



BERMUDA MONETARY AUTHORITY

CONSULTATION PAPER

COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES 2019

31 OCTOBER 2019

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I. INTRODUCTION

1. The Bermuda Monetary Authority (the Authority or BMA) presents its Consultation Paper for the introduction of the Collateralized Insurers Accounts, Returns and Solvency Rules 2019 (the Rules).
2. The BMA is proposing to enact the attached Rules governing the annual filing requirements applicable to Collateralized Insurers (CIs) in exercise of the power conferred to it by section 6A of the Insurance Act 1978 (the Act).

II. EXECUTIVE SUMMARY

3. The Rules largely formalise the regulatory framework proposed in the Authority's Consultation Paper, *New Insurers and Insurance Marketplace*¹, dated 14 May 2019. Changes adopted were based on the outcome of that consultative process.
4. The Act defines a CI as an insurer that carries on special purpose business but is not a Special Purpose Insurer (SPI). Consequently, the proposed Rules are largely a combination of the filing requirements that apply to SPIs and a Capital and Solvency Return (CSR) that is tailored to reflect the characteristics of a CI's business model. For example, if a CI wishes to purchase reinsurance protection to collateralise its re/insurance contract, and the CI assumes the risk of default on that reinsurance cover, the CSR will calculate a capital charge for the resulting credit risk.
5. The proposed filing requirements for CIs will be based on audited GAAP² financial statements. The Statutory Financial Return (SFR) is to be populated by mapping the GAAP Financial Statement values into the corresponding line items within the SFR. The SFR is not required to be accompanied by the typical statutory note disclosures.
6. Comments are sought on this approach. The BMA welcomes suggestions for alternative approaches where issues are raised. Subject to the outcome of the consultation process, the BMA intends that new Rules will be effective from 1 January 2020. Comments on the proposals outlined in this Paper should be submitted in writing to riskanalytics@bma.bm no later than Friday 29 November 2019.

III. BACKGROUND

7. The CI class was introduced by the passage of the Insurance Amendment Act 2019 on 5 August 2019.

¹ <https://www.bma.bm/viewPDF/documents/2019-05-14-11-47-20-c.-Consultation-Paper-New-Insurers-and-Insurance-Market-Place---Final.docx-May-14-2019.pdf>

² GAAP means Generally Accepted Accounting Principles as defined in the Rules.

8. The passage of the Insurance Amendment Act 2019 came after a consultative process that resulted in changes to the regulatory framework proposed for this new class of insurer³. These changes are reflected in the attached Rules.

IV. STATUTORY FINANCIAL RETURNS

9. Under the proposed Rules, CIs are required to file an annual SFR based on audited GAAP financial statements. The SFR's statutory balance sheet, statutory statement of income, and statutory statement of capital and surplus (the Statements) are included within, and are to be submitted with the Bermuda Solvency Capital Requirement – Collateralized model (BSCR). The Statements are to be populated with the corresponding values from the CI's GAAP financials. As a result, there is no additional audit requirement for the SFR.
10. CIs are to complete the Statements by entering the values for the Company only (or the general account) in the 'General Account' columns of the Statements. CIs registered as segregated accounts companies⁴ are to then combine the values of its segregated accounts and the general account in the 'Combined' columns of the Statements.
 - (a) CIs shall not write general insurance business and long-term business within the same entity and as such, the BSCR-Collateralized model contains a separate set of general and long-term business Forms 1SFS and 2SFS.
 - (b) To minimise the structural complexity of CIs, BMA approval will be required where a CI proposes to own subsidiaries. Such approval may result in additional SFR reporting requirements being applied. Consistent with (a) above, the Authority does not generally expect to authorise a general business CI owning a subsidiary which writes long-term business and vice versa.

V. AUDIT AND LOSS RESERVE SPECIALIST'S OPINIONS (LRSO)

11. The Rules include requirements for CIs to submit audited GAAP financial statements and the opinion of a loss reserve specialist (for general business) or the certificate of an approved actuary (for long-term business) with the CI's annual returns. The format of the LRSO shall be prepared in accordance with the Authority's 2006 Guidance Note #4 Role of the Loss Reserve Specialist or the 2005 Guidance Note #5 Role of the Approved Actuary. However, for the purpose of a Collateralized Insurer, given technical provisions are valued on a GAAP basis, the loss reserve specialist or approved actuary shall opine on the 'reasonableness' of the provisions rather than the 'adequacy'.

³ Unless otherwise indicated the terms "insurer" includes "reinsurer", and "insurance" includes "reinsurance".

⁴ Registered under the Segregated Accounts Companies Act 2000 or a Private Act.

12. The Authority shall, on a case-by-case basis, exercise its powers under the Act to modify or waive the audit and or LRSO requirements, where appropriate.
13. The Authority will consider the following factors when assessing applications from CIs to waive the requirement to submit audited GAAP Financial Statements:
 - (a) Whether the CI is funded by an investment fund which is registered by the Authority and that fund's financial statements filed with the Authority are audited
 - (b) The size of the CI including but not limited to the size of the balance sheet, volume of transactions, number of individual ceding re/insurers, etc.
 - (c) The CI's risk profile including the types of business written and the adequacy of the CI's control functions (i.e. governance, risk management, compliance, internal audit, etc.)
14. The Authority will consider the following factors when assessing an application from a CI to waive the requirement to submit the opinion of a loss reserve specialist:
 - (a) The CI has nil loss and loss expense provisions
 - (b) The CI has not incurred any claims on the business written
 - (c) The risk of adverse development of reserves is contractually assumed by the CI's policyholder

VI. CI SOLVENCY AND CAPITAL REQUIREMENT

15. The permanent capital requirement of CIs entails an Enhanced Capital Requirement (ECR) calculation within the BSCR-Collateralized model. The proposed ECR framework consists of market, credit and operational risk capital charges and is subject to a floor, being the CI Minimum Solvency Margin (MSM) of \$250,000. The Authority may adjust s CI's ECR and total statutory capital and surplus⁵ using Section 6D of the Act as necessary.
16. The market risk capital charge will apply only to those investments held as collateral by the CI for the benefit of ceding re/insurers where the CI bears the market risk⁶.
17. The credit risk capital charge applies to outwards reinsurance cover purchased by a CI. The amount of outwards reinsurance cover will be multiplied by capital factors based on the credit rating of the outwards reinsurance provider.

⁵ Total statutory capital and surplus for the purpose of complying with the ECR as defined in Rule 10(3).

⁶ For example, where a (re)insurance contract contains a 'top-up provision' which requires the CI to make good any impairment of the collateral assets as a result of market fluctuations.

- (a) The amount of outwards reinsurance cover will be the Probable Maximum Loss (PML)⁷ for outwards property catastrophe reinsurance or the PML-99 Tail Value at Risk (TVaR) determined from the reinsurance premium and grossed up by the appropriate Premium Risk factor⁸ for other reinsurance lines of business.
 - (b) Outwards reinsurance cover, which is itself collateralised, will result in a reduced net exposure value based on the quality of the collateral assets held by the reinsurance provider. Collateral consisting of cash and cash equivalents will directly reduce the net qualifying outwards exposure on a 1:1 basis and all other collateral assets will be allowable at a discount of 2% of the collateral amount to account for the associated market risk.
18. The operational risk capital charge will be calculated based on a CI's responses to the governance, risk management and investment policy questionnaires defined in paragraph 8 of Schedule I to the Rules. The total score achieved will determine the operational risk capital factor to be applied to the sum total of collateral held by the CI for the benefit of its ceding re/insurers.
- (a) The operational risk charge may be reduced by up to 50% based on the net aggregate limit of a CI's Errors and Omissions (E&O) or Professional Indemnity (PI) insurance cover purchased from an insurer rated A- or higher by AM Best or a similar rating agency as approved by the Authority. CIs are required to submit copies of their E&O or PI policies as well as the results of stress testing performed to demonstrate how the insurance policy would likely respond to relevant operational risk events.
19. The proposed Collateralized Insurers Accounts, Returns and Solvency Rules 2019 are attached to this Consultation Paper.

⁷ Probable Maximum Loss as defined in the Rules.

⁸ Refer to Table 3A in Schedule 1 to the Rules.

BERMUDA

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SCHEDULES

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 may be cited as the Collateralized Insurers Accounts, Returns and Solvency Rules 2019.

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Interpretation

2 In these Rules:

- “Act” means the Insurance Act 1978;
- “approved actuary” has the same meaning as in the Act;
- “BSCR-Collateralized model” means the Bermuda Solvency Capital Requirement - Collateralized model referred to in Rule 12 and Schedule I;
- “credit risk” includes the risk of loss arising from an insurer’s inability to collect funds from debtors;
- “ECR” means the enhanced capital requirement within the meaning of Rule 10(1);
- “filing date” has the meaning assigned to it in Rule 3;
- “GAAP” means generally accepting accounting principles as defined in Rules 5(2) and 14(2);
- “general account” is as defined in the Segregated Accounts Companies Act 2000;
- “general business” is as understood in the Act;
- “IFRS” means International Financial Reporting Standards;
- “insurance” has the same meaning as the expression “insurance business” has in the Act;
- “insurer” means a Collateralized Insurer as understood in the Act;
- “loss reserve specialist” has the same meaning as in the Act;
- “market risk” means the risk arising from fluctuations in –
- (a) values of, or income from, assets or in interest rates or exchange rates; or
 - (b) income from assets or interest rates or exchange rates;
- “operational risk” means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk;
- “outwards” in respect of reinsurance means reinsurance purchased by the insurer;
- “PML” means the probable maximum loss for property catastrophe reinsurance as defined in instruction (a) to Schedule XVIII;
- “relevant year” has the meaning assigned to it in Rule 4;
- “returns” means, together, statutory financial returns and capital and solvency returns;
- “segregated accounts” is as defined in the Segregated Accounts Companies Act 2000;
- “statutory assets” and “statutory liabilities” respectively means assets and liabilities established in conformity with the requirements of these rules for the statutory balance sheet of a Collateralized Insurer;
- “statutory balance sheet”, “statutory statement of income”, and “statutory statement of capital and surplus” have the meanings assigned to them in Rule 7;

Insurers to make returns in accordance with these Rules

- 3 (1) Except as otherwise allowed by a direction made under Section 56 of the Act affecting any insurer, the form of statutory financial returns that every insurer is to send to the Authority pursuant to Section 18(1) of the Act is the form that is prescribed in these Rules; and, except as aforesaid, it shall be the duty of every insurer to send to the Authority pursuant to Section 18(1) of the Act statutory financial returns in that form.
- (2) Except as otherwise allowed by an exemption or modification granted under Section 6C of the Act affecting any insurer, the form of capital and solvency returns that every insurer is to send to the Authority is the form that is prescribed in these Rules; and, except as aforesaid, it shall be the duty of every insurer to send to the Authority pursuant to these Rules capital and solvency returns in that form.

