THE CAPTIVE INSURANCE ACT

FSC Rules made by the Commission under sections 8 and 18 of the Captive Insurance Act and section 93 of the Financial Services Act

PART I

INTERPRETATION

1. Citation

These rules may be cited as the Captive Insurance (Captive Insurance Business) Rules XXXX.

2. Interpretation

In these Rules -

"Act" means the Captive Insurance Act 2015;

"auditor" means a person -

(a) qualified to act as auditor under the Financial Reporting Act 2004; and
(b) appointed as auditor of a captive insurer with the approval of the Commission under rule 15;

"balance sheet date" has the same meaning as in the Companies Act 2001;

"minimum capital requirement" means such capital that is required to be held by a captive insurer calculated in accordance with these rules;

"officer" has the same meaning as in the Financial Services Act 2007;

"policyholder" means a person who enters into a contract of insurance, and includes a person entitled to benefit from an insurance policy;

“pure captive insurer” means a person carrying on pure captive insurance business referred to in the Schedule of the Act.

"third party captive insurer" includes Class 1 third party captive insurer, Class 2 third party captive insurer and Class 3 third party captive insurer ;

"Class 1 third party captive insurer" means a person carrying on class 1 third party captive insurance business referred to in the schedule to the Act;

"Class 2 third party captive insurer" means a person carrying on class 2 third party captive insurance business referred to in the schedule to the Act;

"Class 3 third party captive insurer" means a person carrying on class 3 third party captive insurance business referred to in the schedule to the Act;

‘RMF’ has the same meaning as in the Insurance (Risk Management) Rules 2016;

"substantial shareholder" has the same meaning as in the Companies Act 2001;

"solvency ratio" means the ratio that a captive insurer is required to maintain in accordance with rule 8(2).

3. **Application of rules**

These rules shall apply only to a captive insurer who is licensed or ought to be licensed under the Act and who is conducting a category of captive insurance business referred to in the schedule to the Act.

PART II

SCOPE OF CAPTIVE INSURANCE BUSINESS

4. Limitation of third party captive insurer

A captive insurer shall conduct its captive insurance business subject to such limitations, restrictions and conditions specified in the First Schedule or as may otherwise be determined by the Commission.

5. Permissible classes of captive insurance business

(1) Subject to paragraphs (2) and (3), a third party captive insurer may insure a contract of insurance and reinsurance pertaining to long-term insurance business.

(2) A Class 1 third party captive insurer can carry on long-term insurance business and general insurance business where the long term insurance business gross written premium is less than 10 per cent of the total gross premium but not more than 30 million rupees for a financial year.

(3) A Class 2 third party captive insurer or Class 3 third party captive insurer shall not carry on both long term and general insurance business.

PART III

MANAGEMENT OF CAPTIVE INSURANCE BUSINESS

6. Risk Management

(1) A Class 2 third party captive insurer or Class 3 third party captive insurer shall maintain at all times a RMF and develop and implement strategies, policies, procedures and controls to manage material risks, specified in the Insurance (Risk Management) Rules 2016.

(2) (a) The Commission may, where necessary, by reason of the nature, scale and complexity of the business of a captive insurer, direct the captive insurer to comply with such additional underwriting, investment, reinsurance or other requirements as may be imposed.

(b) The Commission shall not issue a direction referred to in paragraph (a) unless it –

(i) notifies the captive insurer of the proposed additional risk management requirements, and the reason for complying with those additional requirements; and

(ii) gives the captive insurer a reasonable opportunity to make representations to the Commission.

PART IV

SOLVENCY REQUIREMENTS

7. Capital and solvency requirements

(1) For the purposes of the Act and these rules, a captive insurer, an auditor or an actuary shall specify all values relating to capital and solvency requirements in Mauritian rupees or in any other currency acceptable to the Commission.

(2) A captive insurer shall have and at all times maintain an unimpaired paid up capital as specified in the Second Schedule.

8. Solvency ratio

(1) For the purposes of section 10(8) of the Act, a captive insurer shall comply with the requirements of this rule.

