IFRS or GAAP);
 - (h) taxation payments which are, or are expected to be, charged to policyholders and beneficiaries or are required to settle the insurance obligations;
 - (i) payments between the insurer and its reinsurers or other providers of risk mitigation, making due allowance for any expected shortfall in amounts to be received due to counterparty default (for whatever reason, including, but not limited to counterparty insolvency or contractual dispute); and
 - (j) Any other cashflow items which are expected to be charged to policyholders or required to settle the obligations.
- (3) cash flow projections applied in the calculation of the best estimate shall, take account of uncertainties in the cash flows, including uncertainties —
- (a) in the timing, frequency and severity of insured events;
 - (b) in claim amounts, including uncertainty in claims inflation, and in the period needed to settle and pay claims;
 - (c) in the amount of expenses;
 - (d) in the expected future developments;
 - (e) in policyholder behaviour;
 - (f) in the dependency between two or more causes of uncertainty;
 - (g) in the dependency of cash flows on circumstances prior to the date of the cash flow.

Expenses

- 17 (1) The best estimate shall reflect all cash-flows arising from expenses that will be incurred in servicing insurance obligations. This shall include but not be limited to the following expenses—
- (a) administrative;
 - (b) claims management;
 - (c) acquisition;
 - (d) investment;
 - (e) overhead.
- (2) In relation to subparagraph (1)(e), overhead expenses shall include but are not limited to:
- (a) salaries of general managers;
 - (b) auditing costs;
 - (c) day-to-day costs;
 - (d) new business development expenses;
 - (e) advertising and improvements of internal processes.
- (3) Insurers shall consider whether sufficient future new business will be sold to enable existing per policy expenses to be maintained with an appropriate rate of inflation. For closed books or

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declining business, consideration shall be given to whether additional expense reserves are required to reflect increasing per policy expenses as the business runs off.

(4) In the calculation of the best estimate, insurers may include investment- related expenses as a separate series of cashflows or such may be offset against the discount rate.

(5) The investment expenses in relation to subparagraph (1)(d) may be based on the hypothetical costs relating to a theoretical investment portfolio for business for which the standard approach, as defined in paragraph 27 has been adopted.

(6) Current administrative, claims management, investment as defined under subparagraph (1) and overhead expenses as defined in subparagraph (1) shall be projected forward by insurers using appropriate rates of expense inflation.

Different currencies application- best estimate calculation

18 (1) The time value of money of future cash-flows in different currencies shall be calculated by insurers using the relevant interest rate term structure for each relevant currency.

(2) Insurers shall ensure that discounted future cash-flows are converted to the reporting currency at the exchange rates in effect as of the valuation date, to obtain the best estimate.

(3) Best estimates to be calculated by currency shall be produced using material currencies and the insurer's reporting currency.

(4) Insurers shall consider data availability in creating and applying homogeneous risk groups by currency, to ensure that appropriate discount rates are available in the calculation the best estimate.

Allowance for recoveries from outwards (re)insurance contracts

19 (1) The best estimate of inflows and outflows from outwards (re)insurance contracts shall be based on principles consistent with those underlying the gross (of outwards (re)insurance) best estimate.

(2) Relevant cash flows, relating to outwards (re)insurance contracts, to be considered for calculation of the best estimate requirement shall include, where applicable, reinstatement premiums required to be paid to a (re)insurer, and expenses in relation to the management and administration of outwards (re)insurance claims.

(3) Insurers shall include projected outwards reinstatement premiums within the premium provisions. When calculating the best estimate of the reinstatement premiums under subparagraph (2), insurers shall ensure that—

- (a) they capture the uncertainty of claims experience, taking into account the likelihood and severity of all outcomes; and
- (b) the approach used to assess the level of reinstatement premiums is consistent with the valuation of the best estimate claims costs allowed for in the premium provisions; and
- (c) the administrative expenses associated with the cost of handling the reinstatement is also included in the premium provisions.

(4) Where recoveries from outwards (re)insurance contract are not dependent directly on gross claims payments, then the insurer shall take into account any structural mismatch between gross claims payments and amounts recoverable in determining their best estimate.

(5) Insurers shall consider the potential impact of timing differences between payment of gross claims and receiving related recoveries from (re)insurers.

Allowance for counterparty default

20 (1) The best estimate of outwards (re)insurance recoveries shall be adjusted to take account of expected losses due to counterparty default for whatever reason, including (re)insurer insolvency and contractual dispute.

