



BERMUDA

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY
REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

BR 72 / 2016

TABLE OF CONTENTS

1	Citation
2	Amends paragraph 2
3	Amends paragraph 6
4	Amends Schedule I
5	Amends Schedule II
6	Amends Schedule IIA
7	Amends Schedule III
8	Amends Schedule IIIA
9	Amends Schedule V
10	Amends Schedule VI
11	Amends Schedule XII
12	Amends Schedule XVII
13	Inserts Schedules XVIII, XIX, XX and XXI
14	Commencement

SCHEDULE
Titles of Schedules Amended or Inserted by these Rules

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 (No. 2) Rules 2016.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY
REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

Amends paragraph 2

2 Paragraph 2 of the principal Rules is amended by inserting the following in its proper alphabetical order—

“EBS valuation basis” means the Economic Balance Sheet valuation principles to be complied with by a relevant Class 3A insurer in accordance with the Instructions Affecting Form 1EBS under Schedule XIV;”.

Amends paragraph 6

3 Paragraph 6 of the principal Rules is amended—

- (a) in subparagraph (1) by deleting “and XVII” and substituting “, XVII, XVIII, XIX, XX and XXI”;
- (b) in subparagraph (2)(a) by deleting “and XVII” and substituting “, XVII, XVIII, XIX, XX and XXI”.

Amends Schedule I

4 Schedule I to the principal Rules is amended—

- (a) in paragraph 1 by deleting “a consolidated” and substituting “an EBS Valuation”;
- (b) in Table 1 by deleting the words “Schedule V(h)” wherever they occur and substituting “Schedule XIX”;
- (c) in Table 4 by deleting the words “Schedule V(i)” wherever they occur and substituting “Schedule XX”;
- (d) in Table 5 by deleting the words “Schedule V(j)” wherever they occur and substituting “Schedule XXI”;
- (e) in Table 8 by deleting the words “Schedule V paragraph (d)” wherever they occur and substituting “Schedule XVIII”;
- (f) by deleting the words “a consolidated” and substituting “an EBS Valuation” in—
 - (i) paragraph (f) of the INSTRUCTIONS AFFECTING TABLE 1;
 - (ii) paragraph (d) of the INSTRUCTIONS AFFECTING TABLE 2;
 - (iii) paragraph (d) of the INSTRUCTIONS AFFECTING TABLE 3;
 - (iv) paragraph (e) of the INSTRUCTIONS AFFECTING TABLE 4;
 - (v) paragraph (c) of the INSTRUCTIONS AFFECTING TABLE 5;
 - (vi) paragraph (d) of the INSTRUCTIONS AFFECTING TABLE 6;
 - (vii) paragraph (d) of the INSTRUCTIONS AFFECTING TABLE 7;
 - (viii) paragraph (h) of the INSTRUCTIONS AFFECTING TABLE 8.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY
REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

Amends Schedule II

5 Schedule II to the principal Rules is amended in paragraph (j) of the INSTRUCTIONS AFFECTING SCHEDULE II by deleting “a consolidated” and substituting “an EBS Valuation”.

Amends Schedule IIA

6 Schedule IIA to the principal Rules is amended in paragraph (k) of the INSTRUCTIONS AFFECTING SCHEDULE IIA by deleting “a consolidated” and substituting “an EBS Valuation”.

Amends Schedule III

7 Schedule III to the principal Rules is amended in paragraph (a) of the INSTRUCTIONS AFFECTING SCHEDULE III by deleting the words “a consolidated” wherever they occur and substituting “an EBS Valuation”.

Amends Schedule IIIA

8 Schedule IIIA to the principal Rules is amended in paragraph (c) of the INSTRUCTIONS AFFECTING SCHEDULE IIIA by deleting “a consolidated” and substituting “an EBS Valuation”.