(2) A captive insurer shall at all times maintain a solvency ratio as specified in the Second Schedule.

(3) A pure captive insurer and Class 1 third party captive insurer shall, immediately inform the Commission, if it anticipates its capital requirement ratio to fall below the solvency ratio as defined in the Second Schedule and submit to the Commission, for

approval, a contingency plan to restore the solvency ratio on such terms and conditions as it may deem fit.

(4) A Class 2 third party captive insurer or Class 3 third party captive insurer shall, immediately inform the Commission, if it anticipates its capital requirement ratio to fall below the target level as defined in the Second Schedule and submit to the Commission, for approval, a contingency plan to restore the target level on such terms and conditions as it may deem fit.

(5) Section 22 of the Insurance Act shall apply where the solvency ratio of a Class 2 third party captive insurer or Class 3 third party captive insurer is less than the relevant ratio specified in the Second Schedule.

9. Calculation of the minimum capital requirement

(1) The minimum capital requirement of a captive insurer shall be the sum of the asset capital and the underwriting capital, calculated in accordance with the requirements specified in Part I and Part II of the Third Schedule.

(2) The calculation of the underwriting capital and the asset capital of a third party captive insurer shall be based on -

(a) the acceptable ratings specified in Part III of the Third Schedule ; or

(b) any other equivalent ratings from a credit rating agency which is approved by the Commission.

10. Valuation of assets

(1) The asset value for the purpose of calculating the asset capital of a captive insurer shall be taken at fair value.

(2) For the purposes of paragraph (1) and of determining the solvency ratio and minimum capital requirement, "fair value" means -

(a) in the case of an asset which is listed on the Official List of a securities exchange which is a member of the World Federation of Exchanges and for which a price was quoted on that securities exchange on the date as at which the value is calculated, the price last so quoted;

(b) in any other case, the price which could have been obtained upon a sale of the asset between a willing buyer and a willing seller dealing at arm's length, as estimated by the captive insurer; or

(c) the Commission's estimate of the asset where the Commission suspects market abuses under sub-paragraph (a) or is not satisfied with the estimate under sub-paragraph (b).

11. Capital available

(1) The capital available to a captive insurer shall consist of shares issued and paid up, share premium, retained earnings and reserves.

(2) Notwithstanding paragraph (1) but subject to the prior approval of the Commission, the capital available to a captive insurer may consist of -

(a) an irrevocable letter of credit;

(b) a subordinated loan provided that -

(i) the title deed setting out the terms of the subordinated loan explicitly mentions that the loan is legally subordinated to the claims of policyholders and other creditors of the captive insurer;

(ii) the subordinated loan is unsecured;

(iii) the subordinated loan has an original maturity period of over 5 years;

(iv) the subordinated loan may be redeemed before maturity only at the option of the captive insurer and with the prior written approval of the Commission; and

(v) the subordinated loan shall not, in the event of the winding up of the captive insurer, be repaid until the claims of policyholders and other creditors have been fully satisfied; or

(c) a combination of (a) and (b).

12. Admissible assets covering solvency ratio

(1) Subject to paragraph (2) a captive insurer shall keep and maintain in cash and cash equivalents the amount specified in Second Schedule as share capital.

(2) Assets covering the solvency ratio may be a combination of the following -
   (a) cash;
   (b) irrevocable letter of credit;
   (c) investments made in accordance with section 11 of the Act;
   (d) any other security deemed appropriate by the Commission.

(3) Notwithstanding paragraph (1) and subject to the prior approval of the Commission, the irrevocable letter of credit or subordinated loan under paragraph (2) covering the solvency ratio shall not be more than 40 per cent of the total assets of the captive insurer.

13. Technical reserves

(1) A captive insurer shall make adequate technical provisions in its accounts for its underwriting liabilities in respect of its insurance and reinsurance policies, including liabilities for -
   (a) unexpired risks;
   (b) outstanding and incurred claims;
   (c) provisions for claims incurred but not reported; and
   (d) policy benefits which have not become claimable calculated on a basis acceptable to the Commission.