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(2) The adjustment shall be calculated separately as the expected present value of the change in cash-flows underlying the amounts recoverable from the counterparty, resulting from a default of the counterparty at a certain point in time. This calculation shall therefore take into account possible default events over the lifetime of the rights arising from the corresponding outwards reinsurance contract and the dependence on time of the probability of default.

(3) Insurers may make allowance for counterparty credit risk mitigation techniques they have adopted as follows—

- (a) where such allowance involves the use of collateral assets, then the potential market risk on the relevant assets shall be taken into account; and
- (b) where security has been obtained by way of letter of credit, guarantee or similar arrangement, then insurers shall replace the rating of the reinsurer with the rating of the security provider.

Expected future developments

21 (1) An insurer's calculation of the best estimate shall take into account future developments, including trends, that may have a material impact on the cash inflows and outflows required to settle insurance obligations of a contract for insurance for the duration of the contract.

(2) Insurers shall regard future developments for the purposes of calculation of the best estimate requirement in subparagraph (1), to include demographic, legal, medical, technological, social, environmental and economic developments including inflation.

Allowance for management actions

22 (1) Insurers shall ensure that the best estimate calculation reflects potential management actions (that is any action the officers of an insurer may expect to carry out under specific future circumstances) and where and to the extent required, potential changes in policyholder behaviour.

(2) Management actions shall be reflected by insurers in the valuation of the best estimate provided that the management actions:

- (a) are clearly documented;
- (b) have been approved by the chief executive or senior executive;
- (c) are consistent with representations made to policyholders;
- (d) are realistic and consistent with the insurer's current business practice and business strategy, including the use of risk-mitigation techniques where there is sufficient evidence that the insurer will change its practices or strategy, the assumed management actions are consistent with the changed practices or strategy;
- (e) reflect the time and cost required to implement;
- (f) are consistent with past evidence of similar actions in similar circumstances;
- (g) are not contrary to any obligations towards policyholders and beneficiaries or to legal requirements applicable to the insurer;
- (h) are consistent with each other; and
- (i) are defined clearly as to when each would be taken.

(3) Assumptions relating to management actions shall be relevant to the insurers operations and shall take into account all of the following matters —

- (a) a comparison of assumed future management actions with management actions taken previously by the insurer;
- (b) a comparison of future management actions taken into account in the current and in the past calculations of the best estimate;
- (c) an assessment of the impact of changes in the assumptions on future management actions on the value of the technical provisions; and
- (d) the time needed to implement the management actions and any expenses relating to them.

Policyholder Behaviour

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23 (1) When determining the likelihood that policyholders will exercise contractual options, including lapses and surrenders, insurers shall conduct an analysis of past policyholder behaviour and a prospective assessment of expected policyholder behaviour.

(2) The analysis required in subparagraph (1) shall take into account all of the following matters—

- (a) analysis of previous data on policyholder actions, if available;
- (b) analysis of the degree to which it would be in the policyholder's interest to exercise the available option;
- (c) changes in the operating environment;
- (d) potential interaction with management actions;
- (e) the influence of economic conditions;
- (f) any other circumstances that are likely to influence decisions by policyholders on whether to exercise the option; and
- (g) possibility of recaptures for reinsurance transactions.

(3) An insurer shall consider whether the insurance liabilities may be materially affected by either management actions or policyholder behaviour across a range of potential future economic scenarios.

(4) In relation to liabilities that may be materially affected by management action and policyholder behaviour, assumptions are required to be taken into account by an insurer across a range of economic scenarios. Where such assumptions already exist, these are required to be reviewed by an insurer to ensure they are appropriate to be taken into account.

(5) The allowance for management action and policyholder behaviour shall be disclosed, together with information indicating the possible materiality on the calculation of the best estimate.

Discretionary benefits

24 Where future discretionary benefits depend on the assets held by the insurer, insurers shall base the calculation of the best estimate on the assets currently held by the insurer and shall assume future changes of their asset allocation in accordance with the requirements relating to management actions. Insurers shall ensure that assumptions applied on the future returns of the assets are consistent with the relevant interest rate term structure utilised.

Valuation of material guarantees and contractual options

25 (1) When calculating the best estimate, insurers shall identify and take into account all material financial guarantees, non-financial guarantees and contractual options included in insurance contracts (whether such are contained in the insurance liabilities or the assets backing the insurance liabilities).

