Government Notice No. 80 of 2025

THE CAPTIVE INSURANCE ACT

FSC Rules made by the Commission under section 18 of the Captive Insurance Act and section 93 of the Financial Services Act

1. Citation

These Rules may be cited as the Captive Insurance (Captive Insurance Business) (Amendment) Rules 2025.

2. Interpretation

In these Rules –

"principal Rules" means the Captive Insurance (Captive Insurance Business) Rules 2024.

3. Rule 2 of the principal Rules amended

Rule 2 of the principal Rules is amended, by inserting, in the appropriate alphabetical order, the following new definitions –

"best-estimate assumptions" means realistic assumptions which depend upon the nature of the business and which should be guided by immediate past experience, as modified by any knowledge of, or expectations regarding, the future, and when assumptions are interrelated, such as discount rates, bonus rates and expense inflation, the assumptions must be consistent;

"contractual service margin" means the component of the carrying amount of the asset or liability for a group of insurance contracts, representing the unearned profit which the captive insurer shall recognise as it provides captive insurance business under the group of insurance contracts;

"fulfilment cash flows" means the explicit, unbiased and probability-weighted estimate of the expected present value of the future cash outflows minus the present value of the future cash inflows that will arise as the captive insurer fulfils insurance contracts, including a risk adjustment for non-financial risk;

"insurance contracts" includes reinsurance contracts;

"liability for incurred claims" means the captive insurer's obligations to pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses;

"liability for remaining coverage" means the captive insurer's obligations to pay valid claims under existing insurance contracts for insured events that have not yet occurred, specifically, the obligation that relates to the unexpired portion of the insurance coverage;

"risk adjustment" means the compensation a captive insurer requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the captive insurer fulfils its insurance contracts.

4. Rule 10 of the principal Rules amended

Rule 10 of the principal Rules is amended by deleting paragraph (1) and replacing it by the following new paragraph –

(1) The capital available of a captive insurer shall consist of shares issued and paid up, share premium, retained earnings, reserves and may include the contractual service margin.

5. Rule 12 of the principal Rules amended

Rule 12 of the principal Rules is deleted and replaced by the following new Rule –

12. Technical reserves

A captive insurer shall make adequate technical provisions in its accounts for its underwriting liabilities in respect of its insurance contracts, including –

(a) liabilities for remaining coverage; and

(b) liabilities for incurred claims.

6. Rule 19 of the principal Rules amended

Rule 19 of the principal Rules is amended -

(a) by deleting paragraph (2) and replacing it by the following new paragraph –

(2) An investigation referred to in paragraph (1) shall include a valuation of its –

(a) liabilities for incurred claims; and

(b) liabilities for remaining coverage, in accordance with these Rules.

(b) in paragraph (4) –

(i) in subparagraph (q), by deleting the word "and";

(ii) by deleting subparagraph (r) and inserting the following new paragraphs –

(r) information on the captive insurer's methodology and assumptions used to determine the inputs for fulfilment cash flows;

(s) the confidence level used to determine the risk adjustment, and if a technique other than the confidence level technique is used, the technique used and the confidence level corresponding to the results of that technique need to be disclosed;

(t) information about yield curves used to discount cash flows that do not vary based on returns from underlying items; and

(u) such other matters as the Commission may deem appropriate.

7. Rule 20 of the principal Rules amended

Rule 20 of the principal Rules is amended by inserting, after paragraph (1), the following new paragraph–

(1A) The captive insurer shall ensure that the separate accounts referred to in paragraph (1) are maintained in compliance with IFRS 17, including the accurate reflection of contractual service margin, fulfilment cash flows, and risk adjustment for each class of insurance business.

8. Rule 24 of the principal Rules amended

Rule 24 of the principal Rules is amended by deleting the words "and the margins specified in Part IV of the Second Schedule".

9. New Rule 24A of the principal Rules added

The principal Rules are amended by inserting, after rule 24, the following new Rule –

24A. Substance requirements

A captive insurer shall, at all times, for the conduct of its core income generating activities –

(a) employ an adequate number of suitably qualified people either through direct employment or indirectly through an insurance manager hired to manage its captive insurance business; and

(b) have a minimum expenditure proportionate to its level of activities.

10. Second Schedule to the principal Rules amended

The Second Schedule to the principal Rules is deleted and replaced by the Schedule to these Rules.

11. Commencement

These Rules shall come into operation on 29 September 2025.

Made by the Financial Services Commission on 16 September 2025.

SCHEDULE
[Rule 10]

SECOND SCHEDULE
[Rules 8 and 12]

PART I

CALCULATION OF ASSET CAPITAL

Asset capital shall be calculated by taking into consideration the following required margins:

Applicable factors	Required Margin		
	Pure captive insurance business	**Class 1 third party captive insurance business**	**Multi-owner pure captive insurance business, class 2 or class 3 third party captive insurance business**
(a) Cash, cash at bank, short term deposits and premium and non-premium receivables outstanding for less than 12 months, receivables from related companies for less than 12 months, amounts recoverable from incurred claims for less than 12 months	0%	0%	0%
(b) Money market placements (collective investment schemes), government and semi- government bonds	1%	1%	1%

(c) Term deposits of 12 months or more, amount recoverable for incurred claims outstanding for 12 months or more	2%	2%	3%
(d) Receivables from related companies outstanding for 12 months or more, bond funds with acceptable rating, corporate bonds with acceptable rating and asset- backed securities with acceptable rating, non-premium receivables outstanding for 12 months or more	4%	4%	6%
(e) Approved intragroup loans / Investment in related companies	2%	8%	8%
(f) Bond funds rated below acceptable rating or unrated, corporate bonds rated below acceptable rating or unrated, and asset- backed securities rated below acceptable rating or unrated, freehold land and building, investment property, investment in related companies listed equities, loans to related companies approved by the Commission	8%	8%	8%
(g) Intangible assets and goodwill	100%	100%	100%
(h) Loans to related companies (Not approved)	100%	100%	100%

(i) Assets not listed under this Schedule	17%, or such other amount as may be approved by the Commission	17%, or such other amount as may be approved by the Commission	17%, or such other amount as may be approved by the Commission

Note 1: Where information is not available to determine the redemption or maturity of an asset, or the asset falls in more than one category, the captive insurer shall use the category with the highest capital factors for that asset.

Note 2: A look-through approach has to be performed when analysing the rating of the bond funds (if not rated).

PART II

CALCULATION OF UNDERWRITING CAPITAL

Underwriting capital shall be calculated by retaining 10% of the higher of:

(a) gross written premium or earned premium, whichever is higher, minus premiums ceded to reinsurers with acceptable ratings; and

(b) the maximum of:

i. Yearly average of last 3 year's incurred service expense excluding acquisition cashflows; and

ii. Yearly average of last 3 year's outstanding claims and Incurred But Not Reported claims

net of recoveries from reinsurers with acceptable ratings.

PART III

ACCEPTABLE RATINGS FOR THE CALCULATION OF ASSET CAPITAL AND UNDERWRITING CAPITAL

Acceptable ratings shall be equal to or above the rating tiers provided in the table hereunder:

Credit Rating Agencies	**Credit Rating Tiers**	
	Pure or class 1	**Multi-owner or class 2 or class 3**
1. Standard & Poor's	BBB	A
2. Moody's Investors Service	Baa	A
3. AM Best	B-	B+
4. Fitch Ratings	BBB	A
5. Global Credit Rating (International Claims Paying Ability)	BBB	A
6. CARE Rating (Claims Paying Ability)	BBB	A

Where a class 1 third party captive insurer conducts long term insurance business, the ratings of multi-owner or class 2 or class 3 shall apply to the class 1 third party captive insurer.