(2) Subject to paragraph (3), a third party captive insurer carrying on long term insurance business shall modify the best estimate assumptions by at least the margins specified in Part IV of the Third Schedule, provided that an assumption shall be increased or decreased depending on which alternative gives rise to an increase in the liability of the class of policies concerned.

(3) The prescribed minimum margins shall apply throughout the lifetime of the long term insurance policies.

14. Investment

(1) A captive insurer shall invest the assets covering the technical provisions in accordance with the following principles -

(a) the assets shall take into account the type of business carried out by the captive insurer, in particular the nature, amount and duration of the expected claims payments, in such a way as to secure the sufficiency, liquidity, security, quality, profitability and matching of its investments;

(b) the assets are diversified and adequately spread so as to allow the captive insurer to respond adequately to changing economic circumstances and the captive insurer shall assess the impact of irregular market circumstances on its assets and shall diversify the assets in such a way as to reduce such impact;

(c) investment in assets which are not admitted to trading on a regulated securities exchange shall be kept to prudent levels;

(d) investment in derivative instruments shall be possible insofar as they contribute to a reduction of investment risks or facilitate efficient portfolio management provided that -

(i) the derivative instruments are valued on a prudent basis, taking into account the underlying assets, and included in the valuation of the captive insurer's assets; and

(ii) the captive insurer avoids excessive risk exposure to a single counterparty and to other derivative operations;

(e) the assets shall be properly diversified in such a way as to avoid excessive reliance on any one particular asset, issuer or group of undertakings and accumulations of risks in the portfolio as a whole; and

(f) investment in assets issued by the same issuer or by issuers belonging to the same group shall not expose the undertaking to excessive risk concentration.

(2) The aggregate value of investments as reported on the balance sheet of a Class 2 third party captive insurer or Class 3 captive insurer in any property, corporation, foreign government debts, commodity or group of related corporations shall not exceed 10 per cent of its assets.

15. Loans

(1) Subject to the prior approval of the Commission, a captive insurer may give loans to a related entity.

(2) The Commission shall only grant an approval under paragraph (1) where the captive insurer is able to demonstrate that the funds remaining after the loan has been deducted are adequate to support the captive insurer' s risk profile.

(3) Subject to paragraph (2), the Commission may approve a loan to a related entity of the captive insurer, on the condition that the loan will be applied from assets in excess of technical reserves with a security margin of –

(a) 10 per cent for pure captive insurer or Class 1 third party insurer;
(b) 25 per cent for a Class 2 third party captive insurer or Class 3 third party captive insurer; or
(c) as the Commission may otherwise require,

and after deduction of the share capital.

(4) A loan agreement to a related entity shall contain the following characteristics -
(a) the loan is negotiated on an arm's length basis;
(b) the loan repayment is for a finite period;
(c) the loan attracts a commercial rate of interest; and
(d) the loan is to be repayable within such time period as the Commission may determine.

PART V

AUDIT AND REPORTING REQUIREMENTS

SUB PART A

AUDIT

16. Appointment of auditor and actuary

(1) Subject to this rule, a captive insurer shall appoint and have at all times -
   (a) an auditor; and
   (b) an actuary.

(2) Subject to paragraph (5), an appointment made under paragraph (1) shall not be effective except with the approval of the Commission.

(3) In making an appointment under paragraph (1), a captive insurer shall consider and state in the resolution making the appointment whether the auditor or the actuary, as the case may be -
   (a) holds the necessary qualifications and competence, has proven experience and adequate resources to perform his functions;
   (b) is independent of the captive insurer in that he, or in the case of a firm, any of his partners, has no relationship with, or no interest in the captive insurer, any of its group of companies, nor has any connection with any officer or substantial shareholder of the captive insurer, which could reasonably be perceived as materially affecting the exercise by him of an independent mind and judgment in the performance of his duties;
   (c) is fit and proper in accordance with such guidelines as may be issued by the Commission.

(4) An application for approval under paragraph (2) shall be made in writing and shall be accompanied by a certified copy of the resolution referred to in paragraph (3) or any information and documents as the Commission may require.