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(3) Every insurer is required to prepare and file an annual statutory financial return and capital and solvency return four months after the end of the financial year to which the returns relate.

Or such longer period, not exceeding seven months, as the Authority may allow in the case of that insurer on an application made to it for that purpose (the “filing date”).

Returns to relate to relevant year

4 (1) Every return prepared in accordance with these Rules shall relate to the relevant year.

(2) In these Rules, “relevant year” in relation to returns means the financial year to which the statutory financial return relates which is required to be available or filed under Section 18 of the Act.

Content of statutory financial returns

5 (1) The statutory financial return shall consist of –

- (a) an insurer information sheet;
- (b) a statutory balance sheet;
- (c) a statutory statement of income;
- (d) a statutory statement of capital and surplus; and
- (e) a declaration of compliance.

(2) The statutory balance sheet, statement of income and statement of capital and surplus shall be prepared on the basis of IFRS, GAAP that applies in Bermuda, Canada, the United Kingdom or the United States of America or such other GAAP as the Authority may recognise.

(3) Rules 6 through 9 have effect as to the form of the above components of the statutory financial return.

Insurer Information Sheet

6 (1) The Insurer Information Sheet shall state –

- (a) the name of the insurer and the title “Statutory Financial Return”;
- (b) the certificate of registration number;
- (c) class or classes of registration;
- (d) whether or not the insurer’s statutory financial return is available at the insurer’s principal office in Bermuda, or has been filed pursuant to section 17(3) of the Act;
- (e) the period covered by the statutory financial return;
- (f) the currency in which amounts are shown in the statutory financial return and whether that currency is the currency in which those amounts are shown;
- (g) the rate or rates of exchange used in compliance with Rule 17(4) for the purposes of any statutory financial return required by these Rules;
- (h) the name of the insurer’s ultimate parent;
- (i) the name of the insurer’s parent company;
- (j) the industry sector of the insurer’s parent;
- (k) the insurer’s ownership structure (for example, mutual company, company limited by shares, limited partnership, permit company, branch insurer, trust company, owned by a government or a government agency);
- (l) the insurer’s company structure, including –
 - (i) whether the insurer has written or currently writes Long-Term insurance business;
 - (ii) if the insurer wrote any Long-Term insurance business during the relevant year;
 - (iii) whether the insurer has subsidiaries or not;

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- (iv) whether any subsidiaries wrote Long-Term insurance business during the relevant year;
- (v) if the insurer's subsidiaries wrote Long-Term insurance business during the relevant year and are located in jurisdictions outside of Bermuda, the names of such jurisdictions;
- (m) the nature of the insurance business carried on by the insurer, including –
 - (i) whether the insurer is a member of an insurance group;
 - (ii) whether the insurer has segregated accounts;
 - (iii) whether the insurer is in run-off;
 - (iv) whether the audit of the GAAP financial statements for the relevant year resulted in the issuance of an unqualified audit opinion and if a qualified opinion was issued, indicate the nature of the qualification;
 - (v) whether the minimum solvency margin was met;
- (n) the conditions, if any, which have been imposed on the insurer's registration under section 4 of the Act;
- (o) whether or not the insurer has complied with every condition attached to its certificate of registration;
- (p) the particulars, if any, of any direction issued or any other approvals granted by the Authority;
- (q) if any question in clause (m)(v) or (o) has been answered in the negative, whether or not the insurer has taken corrective action in any case and, where the insurer has taken such action, describe the action in a statement attached to the return.

Statutory balance sheet, statement of income and statement of capital and surplus

7 (1) Subject to Rule 5, the statutory balance sheet the statutory statement of income and the statutory statement of capital and surplus shall be populated from the insurer's audited GAAP financial statements required in Rule 14.

(2) The insurer shall –

- (a) combine the operations of its segregated accounts and general account in the combined statutory balance sheet, combined statutory statement of income and combined statutory statement of capital and surplus; and
- (b) prepare the statutory balance sheet, statutory statement of income and statutory statement of capital and surplus of its general account on an uncombined basis.

Declaration of compliance

8 (1) Every insurer shall at the time of filing its statutory financial return under Rule 3, also deliver to the Authority a declaration in such form and with such content as the Authority may require, in accordance with section 15A of the Act.

Minimum margin of solvency for Collateralized Insurers

9 (1) For the purposes of section 6 of the Act, the minimum amount by which the value of the statutory assets of an insurer must exceed its statutory liabilities is \$250,000.

ECR

10 (1) An insurer's ECR shall be calculated at the end of its relevant year by reference to the BSCR-Collateralized model provided that the ECR shall at all times be an amount equal to, or exceeding, the minimum margin of solvency, as prescribed by Rule 9.

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

- (a) the ECR as calculated at the end of its most recent relevant year; or
- (b) the ECR calculated after an adjustment has been made by the Authority under section 6D of the Act and has not otherwise been suspended under section 44A (4) of the Act,

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whichever is later.

(3) Every insurer shall maintain total statutory capital and surplus to an amount that is equal to or exceeds the value of the ECR. An insurer's total statutory capital and surplus for the purpose of complying with the ECR shall be the amount entered on line 40 of the statutory balance sheet less the assets held as collateral for the benefit of the insurer's ceding (re)insurers entered in the 'Total collateral held on balance sheet' line of the statutory balance sheet supplemental information.

Content of capital and solvency returns

11 (1) The capital and solvency return shall comprise the following documents and attachments within the BSCR-Collateralized model –

(2) Documents –

- (a) an electronic version of the BSCR-Collateralized model and the returns prescribed under Schedules II, V and XVIII; and
- (b) a signed declaration of capital and solvency returns.

(3) Attachments –

- (a) audited GAAP financial statements;
- (b) opinion of loss reserve specialist or approved actuary; and
- (c) an Alternative Capital Schedule;

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

(5) In this Rule, "filing date" has the meaning given in Rule 3.

(6) Rules 12 through 16, have effect as to the form of the above components of the capital and solvency return.

BSCR-Collateralized model

12 (1) The BSCR-Collateralized model, set out in Schedule I, has effect.

Declaration of capital and solvency returns

13 (1) Every capital and solvency return made by an insurer under Rule 11 shall be accompanied with a declaration signed by two directors of the insurer and by the insurer's principal representative declaring that to the best of their knowledge and belief, the return fairly represents the financial condition of the insurer in all material respects.

Audited GAAP financial statements

14 (1) Every insurer shall, in accordance with these Rules, prepare GAAP financial statements, in respect of its insurance business for each financial year.

(2) Such financial statements shall be prepared in accordance with –

- (i) IFRS;
- (ii) GAAP that applies in Bermuda, Canada, the United Kingdom or the United States of America;
- (iii) Condensed GAAP prepared in accordance with the Insurance Accounts Rules 2016; or
- (iv) such other GAAP as the Authority may recognise.

Opinion of loss reserve specialist or Certificate of approved actuary

15 (1) An insurer shall, at the time of furnishing its capital and solvency return in accordance with Rule 11, also file with the Authority an opinion of its loss reserve specialist, which takes into account its general business loss and loss expense provisions entered on line 17 of the statutory balance sheet or a certificate prepared by an actuary approved by the Authority under section 26(1) of the Act, as to the amount of such insurer's liabilities

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outstanding on account of its long-term business as entered on line 27 of the statutory balance sheet, annually.

Alternative Capital Schedule

16 (1) The Alternative Capital Schedule, set out in Schedule V, has effect.

Requirements relating to preparation of returns generally

17 (1) All returns shall be prepared in the English language.

(2) All amounts which, for any purposes of these Rules, are to be shown in any return of any insurer shall be shown in a single currency, and that currency shall be the currency in which the books and records of the insurer are kept in the insurer's principal office in Bermuda or, where different books and records are kept in different currencies in that office, then the currency in which the majority of those books and records are kept.

(3) Notwithstanding subparagraph (2), where the Authority pursuant to section 17(1) of the Act directs the production to it of statutory financial returns and amounts in those returns are shown in a foreign currency, those amounts must be converted into their Bermudian equivalent before the said returns are so produced.

(4) For the purposes of subparagraphs (2) and (3), the Bermudian equivalent of an amount in a foreign currency shall be the Bermudian dollar equivalent of that amount as converted into Bermudian dollars at the rate of exchange used by any licensed bank in Bermuda or any central bank in relation to purchases by that bank of that foreign currency on the last day of the relevant year.

(5) For all items shown in any return of any insurer (other than a statutory open year business revenue statement), there shall be shown the corresponding amounts for the immediately preceding financial year.

Offences

18 (1) Any person who, in or in relation to a return or a document annexed to a return, makes, or joins in making, any statement which he knows to be false or does not believe to be true commits an offence against these Rules; and in this paragraph "make a statement", in relation to any statement made, includes a willful omission to state something that is material.

(2) If, for the purposes of any provision of these Rules (being a provision requiring or allowing for a statement to be made) either:

- (a) any insurer; or
- (b) any director or officer of an insurer; or
- (c) any approved auditor,

makes a statement which owing to its or his gross negligence in making the statement is wrong, or grossly misleading, in a material respect, if or he commits an offence against these Rules.

Commencement

19 (1) These Rules come into operation on 1 January 2020.