Amends Schedule V

9 Schedule V to the principal Rules is amended—

(a) in the introductory paragraph by deleting—

- (i) paragraph (c);
- (ii) paragraph (p);
- (iii) paragraph (q);
- (iv) paragraph (r);

(b) in the INSTRUCTIONS AFFECTING SCHEDULE V—

- (i) in the introductory paragraph by deleting the words “a consolidated” wherever they occur and substituting “an EBS Valuation”;
- (ii) by deleting paragraph (b) and substituting the following—

“(b) intra-group transactions that the insurer is a party to and the insurer’s risk concentrations shall include—

- (i) details of material intra-group transactions between the insurer and other members of the group for which it belongs, including (where applicable)—

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

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY
REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

- (B) counterparties involved including where they are located;
and
- (C) summary details of the transactions, including purpose,
terms and transaction costs, duration of the transaction
and performance triggers;
- (ii) details surrounding all intra-group reinsurance and
retrocession arrangements, and other intra-group risk transfer
insurance business arrangements including—
 - (A) aggregated values of the exposure limits (gross and net) by
counterparties broken down by counterparty rating;
 - (B) counterparties involved, including where they are located;
 - (C) aggregated premium flows between counterparties (gross
and net); and
 - (D) the proportion of the insurer's insurance business
exposure covered by internal reinsurance, retrocession
and other risk transfer insurance business arrangements;
- (iii) details of the ten largest exposures to unaffiliated
counterparties and any other unaffiliated counterparty
exposures or series of linked unaffiliated counterparty
exposures, excluding those reinsurance exposures disclosed in
(c), exceeding 10% of the insurer's statutory capital and
surplus, including—
 - (A) name of unaffiliated counterparty, including where the
counterparty is located;
 - (B) exposure values (face value or market value, if the latter
is available); and
 - (C) transaction type;";
- (iii) by deleting paragraph (c);
- (iv) by deleting paragraph (p);
- (v) by deleting paragraph (q);
- (vi) by deleting paragraph (r).

Amends Schedule VI

10 Schedule VI to the principal Rules is amended in paragraph (c) by deleting "a consolidated" and substituting "an EBS Valuation".

Amends Schedule XII

11 Schedule XII to the principal Rules is amended in the introductory paragraph by deleting "a consolidated" and substituting "an EBS Valuation".

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY
REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

Amends Schedule XVII

12 Schedule XVII to the principal Rules is amended in paragraph (e) of the INSTRUCTIONS AFFECTING SCHEDULE XVII by inserting before “net” the words “gross and”.

Inserts Schedules XVIII, XIX, XX and XXI

13 The principal Rules are amended by inserting the following Schedules after Schedule XVII—

- (a) “SCHEDULE XVIII Particulars of Ceded Reinsurance”;
- (b) “SCHEDULE XIX Schedule of Cash and Cash Equivalents Counterparty Analysis”;
- (c) “SCHEDULE XX Schedule of Currency Risk”;
- (d) “SCHEDULE XXI Schedule of Concentration Risk”.

Commencement

14 These Rules come into operation on 1 January 2017 and apply to financial years commencing on or after 1 January 2016.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS 3A SOLVENCY
REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

SCHEDULE

(paragraphs 4 to 13)

TITLES OF SCHEDULES AMENDED OR INSERTED BY THESE RULES

The Schedules referred to in paragraphs 4 to 13 and listed below, 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—

SCHEDULE I	Bermuda Solvency Capital Requirement - Class 3A
SCHEDULE II	Schedule of Fixed Income and Equity Investments by BSCR Rating
SCHEDULE IIA	Schedule of Funds Held by Ceding Reinsurers in Segregated Accounts/Trusts by BSCR Rating
SCHEDULE III	Schedule of Net Loss and Loss Expense Provisions by General Business
SCHEDULE IIIA	Schedule of Geographic Diversification of Net Loss and Loss Expense Provisions by General Business
SCHEDULE V	Schedule of Risk Management
SCHEDULE VI	Schedule of Fixed Income Securities
SCHEDULE XII	Schedule of Eligible Capital
SCHEDULE XVII	Schedule of Solvency
SCHEDULE XVIII	Particulars of Ceded Reinsurance
SCHEDULE XIX	Schedule of Cash and Cash Equivalents Counterparty Analysis
SCHEDULE XX	Schedule of Currency Risk
SCHEDULE XXI	Schedule of Concentration Risk

Made this 19th day of July 2016

Chairman
The Bermuda Monetary Authority