(5) Except where it is expressly objected to by the Commission within 15 days of submission of the application made under paragraph (4), the appointment shall be deemed to have been approved and shall become effective.

(6) In determining an application under paragraph (4), the Commission may take into consideration -
   (a) any report from the professional organisation of which the proposed appointee is a member, or from a relevant supervisory body; or
   (b) any matter or information relevant to determine whether the proposed appointee is a fit and proper person.

(7) Where a captive insurer does not have an auditor or an actuary approved pursuant to this rule, the Commission may make the appointment at the cost of the captive insurer.

(8) Where an auditor or actuary appointed by a captive insurer is a firm -
   (a) the firm shall designate a partner as the signing partner who shall, for the purposes of the Act and these rules, without any limitation to the obligations and liabilities of the other partners or associates, have all the duties, responsibilities and obligations of an auditor or actuary as if he were himself appointed;
   (b) the approval of the Commission for the appointment of the firm shall not lapse by reason of a change in the membership of the firm provided that at least half of the members, after the change, were members when the appointment of the firm was last approved by the Commission.

(9) The auditor or actuary of a captive insurer shall have similar duties and the functions as the auditor or actuary of an insurer under sections 43, 44 and 45 of the Insurance Act 2005.

17. Notice of termination and resignation

(1) A captive insurer shall give to the Commission written notice of the termination of appointment or resignation of its auditor or actuary within 15 days of the termination or resignation.

(2) Where the termination of appointment or resignation of an auditor or actuary is otherwise than by reason of expiry of his term of office -
   (a) the notice referred to in paragraph (1) shall specify the reasons for and circumstances of the termination or resignation;
   (b) the Commission may require the auditor or actuary to give his opinion on the circumstances of the termination or resignation.

18. Termination of appointment by the Commission

(1) Subject to paragraph (2), the Commission may require a captive insurer to terminate the appointment of an auditor or actuary of a captive insurer, where it has reasons to believe that the person or firm concerned is not fit and proper to hold the relevant office.

(2) In terminating an appointment under paragraph (1), the Commission shall give a captive insurer and the auditor or the actuary as the case may be -
   (a) prior notice of its intention to act in accordance with paragraph (1) and the reasons for so doing; and
   (b) reasonable opportunity to make representations.

19. Audit and auditor's certificate

(1) The financial statements of a captive insurer shall be audited by its auditor appointed under these rules.

(2) The auditor shall, in a certificate relating to the accounts and statements in respect of a balance sheet date of a captive insurer, state whether -
   (a) the financial statements and other reports to which the certificate relates appear to him to be in accordance with the requirements of the Act, these rules, the relevant Acts and guidelines, as may be applicable, and give particulars of any matters that do not appear to him to be in accordance with those requirements;
   (b) the accounting records, of the captive insurer in respect of that year appear to him to have been properly kept and to record and explain correctly the transactions

and financial position of the captive insurer, and give particulars of accounting records that appear to him not to have been so kept and of transactions that appear to him not to have been so recorded;

(c) in respect of that year, he has obtained the information and explanations that he requested;

(d) he has been denied any information requested under sub paragraph (c), setting out the particulars of information and explanations that he requested but did not obtain;

(e) he is satisfied that the financial statements and other reports referred to in sub-paragraph (a) agree with the accounting records of the captive insurer and appear to him to represent truly the transactions and financial position of the captive insurer in respect of the balance sheet date to which they relate and, where any of them appear to him to fail to represent the transactions and financial position, give particulars of the failure;

(f) amounts required by rule 21 (3) to be apportioned, have been equitably apportioned and where they have not been so apportioned give particulars of the failure;

(g) all management expenses incurred in respect of the captive insurer's business, whether directly or indirectly, have been fully debited in the revenue account or profit and loss account as expenses and, where they have not been so debited, give particulars of the amounts not so debited; and

(h) every reserve has been calculated in accordance with rule 26, and where they have not been so calculated, give particulars of the failure.

SUB PART B

REPORTING REQUIREMENTS

20. Actuarial Investigation

(1) A captive insurer shall cause its actuary appointed under these rules to conduct an investigation in to its financial position as at its balance sheet date and make a report thereon.