(2) When calculating the best estimate, insurers shall take into account all factors which may affect the likelihood that policy holders will exercise contractual options or realise the value of financial guarantees.

Best estimate calculation method

26 (1) The best estimate shall be calculated in such a way as to ensure that the calculation method and the results that derive from it are capable of review by a competent person.

(2) The selection of actuarial and statistical methods utilised by insurers for the calculation of the best estimate requirement, shall—

- (a) reflect the risks affecting the underlying cash flows and the nature of the insurance obligations of insurer's contracts;
- (b) be consistent with and make use of, all relevant data available for the calculation of the best estimate.

(3) Where a calculation method is based on grouped policy data, insurers shall ensure that the grouping of policies creates homogeneous risk groups that appropriately reflect the risks of the individual policies included in such groups.

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(4) Insurers shall analyse the extent to which the present value of cash flows depend both on the—

- (a) the expected outcome of future events and developments; and
- (b) how the actual outcome in certain scenarios could deviate from the expected outcome.

(5) Where the present value of cash flows depends on future events and developments in accordance with subparagraph (4), insurers shall calculate the best estimate for cash flows applying methods which reflect such dependencies.

Discounting - 'Standard Approach'

27 (1) When calculating the best estimate, insurers shall take into account the time value of money using an applicable risk-free interest rate term structure with an appropriate illiquidity adjustment. The interest rate term structure applied shall take into account a partial reflection of the illiquidity premium existing in underlying assets held and mitigate artificial volatility on its balance sheets.

(2) Risk-free discount curves and illiquidity premium adjusted risk-free discount curves relating to certain currencies shall be prescribed by the Authority on its website at www.bma.bm/ and shall be applied by the insurers that use the standard approach in determining the best estimate for some or part of their liabilities.

(3) When insurers have liabilities in a currency where discount curves are not available under subparagraph (2), they should apply to the Authority under Section 6D of the Act for determining suitable discount curves for that currency.

(4) Where assumptions on investment returns are required for the purposes of calculating the best estimate, the investment returns shall be consistent with the relevant risk-free term structure applied by the insurer and shall take into account the illiquidity premium adjusted risk-free discount curves (as determined by the Authority) under subparagraph (2).

Calculation principles specific to general business

28 (1) This paragraph is applicable to business that is managed and valued using general business techniques.

(2) The best estimate for general business shall be calculated by insurers and shown separately for premium provisions, as defined in subparagraph (3), and for outstanding claims provisions as defined under subparagraph (4).

(3) Premium provisions shall relate to future claim events relating to insurance obligations falling within the contract boundary (as defined in paragraph 12).

(4) Outstanding claims provisions shall relate to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

(5) Insurers shall produce best estimate outstanding claims by BSCR line of business for the purposes of calculating the BSCR.

(6) Where an insurer has settled a claim and is making a series of payments over the lifetime of a policyholder or beneficiary, and the insurer is managing the claim using techniques similar to those usually employed by long-term business insurers for pay-out annuity business, then the insurer may elect to establish best estimate provisions for the outstanding claims for this business in a similar manner to the requirements imposed on long-term business.

(7) In relation to general business, insurers shall ensure that the risk margin shall not be split between premium provisions and loss and loss expense provisions.

(8) In relation to cashflows for insurance contracts with inception date after the valuation date, and the terms of the insurance contract cannot be changed unilaterally by an insurer, then such cashflows shall be included by insurers in the best estimate premium provisions as "bound but not incepted" or BBNI business.

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(9) Premiums that relate to unaccepted exposure (i.e. policies which incept after the valuation date) may include:

- (a) premiums written before the valuation date but incepting afterwards;
- (b) “tacit” renewals, which are renewals relating to offers that were made several months prior to the valuation date, but advice has not yet been received from the customer(s) that they wish to take them up.

(10) The insurer, when determining whether to include such business within the premium provisions, shall consider paragraph 12 subparagraph (2).

(11) Allowance shall be made by insurers for events that are not adequately reflected in the data used to derive the best estimate. The expected present value of future cash-flows relating to such events is referred to as “Events Not in Data Set” (ENIDS).

(12) Insurers shall ensure that approaches to arriving at estimates of ENIDS in accordance with subparagraph (10), shall be governed by well-informed assessments of the tail risks that apply to the portfolio being reviewed.

Calculation principles specific to long-term business

29 (1) This paragraph is applicable to business that is managed and valued using long-term business techniques.