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SCHEDULES

(Rules 7, 11 and 12)

The following Schedules, referred to in Rules 7, 11 and 12, have been omitted from these Rules and published on the Authority's website www.bma.bm, in accordance with section 6A(8) of the Insurance Act 1978—

PRESCRIBED FORMS OF STATUTORY FINANCIAL RETURNS

Form 1SFS Statutory Balance Sheet

Form 2SFS Statutory Statement of Income

Form 8SFS Statutory Statement of Capital and Surplus

SCHEDULE I – BERMUDA SOLVENCY CAPITAL REQUIREMENT – COLLATERALIZED INSURERS

SCHEDULE II – SCHEDULE OF FIXED INCOME AND EQUITY INVESTMENTS BY BSCR RATING

SCHEDULE V – SCHEDULE OF RISK MANAGEMENT

SCHEDULE XVIII – SCHEDULE OF PARTICULARS OF OUTWARDS REINSURANCE

Made this 1st day of December 2019

Chairman
The Bermuda Monetary Authority

SCHEDULES

(Rules 7, 11, and 12)

The following Schedules, referred to in Rules 7, 11 and 12, have been omitted from these Rules and published on the Authority's website www.bma.bm, in accordance with section 6A(8) of the Insurance Act 1978—

PRESCRIBED FORMS OF STATUTORY FINANCIAL RETURNS

Form 1SFS Statutory Balance Sheet

Form 2SFS Statutory Statement of Income

Form 8SFS Statutory Statement of Capital and Surplus

SCHEDULE I – BERMUDA SOLVENCY CAPITAL REQUIREMENT – COLLATERALIZED INSURERS

SCHEDULE II – SCHEDULE OF FIXED INCOME AND EQUITY INVESTMENTS BY BSCR RATING

SCHEDULE V – SCHEDULE OF RISK MANAGEMENT

SCHEDULE XVIII – SCHEDULE OF PARTICULARS OF OUTWARDS REINSURANCE

Made this 1st day of December 2019

Chairman
The Bermuda Monetary Authority

DRAFT

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PRESCRIBED FORMS OF STATUTORY FINANCIAL RETURNS

FORM 1SFS

[Rule 7]

General business

STATUTORY BALANCE SHEET

[blank] name of Company
as at [blank] (day/month/year)
expressed in [blank] (currency used (Rule 19(4)))

		(A)	(B)	(C)	(D)
		General Business		General Business	
		GENERAL ACCOUNT		COMBINED	
	ASSETS				
Line No		20XX	20XX-1	20XX	20XX-1
1.	CASH AND CASH EQUIVALENTS	XXX	XXX	XXX	XXX
2.	QUOTED INVESTMENTS:				
(a)	Bonds and Debentures				
	(i) Held to Maturity	XXX	XXX	XXX	XXX
	(ii) Other	XXX	XXX	XXX	XXX
(b)	Total Bonds and Debentures	XXX	XXX	XXX	XXX
(c)	Equities				
	(i) Common stocks	XXX	XXX	XXX	XXX
	(ii) Preferred stocks	XXX	XXX	XXX	XXX
	(iii) Mutual funds	XXX	XXX	XXX	XXX
(d)	Total equities	XXX	XXX	XXX	XXX
(e)	Other quoted investments	XXX	XXX	XXX	XXX
(f)	Total quoted investments	XXX	XXX	XXX	XXX
3.	UNQUOTED INVESTMENTS:				
(a)	Bonds and Debentures				
	(i) Held to Maturity	XXX	XXX	XXX	XXX
	(ii) Other	XXX	XXX	XXX	XXX
(b)	Total Bonds and Debentures	XXX	XXX	XXX	XXX
(c)	Equities				
	(i) Common stocks	XXX	XXX	XXX	XXX
	(ii) Preferred stocks	XXX	XXX	XXX	XXX
	(iii) Mutual funds	XXX	XXX	XXX	XXX
(d)	Total equities	XXX	XXX	XXX	XXX
(e)	Other unquoted investments	XXX	XXX	XXX	XXX
(f)	Total unquoted investments	XXX	XXX	XXX	XXX
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES				
(a)	Unregulated entities that conduct ancillary services	XXX	XXX	XXX	XXX
(b)	Unregulated non-financial operating entities	XXX	XXX	XXX	XXX
(c)	Unregulated financial operating entities	XXX	XXX	XXX	XXX
(d)	Regulated non-insurance financial operating entities	XXX	XXX	XXX	XXX
(e)	Regulated insurance financial operating entities	XXX	XXX	XXX	XXX
(f)	Total investments in affiliates	XXX	XXX	XXX	XXX
(g)	Advances to affiliates	XXX	XXX	XXX	XXX
(h)	Total investments in and advances to affiliates	XXX	XXX	XXX	XXX

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5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:				
(a)	First liens	XXX	XXX	XXX	XXX
(b)	Other than first liens	XXX	XXX	XXX	XXX
(c)	Total investment in mortgage loans on real-estate	XXX	XXX	XXX	XXX
7.	REAL ESTATE:				
(a)	Occupied by the company (less encumbrances)	XXX	XXX	XXX	XXX
(b)	Other properties (less encumbrances)	XXX	XXX	XXX	XXX
(c)	Total real estate	XXX	XXX	XXX	XXX
8.	COLLATERAL LOANS	XXX	XXX	XXX	XXX
9.	INVESTMENT INCOME DUE AND ACCRUED	XXX	XXX	XXX	XXX
10.	ACCOUNTS AND PREMIUMS RECEIVABLE				
(a)	In course of collection	XXX	XXX	XXX	XXX
(b)	Deferred – not yet due	XXX	XXX	XXX	XXX
(c)	Receivables from retrocessional contracts	XXX	XXX	XXX	XXX
(d)	Total accounts and premiums receivable	XXX	XXX	XXX	XXX
11.	REINSURANCE BALANCES RECEIVABLE				
(a)	Foreign affiliates	XXX	XXX	XXX	XXX
(b)	Domestic affiliates	XXX	XXX	XXX	XXX
(c)	Pools & associations	XXX	XXX	XXX	XXX
(d)	All other insurers	XXX	XXX	XXX	XXX
(e)	Total reinsurance balances receivable	XXX	XXX	XXX	XXX
12.	FUNDS HELD BY CEDING REINSURERS	XXX	XXX	XXX	XXX
13.	SUNDRY ASSETS				
(a)	Derivative instruments	XXX	XXX	XXX	XXX
(d)	Segregated accounts – General business	XXX	XXX	XXX	XXX
(e)	Deposit assets	XXX	XXX	XXX	XXX
(f)	Deferred acquisition costs	XXX	XXX	XXX	XXX
(g)	Net receivables for investments sold	XXX	XXX	XXX	XXX
(h)	Other sundry assets 1 (specify)	XXX	XXX	XXX	XXX
(i)	Other sundry assets 2 (specify)	XXX	XXX	XXX	XXX
(j)	Other sundry assets 3 (specify)	XXX	XXX	XXX	XXX
(k)	Total sundry assets	XXX	XXX	XXX	XXX
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS				
(a)	Letters of credit	XXX	XXX	XXX	XXX
(b)	Guarantees	XXX	XXX	XXX	XXX
(c)	Other instruments	XXX	XXX	XXX	XXX
(d)	Total letters of credit, guarantees and Other instruments	XXX	XXX	XXX	XXX
15.	TOTAL	XXX	XXX	XXX	XXX

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

	INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS				
16.	UNEARNED PREMIUM RESERVE	XXX	XXX	XXX	XXX
(a)	Gross unearned premium reserves	XXX	XXX	XXX	XXX
(b)	Less: Ceded unearned premium reserve				
	(i) Foreign affiliates	XXX	XXX	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX	XXX	XXX
	(iii) Pools & associations	XXX	XXX	XXX	XXX
	(iv) All other insurers	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(c)	Total ceded unearned premium reserve	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(d)	Net unearned premium reserves	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
17.	LOSS AND LOSS EXPENSE PROVISIONS				
(a)	Gross loss and loss expense provisions	XXX	XXX	XXX	XXX
(b)	Less: Reinsurance recoverable balance				
	(i) Foreign affiliates	XXX	XXX	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX	XXX	XXX
	(iii) Pools & associations	XXX	XXX	XXX	XXX
	(iv) All other insurers	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(c)	Total reinsurance recoverable balance	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(d)	Net loss and loss expense provisions	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
18.	OTHER INSURANCE GENERAL BUSINESS RESERVES	XXX	XXX	XXX	XXX
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
	OTHER LIABILITIES				
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	XXX	XXX	XXX	XXX
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	XXX	XXX	XXX	XXX
30.	LOANS AND NOTES PAYABLE	XXX	XXX	XXX	XXX
31.	(a) INCOME TAXES PAYABLE	XXX	XXX	XXX	XXX
	(b) DEFERRED INCOME TAXES	XXX	XXX	XXX	XXX
32.	AMOUNTS DUE TO AFFILIATES	XXX	XXX	XXX	XXX
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	XXX	XXX	XXX	XXX
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS	XXX	XXX	XXX	XXX
35.	DIVIDENDS PAYABLE	XXX	XXX	XXX	XXX
36.	SUNDRY LIABILITIES				
(a)	Derivative instruments	XXX	XXX	XXX	XXX
(b)	Segregated accounts companies	XXX	XXX	XXX	XXX
(c)	Deposit liabilities	XXX	XXX	XXX	XXX
(d)	Net payable for investments purchased	XXX	XXX	XXX	XXX
(e)	Other sundry liabilities 1 (specify)	XXX	XXX	XXX	XXX
(f)	Other sundry liabilities 2 (specify)	XXX	XXX	XXX	XXX
(g)	Other sundry liabilities 3 (specify)	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(h)	Total sundry liabilities	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS				
(a)	Letters of credit	XXX	XXX	XXX	XXX
(b)	Guarantees	XXX	XXX	XXX	XXX
(c)	Other instruments	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

(d)	Total letters of credit, guarantees and Other instruments	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
38.	TOTAL OTHER LIABILITIES	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
	STATUTORY CAPITAL AND SURPLUS				
40.	TOTAL STATUTORY CAPITAL AND SURPLUS	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
41.	TOTAL INSURANCE RESERVES, OTHER LIABILITES AND STATUTORY CAPITAL AND SURPLUS	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

Statutory balance sheet supplementary information:

COLLATERAL HELD FOR THE BENEFIT OF CEDING (RE)INSURERS			
	20XX	20XX-1	
COLLATERAL ON BALANCE SHEET			
Cash and cash equivalents	XXX	XXX	
Total quoted investments	XXX	XXX	
Total unquoted investments	XXX	XXX	
Funds held by ceding (re)insurers	XXX	XXX	
Other asset types (specify)	<u>XXX</u>	<u>XXX</u>	[NOTES]
Total collateral on balance sheet	<u>XXX</u>	<u>XXX</u>	
CONTINGENT COLLATERAL			
Outwards reinsurance exposure	XXX	XXX	
Letters of credit	XXX	XXX	
Other contingent sources of collateral (specify)	XXX	XXX	[NOTES]
Total contingent collateral	<u>XXX</u>	<u>XXX</u>	
TOTAL COLLATERAL HELD FOR THE BENEFIT OF CEDING (RE)INSURERS	<u>XXX</u>	<u>XXX</u>	

Instructions to Form 1SFS:

Line 41 Collateralized Insurers shall enter the assets and liabilities of the Company only (or the general account) in the 'General Account' columns of Form 1SFS. Insurers registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the "SAC Act") or a private act shall then combine the assets and liabilities of the segregated accounts and the general account in the 'Combined' columns of Form 1SFS. An insurer with no segregated accounts shall enter the same amounts in both the General Account and Combined columns of Form 1SFS.

Line 41 As required by Rule 7, the assets and liabilities of an insurer shall be recorded based on the GAAP recognition and measurement principles adopted by the insurer.