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

(a) its underwriting liabilities including any deficiency in reserving for such liabilities in accordance with these rules; and

(b) liabilities incurred but not reported claims and other technical liabilities, including any deficiency in reserving for such liabilities in accordance with these rules.

(3) The captive insurer shall submit to the Commission a report of the investigation referred to in paragraph (1) together with its annual report referred to section 12 of the Act.

(4) The report referred to in paragraph (3) shall include, as applicable -

(a) a statement of the valuation basis used and the assumptions and methodology used to calculate the value of liabilities for all classes of business;

(b) a statement showing the extent to which consideration has been taken of the nature and term of the assets available to meet the liabilities valued and degree of matching relative to the liabilities;

(c) the actuary's opinion on the value of the assets mentioned in sub-paragraph (b);

(d) a statement on whether the pricing of the insurance policies is prudentially sound;

(e) a summary of the data including sources of data and grouping as well as highlighting any shortcomings in the data;

(f) a statement of the solvency position at the valuation date, the previous valuation date and an estimate of the expected solvency position in 12 months' time;

(g) a statement of comparison of the assumptions used for valuation and pricing along with any management actions that have been taken into account when valuing the liabilities;

(h) any uncertainty with respect to specific assumptions as well as the assumptions to which the final results are particularly sensitive;

(i) the level of the bonus smoothing reserves on any smoothed bonus business and, where this figure is negative, the actions that will be taken to return this to a non-negative figure, within three years;

(j) with regards to participating policies, the non-maintenance of last declared bonus rates for all future years, if any, and the details of the expected reductions for all future years in the bonus rates assumptions;

(k) comment on the changes in methodology and assumptions since the previous reports and its impact on the final results;

(l) a brief summary of the reinsurance arrangements of the insurer including the impact on liabilities and the appropriateness of these arrangements, given the nature of the risks;

(m) comments on any material changes in reinsurance arrangement since the previous report and discuss the credit risk and concentration risk with respect to the reinsurance arrangements and the ability of the insurer to meet its obligations taking into consideration these risks;

(n) a detailed analysis of surplus dealing with all the relevant parameters, emerging over the period since the previous report;

(o) a brief summary of new products launched during the period since the previous valuation or where existing products have been materially changed;
(p) the extent to which the actuary has relied on the Professional Conduct Standards and Guidance Notes issued by his profession; and
(q) the extent to which the actuary has relied on the work of other professionals.

21. Separation of accounts

(1) A captive insurer carrying on more than one class of captive insurance business shall keep separate accounts of all receipts and payments in respect of each class of business.

(2) The Commission may, by notice in writing, require a captive insurer to keep separate accounts of all receipts and payments in respect of a part of any class of captive insurance business it is conducting.

(3) Where a single amount received or paid, whether in respect of premiums, investment income, claims, commissions, reinsurance costs, administration costs, taxes or otherwise is received or paid in respect of more than one class of captive insurance business, and the amount is not otherwise allocable between the different classes, the captive insurer shall, for the purposes of this paragraph, apportion the amount in an equitable manner between the classes of captive insurance business.

22. Returns

For the purposes of section 12(l) (d) of the Act, a captive insurer shall submit to the Commission, together with its audited financial statements, returns in the Forms specified in the XXXX Schedule.

23. Submission and publication

(1) A copy of every audited financial statements, certificate, report or returns required to be prepared under the Act or rules 22, 23, or 25 shall be signed by two officers, by the auditor and the actuary of the captives insurer, as the case may be, and shall be submitted to the Commission within the timeframe provided in section 12 (1) of the Act.

(2) A captive insurer shall within 21 days submit to the Commission a certified copy of every report on its affairs made to its shareholders or policyholders.

(3) No captive insurer shall publish in Mauritius or elsewhere any return certificate, report or statement required under the Act in a form other than that in which it has been submitted to the Commission, but nothing in this paragraph shall prevent a captive insurer from publishing a true and accurate abstract from such return or statement for the purpose of publicity with a copy of which is submitted to the Commission.