(2) Cash-flow projections used in the calculation of best estimates for long-term business insurer obligations shall be undertaken separately for each contract of insurance, unless the requirements of subparagraph (3) are appropriate to be applied instead.

(3) Where the separate calculation for each contract of insurance in accordance with the requirements of subparagraph (2) would be a burden, an insurer may perform the projection by grouping contracts of insurance, provided that—

- (a) there are no significant differences in the nature and complexity of the risks underlying the contracts of insurance in the same group;
- (b) the grouping of contracts of insurance does not misrepresent the risk underlying the contracts of insurance and does not misrepresent their expenses;
- (c) the grouping of contracts of insurance is likely to give approximately the same results for the best estimate calculation as a calculation on a per contract of insurance basis, in particular in relation to financial guarantees and contractual options included in the contracts of insurance.

(3) Insurers shall ensure that no implicit or explicit surrender value floor shall be assumed for the amount of the market consistent value of liabilities for a contract of insurance.

**PART 5: TECHNICAL PROVISIONS - RISK MARGIN AND TECHNICAL PROVISIONS AS A
WHOLE**

Risk margin

30 (1) The risk margin of every insurer shall be calculated to ensure that the value of its technical provisions is equivalent to the amount that third party insurers would be expected to require in order to assume and fulfil their insurance obligations.

(2) Where insurers value the best estimate and the risk margin separately, the risk margin shall be calculated by determining the cost of providing an amount of available statutory economic capital and surplus equal to the ECR necessary to support the existing insurance obligations over their lifetime.

(3) The risk margin for an insurer shall be calculated using the cost of capital approach prescribed in the remaining of paragraph 30.

(4) The risk margin for an insurer's entire portfolio of insurance obligations shall be calculated using the following formula:

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$$RM = CoC \sum_{t \geq 0} \frac{ModECR_t}{(1+r_{t+1})^{t+1}}$$

Where:

CoC = the Cost-of-Capital rate as prescribed by the Authority on its website at www.bma.bm;

$ModECR_t$ = the projected ECR at time t, for the insurance, credit, operational and material, non-hedgeable market risks only. It shall be calculated at the valuation date (t=0), and annually thereafter until all insurance obligations have been settled.

r_t = the risk-free discount rate, prescribed by the Authority, for maturity at time t, for the currency in which the EBS has been prepared in.

(5) Insurers shall further ensure that the calculation of the risk margin under subparagraph (4), covers the full period required to run-off insurance liabilities and be discounted, applying the relevant risk-free discount curve (without the illiquidity adjustment) prescribed by the Authority;

(6) The calculation of the $ModECR_t$ component of the risk margin shall be calculated using the same principles as the insurer's ECR.

(7) The risk margin shall be calculated net of outwards reinsurance, at an aggregate level, separately by insurers relating to any general business or long-term business.

Technical provisions as a whole

31 (1) Where future cash flows associated with insurance obligations can be replicated reliably using financial instruments for which a reliable market value is observable, the value of technical provisions associated with those future cash flows shall be determined by insurers based on the market value of those financial instruments.

(2) Insurers are not required to provide separate calculations of the best estimate and the risk margin in connection with cash flows under subparagraph (1).

(3) For the purpose of determining the circumstances where some or all future cash flows associated with insurance obligations can be replicated reliably using financial instruments for which a reliable market value is observable under subparagraph (1), insurers shall —

- (a) assess whether obligations arising under subparagraphs (b) and (c) are met;
- (b) ensure that the value of technical provisions relating to such future cash flows, shall be equal to the market price of the financial instruments used in the replication;
- (c) further separate a policy into two or more components as appropriate ('unbundling') in order to satisfactorily identify liabilities for this purpose with some parts valued 'as a whole' and others where a best estimate is calculated.

(4) Insurers are required to ensure that —

- (a) cash flows of financial instruments replicate the uncertainty, in amount and timing, of its cash flows and any risks related to such cash flows, associated with its insurance obligations, in all possible scenarios;
- (b) cash flows of the financial instruments must, provide the same expected amount as the cash flows associated with the insurance obligations and the same pattern of variability.

(5) The following cash flows associated with insurance obligations of insurers will not be regarded by the Authority as replicable in a reliable manner by an insurer—

- (a) cash flows associated with insurance obligations that depend on the likelihood that policyholders will exercise contractual options;
- (b) all expenses incurred in servicing insurance obligations.

(6) For insurers to use financial instruments in replications, these shall be traded in active, deep, liquid and transparent markets.