



BERMUDA

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E  
SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

BR 70 / 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 V
8	Amends Schedule VI
9	Amends Schedule VIII
10	Amends Schedule VIII A
11	Amends Schedule XII
12	Amends Schedule XIII
13	Amends Schedule XIV
14	Amends Schedule XVII
15	Inserts Schedules XVIII, XIX, XX, XXI and XXII
16	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 C, Class D and Class E Solvency Requirement) Rules 2011 (the “principal Rules”), may be cited as the

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

---

Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Amendment (No. 2) Rules 2016.

Amends paragraph 2

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

“EBS Valuation basis” means—

- (a) in relation to a Class D or E insurer, the Economic Balance Sheet valuation principles to be complied with by a relevant Class D or E insurer in accordance with the Instructions Affecting Form 4EBS under Schedule XIV;
- (b) in relation to a Class C insurer, the Economic Balance Sheet valuation principles to be complied with in accordance with the Instructions Affecting Form 4EBS under Part XIV of Schedule XIII;”.

Amends paragraph 6

3 Paragraph 6 of the principal Rules is amended in—

- (a) in subparagraph (1) by deleting “and XVII” and substituting “, XVII, XVIII, XIX, XX, XXI and XXII”;
- (b) in subparagraph (2) by deleting “and XVII” and substituting “, XVII, XVIII, XIX, XX, XXI and XXII”;
- (c) in subparagraph (3)(b) by deleting “and XVII” and substituting “XVII, XVIII, XIX, XX, XXI and XXII”.

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 5 by deleting the words “Schedule V(i)” wherever they occur and substituting “Schedule XX”;
- (d) in Table 6 by deleting the words “Schedule V(j)” wherever they occur and substituting “Schedule XXI”;
- (e) in Table 7 by deleting the words “Schedule V paragraph (d)” wherever they occur and substituting “Schedule XVIII”;
- (f) by deleting “a consolidated” and substituting “an EBS Valuation” in the following—

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

---

- (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 5;
- (v) paragraph (c) of the INSTRUCTIONS AFFECTING TABLE 6;
- (vi) paragraph (h) of the INSTRUCTIONS AFFECTING TABLE 7.

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 V

7 Schedule V to the principal Rules is amended—

- (a) in the introductory paragraph by deleting the following—
  - (i) paragraph (c);
  - (ii) paragraph (q);
  - (iii) paragraph (r);
  - (iv) paragraph (s);
- (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 inserting the following after paragraph (b)(ii)(A)—

“(AA) counterparties involved, including where they are located;”;
  - (iii) by deleting paragraph (c);
  - (iv) by deleting paragraph (q);
  - (v) by deleting paragraph (r);
  - (vi) by deleting paragraph (s).

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

---

Amends Schedule VI

8 Schedule VI to the principal Rules is amended in paragraph (d) by deleting “a consolidated” and substituting “an EBS Valuation”.

Amends Schedule VIII

9 Schedule VIII to the principal Rules is amended—

- (a) in paragraph 6 of the INSTRUCTIONS AFFECTING SCHEDULE VIII by deleting “a consolidated” and substituting “an EBS Valuation”;
- (b) by deleting the following tail—

“Economic Balance Sheet Valuation principles—  
(a) under Schedule XIV in relation to a Class D or Class E insurer;  
(b) Part XIV under Schedule XIII in relation to a Class C insurer.”.

Amends Schedule VIIIA

10 Schedule VIIIA to the principal Rules is amended in paragraph (b) of the INSTRUCTIONS AFFECTING SCHEDULE VIIIA 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”.

Amends Schedule XIII

12 Schedule XIII to the principal Rules is amended—

- (a) in PART 1—
  - (i) in paragraph 1 by deleting “a consolidated” and substituting “an EBS Valuation”;
  - (ii) in Table 1 by deleting the words “Part V(h)” wherever they occur and substituting “Part XIX”;
  - (iii) in Table 5 by deleting the words “Part V(i)” wherever they occur and substituting “Part XX”;
  - (iv) in Table 6 by deleting the words “Part V(j)” wherever they occur and substituting “Part XXI”;
  - (v) in Table 7 by deleting the words “Part V paragraph (d)” wherever they occur and substituting “Part XVIII”;
  - (vi) by deleting “a consolidated” and substituting “an EBS Valuation” in—
    - (A) paragraph (f) of the INSTRUCTIONS AFFECTING TABLE 1;
    - (B) paragraph (d) of the INSTRUCTIONS AFFECTING TABLE 2;
    - (C) paragraph (d) of the INSTRUCTIONS AFFECTING TABLE 3;