24. Examination of returns

(1) Without prejudice to its powers under the relevant Acts, where it appears to the Commission that any audited financial statements, certificate, report or returns submitted or communicated under this Part is inaccurate or incomplete in any respect, the Commission may -

   (a) require further information, which shall be certified if the Commission so directs, from the captive insurer or from such auditor, actuary or other person as it may consider necessary;

   (b) require the captive insurer to submit any document for examination by the Commission at its registered office, or its principal place of business, in Mauritius, or to supply any statements;

   (c) examine any officer of the captive insurer in relation to a report or returns; and

   (d) reject the statements, certificate, report or returns unless such further information as may be required by the Commission is furnished within such period as it may specify.

(2) Where the Commission rejects any statements, certificate, report or returns under paragraph 1(d), the captive insurer shall be deemed to have failed to comply with requirements of this part.

25. Certificate of solvency

(1) For the purposes of section 9(2) of the Act, a captive insurer shall submit a certificate of solvency in the Form specified in the Fourth Schedule.

(2) The certificate under paragraph (1) shall be accompanied by relevant calculations in accordance with these rules.

PART VI

MISCELLANEOUS

26. Valuation of reserve

Every reserve or provision referred to in these rules shall be calculated in accordance with internationally approved methods and the margins specified in Part IV of the First Schedule.

27. Commencement

These rules shall come into operation on XXX.

Made by the Financial Services Commission on XXXX.

FIRST SCHEDULE

[Rule 4]

	Category of captive insurance business	Restrictions, limitations and other conditions
1	**Pure captive insurance business**	Its gross written premium originating from risks or insurable interests of affiliated corporations in which the parent holds at least 20 per cent but not more than 50 per cent of voting rights shall neither exceed 10 per cent of the total gross premium nor 30 million rupees for a financial year. Where the pure captive insurer does not comply with the above it shall within one year from the date of exceeding the 10 per cent or 30 million rupees, apply for an appropriate licence under the Captive Insurance Act or Insurance Act, unless it submits a contingency plan acceptable to the Commission to reduce its gross written premiums.
2	**Class 1 third party captive insurance business**	Its gross written premium originating from risks or insurable interests of affiliated corporations in which the parent holds at least 20 per cent but not more than 50 per cent of voting rights shall be at least 10 per cent and shall neither exceed 50 per cent of the total gross premium nor 300 million rupees for a financial year. Where the Class 1 third party captive insurer does not comply with the above , it shall – a. comply with the Insurance (General

Business Solvency) Rules 2007; and

b. within one year from the date of exceeding 50 per cent or 300 million rupees, apply for an appropriate license under the Insurance Act 2005, unless the third party captive insurer submit a contingency plan acceptable to the Commission to reduce its gross written premium.

3	**Class 2 third party captive insurance business**	Its gross written premium originating from risks or insurable interests of any person with which the captive insurer is related through an insurable interest or of affiliated corporations in which the parent holds at least 20 per cent but not more than 50 per cent of voting rights shall neither exceed 50 per cent of the total gross premium nor 300 million rupees for a financial year.

Where the Class 2 third party captive insurer does not comply with the above , it shall –

a. comply with the Insurance (General Business Solvency) Rules 2007 or the Insurance (Long Term Business Solvency) Rules 2007 as may be appropriate; and

b. within one year from the date of exceeding 50 per cent or 300 million rupees, apply for an appropriate license under the Insurance Act 2005, unless the third party captive insurer submit a contingency plan acceptable to the Commission to reduce its gross written premium.

4	**Class 3 third party captive insurance business**	1. Its gross written premium shall not exceed 300 million rupees. Where the Class 3 third party captive insurer does not comply with the above , it shall – a. comply with the Insurance (General Business Solvency) Rules 2007 or the Insurance (Long term Business Solvency) Rules 2007 as may be appropriate; and b. within one year from the date of exceeding 300 million rupees, apply for an appropriate license under the Insurance Act 2005, unless the third party captive insurer submit a contingency plan acceptable to the Commission to reduce its gross written premium. 2. A Class 3 captive insurer shall provide benefits through a contract of insurance with a non-related person in return for a premium.