Supplementary Information Every insurer shall provide detail of the total collateral held for the benefit of ceding (re)insurers by type of collateral and provide explanatory notes where applicable. Outwards reinsurance cover included as contingent collateral shall be presented as the PML for outwards property catastrophe reinsurance or the PML-99 TVaR determined from the reinsurance premium and grossed up by the appropriate premium risk factor for other reinsurance lines of business (as described in paragraph 7 of Schedule I).

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

Form 1SFS

[Rule 7]

Long-term business

STATUTORY BALANCE SHEET

[blank] name of Company
as at [blank] (day/month/year)
expressed in [blank] (currency used (vide Rule 19(4)))

		(A)	(B)	(C)	(D)
		Long-Term Business		Long-Term Business	
		GENERAL ACCOUNT		COMBINED	
Line No		20XX	20XX-1	20XX	20XX-1
	ASSETS				
1.	CASH AND CASH EQUIVALENTS	XXX	XXX	XXX	XXX
2.	QUOTED INVESTMENTS:				
(a)	Bonds and Debentures				
	(i) Held to Maturity	XXX	XXX	XXX	XXX
	(ii) Other	XXX	XXX	XXX	XXX
(b)	Total Bonds and Debentures	XXX	XXX	XXX	XXX
(c)	Equities				
	(i) Common stocks	XXX	XXX	XXX	XXX
	(ii) Preferred stocks	XXX	XXX	XXX	XXX
	(iii) Mutual funds	XXX	XXX	XXX	XXX
(d)	Total equities	XXX	XXX	XXX	XXX
(e)	Other quoted investments	XXX	XXX	XXX	XXX
(f)	Total quoted investments	XXX	XXX	XXX	XXX
3.	UNQUOTED INVESTMENTS:				
(a)	Bonds and Debentures				
	(i) Held to Maturity	XXX	XXX	XXX	XXX
	(ii) Other	XXX	XXX	XXX	XXX
(b)	Total Bonds and Debentures	XXX	XXX	XXX	XXX
(c)	Equities				
	(i) Common stocks	XXX	XXX	XXX	XXX
	(ii) Preferred stocks	XXX	XXX	XXX	XXX
	(iii) Mutual funds	XXX	XXX	XXX	XXX
(d)	Total equities	XXX	XXX	XXX	XXX
(e)	Other unquoted investments	XXX	XXX	XXX	XXX
(f)	Total unquoted investments	XXX	XXX	XXX	XXX
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES				
(a)	Unregulated entities that conduct ancillary services	XXX	XXX	XXX	XXX
(b)	Unregulated non-financial operating entities	XXX	XXX	XXX	XXX
(c)	Unregulated financial operating entities	XXX	XXX	XXX	XXX
(d)	Regulated non-insurance financial operating entities	XXX	XXX	XXX	XXX
(e)	Regulated insurance financial operating entities	XXX	XXX	XXX	XXX
(f)	Total investments in affiliates	XXX	XXX	XXX	XXX
(g)	Advances to affiliates	XXX	XXX	XXX	XXX
(h)	Total investments in and advances to affiliates	XXX	XXX	XXX	XXX

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:				
(a)	First liens	XXX	XXX	XXX	XXX
(b)	Other than first liens	XXX	XXX	XXX	XXX
(c)	Total investment in mortgage loans on real-estate	XXX	XXX	XXX	XXX
6.	POLICY LOANS	XXX	XXX	XXX	XXX
7.	REAL ESTATE:				
(a)	Occupied by the company (less encumbrances)	XXX	XXX	XXX	XXX
(b)	Other properties (less encumbrances)	XXX	XXX	XXX	XXX
(c)	Total real estate	XXX	XXX	XXX	XXX
8.	COLLATERAL LOANS	XXX	XXX	XXX	XXX
9.	INVESTMENT INCOME DUE AND ACCRUED	XXX	XXX	XXX	XXX
10.	ACCOUNTS AND PREMIUMS RECEIVABLE				
(a)	In course of collection	XXX	XXX	XXX	XXX
(b)	Deferred – not yet due	XXX	XXX	XXX	XXX
(c)	Receivables from retrocessional contracts	XXX	XXX	XXX	XXX
(d)	Total accounts and premiums receivable	XXX	XXX	XXX	XXX
11.	REINSURANCE BALANCES RECEIVABLE				
(a)	Foreign affiliates	XXX	XXX	XXX	XXX
(b)	Domestic affiliates	XXX	XXX	XXX	XXX
(c)	Pools & associations	XXX	XXX	XXX	XXX
(d)	All other insurers	XXX	XXX	XXX	XXX
(e)	Total reinsurance balances receivable	XXX	XXX	XXX	XXX
12.	FUNDS HELD BY CEDING REINSURERS	XXX	XXX	XXX	XXX
13.	SUNDRY ASSETS				
(a)	Derivative instruments	XXX	XXX	XXX	XXX
(b)	Segregated accounts – Long-Term business – variable annuities	XXX	XXX	XXX	XXX
(c)	Segregated accounts – Long-Term business – other	XXX	XXX	XXX	XXX
(e)	Deposit assets	XXX	XXX	XXX	XXX
(f)	Deferred acquisition costs	XXX	XXX	XXX	XXX
(g)	Net receivables for investments sold	XXX	XXX	XXX	XXX
(h)	Other sundry assets 1 (specify)	XXX	XXX	XXX	XXX
(i)	Other sundry assets 2 (specify)	XXX	XXX	XXX	XXX
(j)	Other sundry assets 3 (specify)	XXX	XXX	XXX	XXX
(k)	Total sundry assets	XXX	XXX	XXX	XXX
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS				
(a)	Letters of credit	XXX	XXX	XXX	XXX
(b)	Guarantees	XXX	XXX	XXX	XXX
(c)	Other instruments	XXX	XXX	XXX	XXX
(d)	Total letters of credit, guarantees and Other instruments	XXX	XXX	XXX	XXX
15.	TOTAL	XXX	XXX	XXX	XXX

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

	LONG-TERM BUSINESS INSURANCE TECHNICAL PROVISIONS, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS				
20.	RESERVE FOR REPORTED CLAIMS	XXX	XXX	XXX	XXX
21.	RESERVE FOR UNREPORTED CLAIMS	XXX	XXX	XXX	XXX
22.	POLICY RESERVES – LIFE	XXX	XXX	XXX	XXX
23.	POLICY RESERVES – ACCIDENT AND HEALTH	XXX	XXX	XXX	XXX
24.	POLICYHOLDERS’ FUNDS ON DEPOSIT	XXX	XXX	XXX	XXX
25.	LIABILITY FOR FUTURE POLICYHOLDERS’ DIVIDENDS	XXX	XXX	XXX	XXX
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	XXX	XXX	XXX	XXX
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES				
(a)	Total gross long-term business insurance Reserves	XXX	XXX	XXX	XXX
(b)	Less: Reinsurance recoverable balance on Long-term business	XXX	XXX	XXX	XXX
	(i) Foreign affiliates	XXX	XXX	XXX	XXX
	(ii) Domestic affiliates	XXX	XXX	XXX	XXX
	(iii) Pools & associations	XXX	XXX	XXX	XXX
	(iv) All other insurers	XXX	XXX	XXX	XXX
(c)	Total reinsurance recoverable balance	XXX	XXX	XXX	XXX
(d)	Total net long-term business insurance Reserves	XXX	XXX	XXX	XXX
	OTHER LIABILITIES				
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	XXX	XXX	XXX	XXX
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	XXX	XXX	XXX	XXX
30.	LOANS AND NOTES PAYABLE	XXX	XXX	XXX	XXX
31.	(a) INCOME TAXES PAYABLE	XXX	XXX	XXX	XXX
	(b) DEFERRED INCOME TAXES	XXX	XXX	XXX	XXX
32.	AMOUNTS DUE TO AFFILIATES	XXX	XXX	XXX	XXX
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	XXX	XXX	XXX	XXX
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS	XXX	XXX	XXX	XXX
35.	DIVIDENDS PAYABLE	XXX	XXX	XXX	XXX
36.	SUNDRY LIABILITIES				
(a)	Derivative instruments	XXX	XXX	XXX	XXX
(b)	Segregated accounts companies	XXX	XXX	XXX	XXX
(c)	Deposit liabilities	XXX	XXX	XXX	XXX
(d)	Net payable for investments purchased	XXX	XXX	XXX	XXX
(e)	Other sundry liabilities 1 (specify)	XXX	XXX	XXX	XXX
(f)	Other sundry liabilities 2 (specify)	XXX	XXX	XXX	XXX
(g)	Other sundry liabilities 3 (specify)	XXX	XXX	XXX	XXX
(h)	Total sundry liabilities	XXX	XXX	XXX	XXX
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS				
(a)	Letters of credit	XXX	XXX	XXX	XXX
(b)	Guarantees	XXX	XXX	XXX	XXX
(c)	Other instruments	XXX	XXX	XXX	XXX

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

(d)	Total letters of credit, guarantees and Other instruments	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
38.	TOTAL OTHER LIABILITIES	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
	STATUTORY CAPITAL AND SURPLUS				
40.	TOTAL STATUTORY CAPITAL AND SURPLUS	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
41.	TOTAL	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

Statutory balance sheet supplementary information:

COLLATERAL HELD FOR THE BENEFIT OF CEDING (RE)INSURERS			
	20XX	20XX-1	
COLLATERAL ON BALANCE SHEET			
Cash and cash equivalents	XXX	XXX	
Total quoted investments	XXX	XXX	
Total unquoted investments	XXX	XXX	
Funds held by ceding (re)insurers	XXX	XXX	
Other asset types (specify)	<u>XXX</u>	<u>XXX</u>	[NOTES]
Total collateral on balance sheet	<u>XXX</u>	<u>XXX</u>	
CONTINGENT COLLATERAL			
Outwards reinsurance exposure	XXX	XXX	
Letters of credit	XXX	XXX	
Other contingent sources of collateral (specify)	XXX	XXX	[NOTES]
Total contingent collateral	<u>XXX</u>	<u>XXX</u>	
TOTAL COLLATERAL HELD FOR THE BENEFIT OF CEDING (RE)INSURERS	<u>XXX</u>	<u>XXX</u>	

Instructions to Form 1SFS:

Line 41 Collateralized Insurers shall enter the assets and liabilities of the Company only (or the general account) in the 'General Account' columns of Form 1SFS. Insurers registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the "SAC Act") or a private act shall then combine the assets and liabilities of the segregated accounts and the general account in the 'Combined' columns of Form 1SFS. An insurer with no segregated accounts shall enter the same amounts in both the General Account and Combined columns of Form 1SFS.

Line 41 As required by Rule 7, the assets and liabilities of an insurer shall be recorded on the basis of the GAAP recognition and measurement principles adopted by the insurer.

Supplementary Information Every insurer shall provide detail of the total collateral held for the benefit of ceding (re)insurers by type of collateral and provide explanatory notes where applicable. Outwards reinsurance cover included as contingent collateral shall be presented as the PML for outwards property catastrophe reinsurance or the PML-99 TVaR determined from the reinsurance premium and grossed up by the appropriate premium risk factor for other reinsurance lines of business (as described in paragraph 7 of Schedule I).

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

FORM 2SFS

[Rule 7]

General business

STATUTORY STATEMENT OF INCOME

[blank] name of Company
For the [period]/[year] ended [blank] (day/month/year)
expressed in [blank] (currency used (Rule 19(4)))

		(A)	(B)	(C)	(D)
		General Business		General Business	
		GENERAL ACCOUNT		COMBINED	
Line No		20XX	20XX-1	20XX	20XX-1
	GENERAL BUSINESS UNDERWRITING INCOME				
1.	GROSS PREMIUMS WRITTEN				
(a)	Direct gross premiums written	XXX	XXX	XXX	XXX
(b)	Assumed gross premiums written	XXX	XXX	XXX	XXX
(c)	Total gross premiums written	XXX	XXX	XXX	XXX
2.	REINSURANCE PREMIUMS CEDED	XXX	XXX	XXX	XXX
3.	NET PREMIUMS WRITTEN	XXX	XXX	XXX	XXX
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	XXX	XXX	XXX	XXX
5.	NET PREMIUMS EARNED	XXX	XXX	XXX	XXX
6.	OTHER INSURANCE INCOME	XXX	XXX	XXX	XXX
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	XXX	XXX	XXX	XXX
	GENERAL BUSINESS UNDERWRITING EXPENSES				
8.	NET LOSS INCURRED AND NET LOSS EXPENSES INCURRED	XXX	XXX	XXX	XXX
9.	COMMISSIONS AND BROKERAGE	XXX	XXX	XXX	XXX
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	XXX	XXX	XXX	XXX
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS BEFORE THE UNDERNOTED ITEMS	XXX	XXX	XXX	XXX
	UNDERNOTED ITEMS				
30.	OPERATING EXPENSES				
(a)	General and administration	XXX	XXX	XXX	XXX
(b)	Personnel cost	XXX	XXX	XXX	XXX
(c)	Other	XXX	XXX	XXX	XXX
(d)	Total operating expenses	XXX	XXX	XXX	XXX
31.	INVESTMENT INCOME - NET	XXX	XXX	XXX	XXX
32.	OTHER INCOME (DEDUCTIONS)	XXX	XXX	XXX	XXX
33.	INCOME BEFORE TAXES	XXX	XXX	XXX	XXX
34.	INCOME TAXES (IF APPLICABLE)				
(a)	Current	XXX	XXX	XXX	XXX
(b)	Deferred	XXX	XXX	XXX	XXX
(c)	Total income taxes	XXX	XXX	XXX	XXX
35.	INCOME BEFORE REALIZED GAINS (LOSSES)	XXX	XXX	XXX	XXX
36.	REALIZED GAINS (LOSSES)	XXX	XXX	XXX	XXX
37.	INTEREST CHARGES	XXX	XXX	XXX	XXX
38.	NET INCOME	XXX	XXX	XXX	XXX

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

Instructions to Form 2SFS:

Line 38 Collateralized Insurers shall enter the income, deductions and expenses of the Company only (or the general account) in the 'General Account' columns of Form 2SFS. Insurers registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the "SAC Act") or a private act shall then combine the income, deductions and expenses of the segregated accounts and the general account in the 'Combined' columns of Form 2SFS. An insurer with no segregated accounts shall enter the same amounts in both the General Account and Combined columns of Form 2SFS.

Line 38 As required by Rule 7, the income, deductions and expenses of an insurer shall be recorded on the basis of the GAAP principles adopted by the insurer.

DRAFT

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

Form 2SFS

[Rule 7]

Long-Term Business

STATUTORY STATEMENT OF INCOME

[blank] name of Company

For the [period]/[year] ended [blank] (day/month/year)
expressed in [blank] (currency used (Rule 19(4)))

		(A)	(B)	(C)	(D)
		Long-Term Business		Long-Term Business	
		GENERAL ACCOUNT		COMBINED	
Line No		20XX	20XX-1	20XX	20XX-1
	LONG-TERM BUSINESS UNDERWRITING INCOME				
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:				
(a)	Direct gross premiums and other Considerations	XXX	XXX	XXX	XXX
(b)	Assumed gross premiums and other considerations	XXX	XXX	XXX	XXX
(c)	Total gross premiums and other considerations	XXX	XXX	XXX	XXX
13.	PREMIUMS CEDED	XXX	XXX	XXX	XXX
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:				
(a)	Life	XXX	XXX	XXX	XXX
(b)	Annuities	XXX	XXX	XXX	XXX
(c)	Accident and Health	XXX	XXX	XXX	XXX
(d)	Total net premiums and other considerations	XXX	XXX	XXX	XXX
15.	OTHER INSURANCE INCOME	XXX	XXX	XXX	XXX
16.	TOTAL LONG-TERM BUSINESS UNDERWRITING INCOME	XXX	XXX	XXX	XXX
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES				
17.	CLAIMS - LIFE	XXX	XXX	XXX	XXX
18.	POLICYHOLDERS' DIVIDENDS	XXX	XXX	XXX	XXX
19.	SURRENDERS	XXX	XXX	XXX	XXX
20.	MATURITIES	XXX	XXX	XXX	XXX
21.	ANNUITIES	XXX	XXX	XXX	XXX
22.	ACCIDENT AND HEALTH BENEFITS	XXX	XXX	XXX	XXX
23.	COMMISSIONS	XXX	XXX	XXX	XXX
24.	OTHER	XXX	XXX	XXX	XXX
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	XXX	XXX	XXX	XXX
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES)				
(a)	Life	XXX	XXX	XXX	XXX
(b)	Annuities	XXX	XXX	XXX	XXX
(c)	Accident and Health	XXX	XXX	XXX	XXX
(d)	Total increase (decrease) in policy reserves	XXX	XXX	XXX	XXX
27.	TOTAL LONG-TERM BUSINESS EXPENSES	XXX	XXX	XXX	XXX

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS BEFORE THE UNDERNOTED ITEMS	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
	UNDERNOTED ITEMS				
30.	OPERATING EXPENSES				
(a)	General and administration	XXX	XXX	XXX	XXX
(b)	Personnel cost	XXX	XXX	XXX	XXX
(c)	Other	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(d)	Total operating expenses	XXX	XXX	XXX	XXX
31.	INVESTMENT INCOME - NET	XXX	XXX	XXX	XXX
32.	OTHER INCOME (DEDUCTIONS)	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
33.	INCOME BEFORE TAXES	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
34.	INCOME TAXES (IF APPLICABLE)				
(a)	Current	XXX	XXX	XXX	XXX
(b)	Deferred	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(c)	Total income taxes	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
35.	INCOME BEFORE REALIZED GAINS (LOSSES)	XXX	XXX	XXX	XXX
36.	REALIZED GAINS (LOSSES)	XXX	XXX	XXX	XXX
37.	INTEREST CHARGES	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
38.	NET INCOME	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

Instructions to Form 2SFS:

Line 38 Collateralized Insurers shall enter the income, deductions and expenses of the Company only (or the general account) in the 'General Account' columns of Form 2SFS. Insurers registered as a segregated accounts company under the Segregated Accounts Companies Act 2000 (the "SAC Act") or a private act shall then combine the income, deductions and expenses of the segregated accounts and the general account in the 'Combined' columns of Form 2SFS. An insurer with no segregated accounts shall enter the same amounts in both the General Account and Combined columns of Form 2SFS.

Line 38 As required by Rule 7, the income, deductions and expenses of an insurer shall be recorded on the basis of the GAAP principles adopted by the insurer.

**COLLATERALIZED INSURERS ACCOUNTS, RETURNS AND SOLVENCY RULES
2019**

Form 8SFS

[Rule 7]

STATUTORY STATEMENT OF CAPITAL AND SURPLUS

[blank] name of Company
as at [blank] (day/month/year)
expressed in [blank] (currency used (Rule 19(4)))

Line No		(A)	(B)	(C)	(D)
		GENERAL ACCOUNT		COMBINED	
		20XX	20XX-1	20XX	20XX-1
1.	STATUTORY CAPITAL:				
(a)	Capital stock	XXX	XXX		
	(i) Common shares: Authorized shares of par value each issued and fully paid shares			XXX	XXX
	(ii) (A) Preferred shares: Authorized shares of par value each issued and fully paid shares			XXX	XXX
	Aggregate liquidation values for 20XX XXX 20XX-1 XXX				
	(B) Preferred shares issued by a Subsidiary: Authorized shares of par value each issued and fully paid shares			XXX	XXX
	Aggregate liquidation values for 20XX XXX 20XX-1 XXX				
	(iii) Treasury shares: Repurchased Shares of par value each issued			XXX	XXX
(b)	Contributed surplus	XXX	XXX	XXX	XXX
(c)	Any other fixed capital				
	(i) Hybrid capital instruments	XXX	XXX	XXX	XXX
	(ii) Guarantees and others	XXX	XXX	XXX	XXX
	(iii) Total any other fixed capital	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(d)	Total Statutory Capital	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
2.	STATUTORY SURPLUS				
(a)	Statutory Surplus – Beginning of Year	XXX	XXX	XXX	XXX
(b)	Add: Income for the year	XXX	XXX	XXX	XXX
(c)	Less: Dividends paid and payable	XXX	XXX	XXX	XXX
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	XXX	XXX	XXX	XXX
(e)	Add (Deduct) change in non-admitted assets	XXX	XXX	XXX	XXX
(f)	Add (Deduct) change in appraisal of real estate	XXX	XXX	XXX	XXX
(g)	Add (Deduct) change in any other statutory surplus	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
(h)	Statutory Surplus – End of Year	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
3.	MINORITY INTEREST	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
4.	TOTAL STATUTORY CAPITAL AND SURPLUS	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

SCHEDULE I [Rules 11 & 12]
BERMUDA SOLVENCY CAPITAL REQUIREMENT – COLLATERALIZED INSURERS

1. The Collateralized Insurers BSCR shall be established, on a GAAP valuation basis, in accordance with the following formula—

$$BSCR = \text{Basic BSCR} + C_{\text{operational}}$$

Where —

Basic BSCR = Basic BSCR risk module charge as calculated in accordance with paragraph 2; and

C_{operational} = operational risk charge as calculated in accordance with paragraph 8.

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

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

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_{Credit}*;

C_{Market} = market risk module charge as calculated in accordance with paragraph 3;

C_{Credit} = credit risk module charge as calculated in accordance with paragraph 7.

Table A – Basic BSCR Correlation Matrix

<i>CorrBBSCR_{i,j}</i>	<i>C_{Market}</i>	<i>C_{Credit}</i>
<i>C_{Market}</i>	1	0.25
<i>C_{Credit}</i>	0.25	1

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

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

Where —

- $CorrMarket_{i,j}$ = the correlation factors of the market risk module in accordance with Table B;
- 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} ;
- $C_{fixedIncome}$ = fixed income investment risk charge as calculated in accordance with paragraph 4;
- C_{equity} = equity investment risk charge as calculated in accordance with paragraphs 5 and 6;

Table B – Market Risk Module Correlation Matrix

$CorrMarket_{i,j}$	$C_{fixedIncome}$	C_{equity}
$C_{fixedIncome}$	1	0.50
C_{equity}	0.50	1

4. The fixed income investment risk charge calculation shall be applicable to all fixed income investments held as collateral in respect of contracts where the insurer bears the market risk, as prescribed by the Authority, and shall be determined in accordance with the following formula-

$$C_{fixedIncome} = \sum_i \chi_i \times FIastclass_i$$

Where—

- χ_i = the capital charge factors prescribed in Table 1 for each type of $FIastclass_i$; and
- $FIastclass_i$ = value of investment in corresponding asset Class i

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Table 1 – 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 II, Section A, Line 1, Column (1)	0.0%
BSCR rating 1	Schedule II, Section A, Line 2, Column (1)	0.4%
BSCR rating 2	Schedule II, Section A, Line 3, Column (1)	0.8%
BSCR rating 3	Schedule II, Section A, Line 4, Column (1)	1.5%
BSCR rating 4	Schedule II, Section A, Line 5, Column (1)	3.0%
BSCR rating 5	Schedule II, Section A, Line 6, Column (1)	8.0%
BSCR rating 6	Schedule II, Section A, Line 7, Column (1)	15.0%
BSCR rating 7	Schedule II, Section A, Line 8, Column (1)	26.3%
BSCR rating 8	Schedule II, Section A, Line 9, Column (1)	35.0%
<i>Residential Mortgage-Backed Securities</i>		
BSCR rating 1	Schedule II, Section A, Line 2, Column (3)	0.6%
BSCR rating 2	Schedule II, Section A, Line 3, Column (3)	1.2%
BSCR rating 3	Schedule II, Section A, Line 4, Column (3)	2.0%
BSCR rating 4	Schedule II, Section A, Line 5, Column (3)	4.0%
BSCR rating 5	Schedule II, Section A, Line 6, Column (3)	11.0%
BSCR rating 6	Schedule II, Section A, Line 7, Column (3)	25.0%
BSCR rating 7	Schedule II, Section A, Line 8, Column (3)	35.0%
BSCR rating 8	Schedule II, Section A, Line 9, Column (3)	35.0%
<i>Commercial Mortgage-Backed Securities/Asset-Backed Securities</i>		
BSCR rating 1	Schedule II, Section A, Line 2, Column (5)	0.5%
BSCR rating 2	Schedule II, Section A, Line 3, Column (5)	1.0%
BSCR rating 3	Schedule II, Section A, Line 4, Column (5)	1.8%
BSCR rating 4	Schedule II, Section A, Line 5, Column (5)	3.5%
BSCR rating 5	Schedule II, Section A, Line 6, Column (5)	10.0%
BSCR rating 6	Schedule II, Section A, Line 7, Column (5)	20.0%
BSCR rating 7	Schedule II, Section A, Line 8, Column (5)	30.0%
BSCR rating 8	Schedule II, Section A, Line 9, Column (5)	35.0%
<i>Bond Mutual Funds</i>		
BSCR rating 0	Schedule II, Section A, Line 1, Column (7)	0.0%
BSCR rating 1	Schedule II, Section A, Line 2, Column (7)	0.4%

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BSCR rating 2	Schedule II, Section A, Line 3, Column (7)	0.8%
BSCR rating 3	Schedule II, Section A, Line 4, Column (7)	1.5%
BSCR rating 4	Schedule II, Section A, Line 5, Column (7)	3.0%
BSCR rating 5	Schedule II, Section A, Line 6, Column (7)	8.0%
BSCR rating 6	Schedule II, Section A, Line 7, Column (7)	15.0%
BSCR rating 7	Schedule II, Section A, Line 8, Column (7)	26.3%
BSCR rating 8	Schedule II, Section A, Line 9, Column (7)	35.0%
<i>Mortgage Loans</i>		
Insured/guaranteed mortgages	Schedule II, Section A, Line 10, Column (9)	0.3%
Other commercial and farm mortgages	Schedule II, Section A, Line 11, Column (9)	5.0%
Other residential mortgages	Schedule II, Section A, Line 12, Column (9)	1.5%
Mortgages not in good standing	Schedule II, Section A, Line 13, Column (9)	25.0%
<i>Other Fixed Income Investments</i>		
Other loans	Schedule II, Section A, Line 14, Column (1)	5.0%

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

- (a) all assets comprising of bonds and debentures, loans, and other miscellaneous investments that are subject to capital charges within the fixed income investment risk charge shall be included;
- (b) all non-affiliated quoted and unquoted bonds and debentures shall be included in the fixed income investment charge;
- (c) amounts are to be reported on a GAAP Valuation basis.

5. The equity investment risk charge calculation shall be applicable to all equity investments held as collateral in respect of contracts where the insurer bears the market risk, as prescribed by the Authority, and shall be established in accordance with the following formula-

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

Where—

$CorrEq_{i,j}$ = 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:

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$$C_{Type1}, C_{Type2}, C_{Type3}, C_{Type4};$$

C_{Type1} = Type1 equity risk charge as calculated in accordance with paragraph 6;

C_{Type2} = Type2 equity risk charge as calculated in accordance with paragraph 6;

C_{Type3} = Type3 equity risk charge as calculated in accordance with paragraph 6;

C_{Type4} = Type4 equity risk charge as calculated in accordance with paragraph 6;

Table 2A – Equity Risk Charge Correlation Matrix

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

6. The Type1, Type2, Type3 and Type4 equity risk charge calculations shall be determined in accordance with the following formulas—

$$C_{Type[k]} = \sum_{i \in Type[k]} \chi_i \times Eqastclass_i$$

Where—

[k] = 1, 2, 3 or 4, covering all equity Types from Type1 to Type4

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

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

Table 2B – Capital charge factors for $Eqastclass_i$

Type of equity investments $Eqastclass_i$	Statement Source These Rules	Capital Factor χ_i
<i>Type 1 Equity Holdings</i>		
Strategic Holdings – Listed	Schedule II, Section A, Line 15, Column (1)	20.0%
Duration Based	Schedule II, Section A, Line 16, Column (1)	20.0%

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Listed Equity Securities in Developed Markets	Schedule II, Section A, Line 17, Column (1)	35.0%
Preferred Stocks, BSCR Rating 1	Schedule II, Section A, Line 18, Column (1)	0.6%
Preferred Stocks, BSCR Rating 2	Schedule II, Section A, Line 19, Column (1)	1.2%
Preferred Stocks, BSCR Rating 3	Schedule II, Section A, Line 20, Column (1)	2.0%
Preferred Stocks, BSCR Rating 4	Schedule II, Section A, Line 21, Column (1)	4.0%
Preferred Stocks, BSCR Rating 5	Schedule II, Section A, Line 22, Column (1)	11.0%
Preferred Stocks, BSCR Rating 6	Schedule II, Section A, Line 23, Column (1)	25.0%
Preferred Stocks, BSCR Rating 7	Schedule II, Section A, Line 24, Column (1)	35.0%
Preferred Stocks, BSCR Rating 8	Schedule II, Section A, Line 25, Column (1)	35.0%
Equity Derivatives on Type 1 Equities	Schedule II, Section A, Line 26, Column (1)	35.0%
<i>Type 2 Equity Holdings</i>		
Strategic Holdings – Unlisted	Schedule II, Section A, Line 27, Column (1)	20.0%
Other Equities	Schedule II, Section A, Line 28, Column (1)	45.0%
Letters of Credit	Schedule II, Section A, Line 29, Column (1)	20.0%
Intangible assets	Schedule II, Section A, Line 30, Column (1)	20.0%
Pension Benefit Surplus	Schedule II, Section A, Line 31, Column (1)	20.0%
Equity Derivatives on Type 2 Equities	Schedule II, Section A, Line 32, Column (1)	45.0%
<i>Type 3 Equity Holdings</i>		
Infrastructure	Schedule II, Section A, Line 33, Column (1)	25.0%
Derivatives on Infrastructure	Schedule II, Section A, Line 34, Column (1)	25.0%
<i>Type 4 Equity Holdings</i>		
Equity Real Estate 1	Schedule II, Section A, Line 35, Column (1)	10.0%
Equity Real Estate 2	Schedule II, Section A, Line 36, Column (1)	20.0%

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

- (a) all assets, including but not limited to common stock, preferred stock, real estate, and other equity type investments that are subject to capital charges within the equity investment risk charge shall be included; and
- (b) amounts are to be reported on a GAAP valuation basis.

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

$$C_{cred} = \sum_i \delta_i \times RI_{pml_i} \times \mu_r$$

where –

- δ_i = the credit risk capital charge factor for type of RI_{pml_i} as prescribed in Table 3;
- RI_{pml_i} = the outwards reinsurance cover from reinsurer i, being either the PML for outwards property catastrophe reinsurance or the outwards reinsurance PML 99 TVaR as calculated using the reinsurance premium and the associated premium risk factors for other lines of business from table 3A; and
- μ_r = additional diversification adjustment factor of up to 40% applied to reinsurance only taking into consideration diversification by number of reinsurers.

Table 3 – Capital charge factors for RI_{pml_i}

Rating of Outwards Reinsurance Provider <i>RI_{pml_i}</i>	Statement Source These Rules	Capital Factor δ_i
<i>Particulars of outwards reinsurance cover</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)	27.0%
BSCR rating 8	Schedule XVIII paragraph (d)	35.0%
Less: Diversification adjustment	Schedule XVIII paragraph (d)	40.0%

INSTRUCTIONS AFFECTING TABLE 3: Capital charge factors for RI_{pml_i}

- (a) all outwards reinsurance covers that are subject to capital charges within the credit risk charge shall be included;
- (b) the net qualifying exposure in Schedule XVIII shall be subject to the prescribed credit risk capital factor;

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- (c) the total capital requirement relating to the outwards reinsurance covers shall be reduced by a diversification adjustment of up to a maximum of 40%; and
- (d) the diversification adjustment in instruction (c) is determined as 40% multiplied by 1 minus the ratio of the largest net qualifying exposure in instruction (b), on an individual reinsurer basis, to total net outwards reinsurance exposure.

Table 3A: Factors for Converting Reinsurance Premium to PML 99 TVaR

Line of Business	99 TVaR Capital Factor
<i>Line of Business of Reinsurance Cover</i>	
Property	49.7%
Property Non-Proportional	51.6%
Personal Accident	34.1%
Personal Accident Non-Proportional	41.2%
Aviation	48.2%
Aviation Non-Proportional	48.2%
Credit / Surety	39.8%
Credit / Surety Non-Proportional	45.4%
Energy Offshore / Marine	42.1%
Energy Offshore / Marine Non-Proportional	47.0%
US Casualty	50.3%
US Casualty Non-Proportional	55.6%
US Professional	51.2%
US Professional Non-Proportional	53.8%
US Specialty	51.4%
US Specialty Non-Proportional	52.7%
International Motor	42.2%
International Motor Non-Proportional	53.6%
International Casualty Non-Motor	50.0%
International Casualty Non-Motor Non-Proportional	53.6%
Retro Property	50.8%
Health	15.0%

INSTRUCTIONS AFFECTING TABLE 3A: PML 99 TVaR for non-Catastrophe Lines

- (a) The PML 99 TVaR for non-catastrophe lines shall be the reinsurance premium paid grossed up by the appropriate 99 TVaR Capital Factor from Table 3A.

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

$$C_{operational} = C_{op,base} - \min(EOadj, 0.5 \times C_{op,base})$$

$$C_{op,base} = \rho \times ACov$$

where –

- ρ = an amount between 0.05% and 0.88% as determined by the Authority in accordance with Table 4;
- $ACov$ = the total amount of collateral held by a Collateralized Insurer as entered on the 'Total Collateral held for the Benefit of Ceding (Re)Insurers' line of the statutory balance sheet supplemental information or an amount approved by the Authority; and
- $EOadj$ = an adjustment (of up to 50% of the operational risk charge) equal to the adjusted limits of the Collateralized Insurer's Errors and Omissions or Professional Indemnity insurance cover or an amount determined by the Authority.

Table 4 – Operational Risk Charge for ρ

Overall Score	Applicable Operational Risk Charge ρ
<=4,000	0.88%
>4,000 <=5,200	0.79%
>5,200 <=6,000	0.66%
>6,000 <=6,650	0.53%
>6,650 <=7,250	0.40%
>7,250 <=7,650	0.31%
>7,650 <=7,850	0.23%
>7,850 <=8,050	0.13%
>8,050 <=8,250	0.09%
>8,250	0.05%

INSTRUCTIONS AFFECTING TABLE 4

In this table, "overall score" means an amount equal to the sum of the aggregate score derived from each of tables 4A, 4B, 4C, 4D, 4E, 4F and 4G.

**TABLE 4A
Corporate Governance Score Table**

Criterion	Implemented	Score
Board sets risk policies, practices and tolerance limits for all material foreseeable operational risks at least annually and ensures they are communicated to relevant business units		150
Board monitors adherence to operational risk tolerance limits more regularly than annually		150
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		150
Board ensures that systems or procedures, or both, are in place to identify, report and promptly address internal control deficiencies related to operational risks		150
Board promotes full, open and timely disclosure from senior management on all significant issues related to operational risk		150
Board ensures that periodic independent reviews of the risk management function are performed and receives the findings of the review		150
Total		XX
Comments		

INSTRUCTIONS AFFECTING TABLE 4A

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

TABLE 4B

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		110
RMF is entrenched in strategic planning, decision making and the budgeting process		110
RMF ensures that the risk management procedures and policies are well documented and approved by the Board of Directors		110
RMF ensures that the risk management policies and procedures are communicated throughout the organization		110
RMF ensures that operational risk management processes and procedures are reviewed at least annually		110
RMF ensures that loss events arising from operational risks are documented and loss event data is integrated into the risk management strategy		110
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		110
Total		XX
Comments		

INSTRUCTIONS AFFECTING TABLE 4B

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

TABLE 4C

Risk Identification Processes ('RIP') Score Table

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	37.5	RIP are ad hoc								
2	75	RIP have been implemented but not standardised across the organisation								
3	112.5	RIP have been implemented, well documented and understood by relevant staff, and standardised across the entire organisation								
4	150	In addition to Stage 3, RIP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
		Total	XX	XX	XX	XX	XX	XX	XX	XX

Comments

INSTRUCTIONS AFFECTING TABLE 4C

1. The total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurer's implementation in respect of its RIP;
2. where the insurer's assessment of the operational risk area is between stages (i.e. exceeds the criterion for each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and
3. where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

TABLE 4D

Risk Measurement Processes ('RMP') Score Table

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	37.5	RMP are ad hoc								
2	75	RMP have been implemented but not standardised across the organization								
3	112.5	RMP have been implemented, well documented and understood by relevant staff, and standardised across the entire organisation								
4	150	In addition to Stage 3, RMP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
		Total	XX	XX	XX	XX	XX	XX	XX	XX

Comments

INSTRUCTIONS AFFECTING TABLE 4D

- The total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurer's implementation in respect of its RMP;
- where the insurer's assessment of the operational risk area is between stages (i.e. exceeds the criterion for each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and
- where an operational risk area is not applicable to the insurer's operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

TABLE 4E
Risk Response Processes ('RRP') Score Table

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	37.5	RRP are ad hoc								
2	75	RRP have been implemented but not standardised across the organisation								
3	112.5	RRP have been implemented, well documented and understood by relevant staff, and standardised across the entire organisation								
4	150	In addition to Stage 3, RRP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
		Total	XX	XX	XX	XX	XX	XX	XX	XX

Comments

INSTRUCTIONS AFFECTING TABLE 4E

- The total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurer’s implementation in respect of its RRP;
 - where the insurer’s assessment of the operational risk area is between stages (i.e. exceeds the criterion for each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and
 - where an operational risk area is not applicable to the insurer’s operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

TABLE 4F

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

Progression		Criterion	Operational Risk Areas							
Stage	Scoring		Fraud	HR	Outsourcing	Distribution Channels	Business Processes	Business Continuity	IT	Compliance
1	37.5	RMRP are ad hoc								
2	75	RMRP have been implemented but not standardised across the organization								
3	112.5	RMRP have been implemented, well documented and understood by relevant staff, and standardised across the entire organisation								
4	150	In addition to Stage 3, RMRP are reviewed at least annually with the view to assessing effectiveness and introducing improvements								
Total			XX	XX	XX	XX	XX	XX	XX	XX

Comments

INSTRUCTIONS AFFECTING TABLE 4F

- The total score is derived by adding the individual score for each operational risk area corresponding to the stage of the insurer’s implementation in respect of its RMRP;
 - where the insurer’s assessment of the operational risk area is between stages (i.e. exceeds the criterion for each given stage, while only partially meeting the criterion of the next stage), the insurer shall be deemed to have met the criterion of the lower stage; and
 - where an operational risk area is not applicable to the insurer’s operations, the insurer shall record such fact and the reasons for arriving at this conclusion in the comments section and be deemed to have met the criterion of the highest stage.

**TABLE 4G
Investment Policy Score Table**

Question	Investment Type	Score
<i>Portfolio composition/market risk</i>		
Is the sum total of the following asset classes/types less than 10% of the total investment portfolio, measured at fair values?	Below-investment grade fixed income securities; unrated fixed income securities; equity investments; alternative investments (including but not limited to: commodities, private equity, hedge fund strategies, infrastructure)	700
Is the sum total of the following asset classes/types between 10% and 20% of the total investment portfolio, measured at fair values?		500
Is the sum total of the following asset classes/types between 20% and 30% of the total investment portfolio, measured at fair values?		350
<i>Liquidity</i>		
Is the sum total of the following asset classes/types less than 10% of the total investment portfolio, measured at fair values?	Private or unquoted investments	550
Is the sum total of the following asset classes/types between 10% and 20% of the total investment portfolio, measured at fair values?		400
Is the sum total of the following asset classes/types between 20% and 30% of the total investment portfolio, measured at fair values?		250
<i>Asset-Liability / Duration mismatch</i>		
Is the duration gap between assets and liabilities less than 1 year?		550
Is the duration gap between assets and liabilities between 1 and 2 years?		400
Is the duration gap between assets and liabilities between 2 and 3 years?		250
<i>Currency mismatch</i>		
Is the currency mismatch between assets and liabilities less than 5% of the total investment portfolio, measured at fair values?		400
Is the currency mismatch between assets and liabilities between 5% and 10% of the total investment portfolio, measured at fair values?		250
Total		XX
Comments		

INSTRUCTIONS AFFECTING TABLE 4G

The score for each group of questions is derived by awarding the score value for the investment policy question to which an affirmative response is given. In each group, only one question may be answered in the affirmative. The total score is derived by adding the scores of each group of questions together.

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SCHEDULE II

(Paragraphs 4 and 5)

Schedule of fixed income and equity investments by BSCR rating

[blank] name of Company

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

All amounts are expressed in (currency used)

Line	Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Quoted and unquoted bonds and debentures		Corporate and sovereign bonds		Residential mortgage-backed securities		Commercial mortgage-backed securities/asset-backed securities		Bond mutual funds		Mortgage Loans		TOTAL	
		20xx	20xx-1	20xx	20xx-1	20xx	20xx-1	20xx	20xx-1	20xx	20xx-1	20xx	20xx-1
1	BSCR rating 0												
2	BSCR rating 1												
3	BSCR rating 2												
4	BSCR rating 3												
5	BSCR rating 4												
6	BSCR rating 5												
7	BSCR rating 6												
8	BSCR rating 7												
9	BSCR rating 8												
10	Insured/guaranteed mortgages												
11	Other commercial and farm mortgages												
12	Other residential mortgages												
13	Mortgages not in good standing												
	Total												

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Other fixed income investments		20xx (000)	20xx-1 (000)
14	Other Loans		
Quoted and unquoted equities			
15	Strategic Holdings - Listed		
16	Duration Based		
17	Listed Equity Securities in Developed Markets		
18	Preferred Stocks, BSCR Rating 1		
19	Preferred Stocks, BSCR Rating 2		
20	Preferred Stocks, BSCR Rating 3		
21	Preferred Stocks, BSCR Rating 4		
22	Preferred Stocks, BSCR Rating 5		
23	Preferred Stocks, BSCR Rating 6		
24	Preferred Stocks, BSCR Rating 7		
25	Preferred Stocks, BSCR Rating 8		
26	Equity Derivatives on Type 1 Equities		
27	Strategic Holdings - Unlisted		
28	Other Equities / Other Assets		
29	Letters of Credit		
30	Intangible assets		
31	Pension Benefit Surplus		
32	Equity Derivatives on Type 2 Equities		
33	Infrastructure		
34	Derivatives on Infrastructure		
35	Equity Real Estate 1		
36	Equity Real Estate 2		
	Total Equity Holdings		

INSTRUCTIONS AFFECTING SCHEDULE II:

- (a) the table above shall be duplicated in Schedule II into Sections A and B and each set of tables completed by insurers as follows:
- Section A shall include all investment assets held as collateral for the benefit of ceding (re)insurers where the risk of impairment of the collateral assets is borne by the insurer;
 - Section B shall include all investment assets held by the insurer in its own account, which do not form part of the insurer's collateral requirements and (if applicable) are held in the insurer's general account.

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- (b) fixed income investments, both quoted and unquoted, shall be categorised into corporate bonds and sovereign bonds, residential mortgage-backed securities, commercial mortgage-backed securities/asset-backed securities and bond mutual funds and classified by BSCR rating;
- (c) equity investments, both quoted and unquoted, shall be categorised into the four BSCR equity types, being Type 1 Equity Holdings (lines 15-26), Type 2 Equity Holdings (lines 27-32), Type 3 Equity Holdings (lines 33-34) and Type 4 Equity Holdings (lines 35-36);
- (d) preferred stocks in Type 1 Equity Holdings shall be classified by BSCR rating;
- (e) a list of credit rating agencies and the manner in which ratings issued by such agencies must be applied, shall be prescribed by the Authority and used by insurers in determining the appropriate BSCR rating to be applied to fixed income securities or preferred stock
- (f) where the ratings of a security by different rating agencies differ, the insurer shall classify the security according to the most conservative rating;
- (g) unrated securities shall be assigned a BSCR rating of 8;
- (h) sovereign debt issued by a country in its own currency that is rated AA- or better shall be classified under BSCR rating 0 while all other sovereign bonds shall be classified in a similar manner as corporate bonds;
- (i) debt issued by government-owned and related entities that were explicitly guaranteed by that government, with the exception of mortgage-backed securities, shall be assigned a BSCR rating of 0;
- (j) bond mutual funds shall be classified based on the underlying bond ratings as advised by the fund managers; equity mutual funds shall be classified in a similar manner as direct equity investments while money market funds shall be treated as cash and cash equivalents; and
- (k) amounts are to be reported on a GAAP valuation basis.

SCHEDULE V

Rule 11

SCHEDULE OF RISK MANAGEMENT

The schedule of risk management shall disclose the insurer's risk management program as follows-

- (a) governance structure;
- (b) compliance with sanctions;
- (c) cyber risk management;
- (d) arrangements with respect to errors and omissions (E&O) or professional indemnity (PI) insurance cover;
- (e) arrangements with respect to property catastrophe recoverables; and
- (f) details of alternative capital arrangements.

INSTRUCTIONS AFFECTING SCHEDULE V:

- a. "governance structure" must disclose on a legal entity basis-
 - i. the structure of the board of directors including names, the effective date of appointment of each director, the effective date any director ceased to act, the title and position held, country of residence and status of each director on the board (for example confirm whether board members are non-executive (independent), non-executive (affiliate), non-executive (service provider), non-executive (other) or executive).
 - ii. the structure of the management of the insurer including the names of the insurer's officers, the effective start date of employment of all officers, the date any officer ceased to act, the title and position held, country of residence, employee arrangement (for example confirm whether employees are hired, outsourced, etc.) and description of responsibilities of each officer.
 - iii. The jurisdiction(s) where the board of directors of the insurer primarily deliberates on activities including, but not limited to-
 - setting the strategic direction of the insurer;
 - determining the insurer's risk appetite;
 - choice of new lines of business, new products, marketplace positioning; and
 - assessing solvency needs.
 - iv. details of every service provider of the insurer including name, jurisdiction of incorporation and details of the insurer's operations which are primarily being performed in relation to—
 - underwriting (re)insurance policies;
 - risk management decisions and activities;
 - investment decisions;
 - actuarial functions;
 - compliance audits; and
 - internal audits.
 - v. details of the number of employees of the insurer residing in Bermuda (non out-sourced positions).
- b. "compliance with sanctions" must provide the following information in relation to management of sanctions processes and policies:
 - i. whether the insurer screens policyholders and beneficiaries (where relevant) to determine whether they are subject to measures imposed under the International Sanctions Act 2003 and related regulations ("Bermuda sanctions regime");

- ii. whether the insurer screens employees to determine whether they are subject to measures imposed under the Bermuda sanctions regime;
- iii. the insurer shall state if it has frozen any client assets in the last 12 months pursuant to enforcement action taken under the Bermuda sanctions regime;
- iv. if the answer to the query in paragraph (iii) is in the affirmative, the insurer shall state how many asset freezes there have been;
- v. the insurer shall provide the following details for asset freezes from the consolidated list:

	Group ID Name	Name of the insurer	Name of the person/entity owned/controlled by the insurer	Value of Assets
1				
2				
3				
4				

- vi. the insurer shall include any additional information/comments which it thinks might be relevant to this exercise.
- c. “cyber risk management” shall provide the following information in respect of an insurer’s cyber security and resilience capabilities:
- i. Every insurer shall provide a Schedule of Cyber Risk Management in the form provided by the Authority in the BSCR-Collateralized model.
 - ii. Where an insurer is managed by an insurance manager and primarily uses the insurance manager’s cyber security systems, controls and processes, the insurer shall be waived from this requirement. The waiver from this requirement is subject to the insurance manager filing the schedule of cyber risk management for the relevant year. The insurance manager must confirm that the insurer is under its management and is relying on their cyber risk management systems, controls and processes.
- d. the arrangements with respect to an insurer’s E&O or PI insurance cover shall disclose-
- i. the maximum aggregate limit of the errors and omissions or professional indemnity insurance policy;
 - ii. a copy of the insurer’s errors and omissions or professional indemnity insurance policy; and
 - iii. the results of the insurer’s stress testing performed to demonstrate the policy’s response to operational risk.
- e. the arrangements with respect to property catastrophe recoverables shall disclose the amounts of-
- i. collateral;
 - ii. catastrophe bonds;
 - iii. special purpose insurer (indemnity basis);
 - iv. special purpose insurer (other basis); and
 - v. total;
- f. the details of alternative capital arrangements shall include the following information in relation to all contracts of insurance which were in force and for which the Collateralized Insurer was required to hold collateral during its relevant financial year:
- i. name of the insured;
 - ii. (re)insurance contract reference number;
 - iii. type of (re)insurance coverage written;
 - iv. statutory line of business written;
 - v. location of exposure covered;
 - vi. aggregate maximum limit as at inception date of contract of insurance;
 - vii. net aggregate maximum limit as at the end of the insurer’s financial year;

- viii. inception date of coverage period;
- ix. effective date of contract;
- x. expiry date of cover period;
- xi. gross premium written for the cover period;
- xii. net premium written for the cover period;
- xiii. attachment point;
- xiv. aggregate losses outstanding at the beginning of the insurer's financial year;
- xv. aggregate losses incurred during the insurer's financial year;
- xvi. aggregate losses outstanding at the end of the insurer's financial year;
- xvii. reserved buffer collateral;
- xviii. currency of exposure;
- xix. nature of collateral;
- xx. average collateral rating;
- xxi. amount of collateral at the end of the insurer's financial year; and
- xxii. provide any additional comments to assist the Authority in understanding any of the information provided re sub-paragraphs (i) through (xxii),

in the form of an Alternative Capital Schedule.

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Schedule XVIII - Schedule of Particulars of Outwards Reinsurance

(Paragraph 7)

[blank] name of Company

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

All amounts expressed in (currency used)

		(A)	(B)	(C)	(D)	(E)
			Collateral Held by Reinsurers for the benefit of the Company			
Name of Reinsurer	BSCR Rating	Amount of Outwards Reinsurance Cover	Cash and Cash Equivalents	Other Collateral Assets	Qualifying Collateral	Net Qualifying Exposure
Total		<u>XXX</u>	<u>XXX</u>		<u>XXX</u>	<u>XXX</u>

Exposure By BSCR Rating	Amount of Outwards Reinsurance Cover	Collateral Held by Reinsurers for the benefit of the Company	Qualifying Collateral	Net Qualifying Exposure
BSCR Rating 0				
BSCR Rating 1				
BSCR Rating 2				
BSCR Rating 3				
BSCR Rating 4				
BSCR Rating 5				
BSCR Rating 6				
BSCR Rating 7				
BSCR Rating 8				

INSTRUCTIONS AFFECTING SCHEDULE XVIII:

- (b) Particulars of outwards reinsurance shall disclose all outwards reinsurance covers grouped according to BSCR ratings, including —
- i. the name of reinsurer;
 - ii. the BSCR rating of the reinsurer;
 - iii. the outwards reinsurance cover, being the PML for outwards property catastrophe reinsurance or the PML 99 TVaR determined from the reinsurance premium and grossed up by the appropriate Premium Risk factor for other reinsurance lines of business;
 - PML means the probable maximum loss for natural catastrophe losses calculated at the 99.0% Tail Value-at-Risk level for annual aggregate exposure to all property related risks and all perils (for the property cat line only), including reinstatement premiums for the year following the relevant year based upon the insurer's catastrophe model.
 - iv. the amount of any collateral placed in favour of the insurer relating to the outwards reinsurance cover disaggregated by type of collateral, either cash and cash equivalents or other collateral assets;
 - v. the amount of qualifying collateral shall be the collateral amount in (iv) less a reduction to account for the market risk associated with the underlying collateral assets but, at all times, the qualifying collateral shall not exceed the outwards exposure, which is the amount in (iii). The reduction to account for market risk shall be as follows:
 - no reduction for collateral held as cash and cash equivalents; and
 - a reduction of 2% for all other collateral asset types.
 - vi. the net qualifying exposure shall be the amount under (iii) less the amount under (v) above; and
 - vii. for the purposes of this Schedule, the appropriate BSCR rating shall be determined as follows—
 - based on either the rating of the reinsurer or the rating of the letters of credit issuer, if any, whichever is higher;
 - where the letters of credit do not relate to the entire reinsurance exposure, the reinsurance exposure should be separated to reflect the rating of that portion of the exposure which is covered by the letters of credit and the rating of that portion of the exposure which is not;
 - where the reinsurer is a domestic affiliate, it shall be assigned a BSCR rating of 0;
 - where a reinsurer is not rated but is regulated in a jurisdiction that applies the International Association of Insurance Supervisors' Insurance Core Principles ("IAIS' ICPs") and in particular imposes both a minimum capital requirement ("MCR") and a prescribed capital requirement ("PCR") and fully meets its PCR in that jurisdiction, it shall be assigned a BSCR rating of 4 or otherwise, it shall be assigned a BSCR rating of 8;