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

---

- (D) paragraph (e) of the INSTRUCTIONS AFFECTING TABLE 5;
- (E) paragraph (c) of the INSTRUCTIONS AFFECTING TABLE 6;
- (F) paragraph (h) of the INSTRUCTIONS AFFECTING TABLE 7;
- (b) in PART II in paragraph (j) of the INSTRUCTIONS AFFECTING PART II by deleting “a consolidated” and substituting “an EBS Valuation”;
- (c) in PART IIA in paragraph (k) of the INSTRUCTIONS AFFECTING PART IIA by deleting “a consolidated” and substituting “an EBS Valuation”;
- (d) in PART V—
  - (i) in the introductory paragraph by deleting the following—
    - (A) paragraph (c);
    - (B) paragraph (o);
    - (C) paragraph (p);
    - (D) paragraph (q);
  - (ii) in the INSTRUCTIONS AFFECTING PART V—
    - (A) in the introductory paragraph by deleting the words “a consolidated” wherever they occur and substituting “an EBS Valuation”;
    - (B) by deleting the following—
      - 1 paragraph (c);
      - 2 paragraph (o);
      - 3 paragraph (p);
      - 4 paragraph (q);
- (e) in PART VI in paragraph (c) by deleting “a consolidated” and substituting “an EBS Valuation”;
- (f) in PART VII in paragraph (b) of the INSTRUCTIONS AFFECTING PART VII by deleting the words “a consolidated” wherever they occur and substituting “an EBS Valuation”;
- (g) in PART VIII in paragraph 6 of the INSTRUCTIONS AFFECTING PART VIII by deleting “a consolidated” and substituting “an EBS Valuation”;
- (h) in PART VIIIA in paragraph (b) of the INSTRUCTIONS AFFECTING PART VIIIA by deleting “a consolidated” and substituting “an EBS Valuation”;
- (i) in PART IX in the introductory paragraph by deleting “a consolidated” and substituting “an EBS Valuation”;
- (j) in PART XII in the introductory paragraph by deleting “a consolidated” and substituting “an EBS Valuation”;

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

---

- (k) in PART XIV in paragraph 13 of the INSTRUCTIONS AFFECTING FORM 4EBS by inserting after “conditions.” the words “This shall include non-balance sheet reserves such as those set out under Modified Coinsurance arrangements under paragraph “(k)” of THE INSTRUCTIONS AFFECTING PART V: The corresponding assets supporting these modified coinsurance arrangements shall be included in Lines 1 to 15 of Form 4EBS.”;
- (l) in PART XVII in paragraph (e) of the INSTRUCTIONS AFFECTING PART XVII by inserting before “net” the words “gross and”;
- (m) by inserting the following after PART XVII—
  - (i) “PART XVIII Schedule of Anti-Money Laundering Assessment”;
  - (ii) “PART XIX Schedule of Particulars of Ceded Reinsurance”;
  - (iii) “PART XX Schedule of Cash and Cash Equivalents Counterparty Analysis”;
  - (iv) “PART XXI Schedule of Currency Risk”;
  - (v) “PART XXII Schedule of Concentration Risk”.

Amends Schedule XIV

13 Schedule XIV to the principal Rules is amended in paragraph 13 of the INSTRUCTIONS AFFECTING FORM 4EBS by inserting after “conditions.” the words “This shall include non-balance sheet reserves such as those set out under Modified Coinsurance arrangements under paragraph “(n)” of THE INSTRUCTIONS AFFECTING SCHEDULE V: The corresponding assets supporting these modified coinsurance arrangements shall be included in Lines 1 to 15 of Form 4EBS”.

Amends Schedule XVII

14 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, XXI and XXII

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

- (a) “SCHEDULE XVIII Schedule of 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”;
- (e) “SCHEDULE XXII Schedule of Anti-Money Laundering Assessment”.

INSURANCE (PRUDENTIAL STANDARDS) (CLASS C, CLASS D AND CLASS E  
SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

---

Commencement

16 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 C, CLASS D AND CLASS E SOLVENCY REQUIREMENT) AMENDMENT (NO. 2) RULES 2016

---

SCHEDULE

(paragraphs 4 to 15)

TITLES OF SCHEDULES AMENDED OR INSERTED BY THESE RULES

*The Schedules referred to in paragraphs 4 to 15 and listed below, have been omitted from these Rules and published on the Authority's website [www.bma.bm](http://www.bma.bm), in accordance with section 6A(8) of the Insurance Act 1978—*

SCHEDULE I	Bermuda Solvency Capital Requirement (Class D and Class E BSCR)
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 V	Schedule of Risk Management
SCHEDULE VI	Schedule of Fixed Income Securities
SCHEDULE VIII	Schedule of Long-Term Variable Annuity Guarantees Data and Reconciliation
SCHEDULE VIIIA	Schedule of Long-Term Variable Annuity Guarantees - Internal Capital Model
SCHEDULE XII	Schedule of Eligible Capital
SCHEDULE XIII	Bermuda Solvency Capital Requirement (Class C BSCR)
SCHEDULE XIV	Class D and Class E Statutory Economic Balance Sheet
SCHEDULE XVII	Schedule of Solvency
SCHEDULE XVIII	Schedule of 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
SCHEDULE XXII	Schedule of Anti-Money Laundering Assessment

Made this 19th day of July 2016

Chairman  
The Bermuda Monetary Authority