SECOND SCHEDULE

[Rules 7, 8 and 12]

	Category of captive insurance business	Minimum unimpaired paid up capital	Solvency Ratio	Target level	Cash and Cash equivalents
1	**Pure captive insurance business**	3 million rupees	100% of the minimum capital requirement	100% of the minimum capital requirement	At least 3 million rupees
2	**Class 1 Third party captive insurance business**	5 million rupees	100% of the minimum capital requirement	100% of the minimum capital requirement	At least 5 million rupees
3	**Class 2 Third party captive insurance business**	10 million rupees	100% of the minimum capital requirement	150% of the minimum capital requirement	At least 5 million rupees
4	**Class 3 Third party captive insurance business**	10 million rupees	100% of the minimum capital requirement	150% of the minimum capital requirement	At least 10 million rupees

THIRD SCHEDULE

[Rule 6]

PART I

CALCULATION OF ASSET CAPITAL

Asset capital shall be calculated by taking into consideration the required margin

	Applicable Factors	**Required Margin**		
		Pure	**Class 1**	**Class 2 or Class 3**
(a)	Cash, short term deposits and receivables outstanding 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, premium receivables outstanding for one year or more	2%	2%	3%
(d)	Non-premium receivables outstanding for 12 months or more, bond funds, corporate bonds with acceptable rating and asset- backed securities with acceptable rating	4%	4%	6%
(e)	Intragroup Loans	2%	8%	8%

(f)	Corporate bonds rated below acceptable rating or unrated, and asset-backed securities rated below acceptable rating or unrated, property, listed equities	8%	8%	8%
(g)	Intangible assets	100%	100%	100%
(h)	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: 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.

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 approved ceded premiums; and

(b) the maximum of:

   a. the yearly average of at most the last 3 years' gross claims; and
   b. the yearly average of at most the last 3 years' outstanding claim liability and incurred but not reported claims,

net of approved reinsurers' share in claims.

PART III

ACCEPTABLE RATINGS FOR THE CALCULATION OF ASSET CAPITAL AND UNDERWRITING CAPITAL

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

	Credit Rating Agencies	Credit Rating Tiers	
		Pure or Class 1	**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

For Class 1 Captive insurance business conducting long term insurance business, the ratings of Class 2 or Class 3 shall apply to both long term and general insurance business

Part IV

Prescribed Margin

	Risk or service	Prescribed margin as % of the base assumption
(a)	Mortality	10% (increase for assurance, decrease for annuities)
(b)	Morbidity	10%
(c)	Health events	15%
(d)	Lapses	25% (i.e. if the best-estimate assumption is x%, the margin is 0.25x%)
(e)	Interest rate	10%
(f)	Termination of disability income benefits in payment	10% of claims reserves
(g)	Surrenders	10% (increase or decrease in surrender rate depending on which alternative gives rise to an increase in the liability of the policy concerned)
(h)	Expenses	10%
(i)	Expense inflation	10% (of the estimated escalation rate)
	Charges under linked long term contracts	A reduction of 0.25 percentage points

FOURTH SCHEDULE

[Rule 25]

PART I

Certificate of Solvency of a Pure Captive insurer or Class 1 Third party captive insurer

We hereby certify that to the best of our knowledge and belief, the solvency ratio is at least 100% (calculated in accordance with these rules made under the Captive Insurance Act).

Officer	Officer
Name and Signature	Name and Signature
Dated this:	Dated this:

Auditor	Actuary
Name and Signature	Name and Signature
Dated this:	Dated this:

PART II

Certificate of Solvency of a Class 2 Third party captive insurer or Class 3 third party captive insurer

We hereby certify that to the best of our knowledge and belief, the solvency ratio is at least 100% and the target level is at least 150% (calculated in accordance with these rules made under the Captive Insurance Act).

Officer	Officer
Name and Signature	Name and Signature
Dated this:	Dated this:

Auditor	Actuary
Name and Signature	Name and Signature
Dated this:	Dated this: