



BERMUDA MONETARY AUTHORITY

GUIDANCE NOTE

GENERAL BUSINESS INSURERS WITH SEGREGATED ACCOUNTS AND SEPARATE ACCOUNTS

July 2024

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INTRODUCTION

1. This Guidance Note applies to insurers registered by the Bermuda Monetary Authority (Authority or BMA) who maintain Segregated Accounts as defined in the Segregated Accounts Companies Act 2000 (SAC Act) or maintain Separate Accounts as permitted by an insurer incorporated by private act. This Guidance Note covers both limited purpose and commercial insurers in the General Business Insurance license classes. This Guidance Note does not apply to Incorporated Segregated Account Companies or Incorporated Segregated Account insurers. These are covered under a separate guidance note issued in December 2020.
2. The Authority is issuing this Guidance Note under the provisions of section 2B of the Insurance Act 1978 (Act) to provide insurers that carry on general business and use Segregated Accounts and Separate Accounts with additional information related to the manner in which the cells should operate to comply with the relevant provisions of the Act and its associated rule and regulations and adherence to codes (together referred to as the 'regulatory regime'). This is expected to result in greater consistency in reporting, licensing, authorisations and prudential supervision, as well as providing the Authority with a more comprehensive view of insurance in cells in Bermuda.
3. For the purpose of this Guidance Note, reference to 'cell' or 'cells' means a Segregated Account and a Separate Account as applicable.
4. If Bermuda's regulatory regime is to continue to command the confidence of (re)insurers, cedants/policyholders, regulators, investors and other key stakeholders, the Authority recognises the need for clarity as to the scope and implementation of the provisions of the regulatory regime. The Authority seeks to ensure that relevant stakeholders have a sound understanding of the regulatory regime for Segregated Account and Separate Account companies in Bermuda.
5. In this Guidance Note, the term 'insurer' includes 'reinsurer' and 'insurance' includes 'reinsurance' and 'insurance business'. The terms 'policyholder' or 'policyholders' include current and past policyholders, third-party claimants and beneficiaries to whom the insurer is contractually obligated to fulfil its insurance obligations.
6. The manner in which Segregated Accounts and Separate Accounts Companies conduct regulated insurance business should ensure that the policyholders of insurers conducting business through cells have an appropriate level of policyholder protection that is consistent with policyholders of insurers that are not conducting insurance in cells.
7. Insurers should ensure there are clear contractual arrangements established to govern the operations of each cell, such as a (re)insurance contract, arrangement for collateral or funding agreements/documentation (including arrangements related to further capital contributions, i.e., top-ups).
8. Whilst the Authority aims to provide clarity as to its approach, this Guidance Note is not exhaustive. The Authority endeavours, through this Guidance Note, to set out information regarding its regulatory and supervisory approach and expectations of the insurers that conduct regulated insurance business using cells. Ultimately, it is the responsibility of the

insurer's board of directors and management to ensure ongoing compliance with the Act and its related rules and regulations, adherence to codes and guidance and the maintenance of any conditions on the insurer's license.

9. The Guidance Note for Special Purpose Insurers issued 1 July 2020 provides specific guidance for the structure, reporting and operation of Special Purpose Insurers. Should this document and the Special Purpose Insurer Guidance Note not align, the Special Purpose Insurer Guidance Note should prevail.
10. The risk-based regulatory framework allows the Authority to adopt a proportional approach given the risk profile and license class of the insurer (Limited Purpose Insurer versus Commercial Insurer). This Guidance Note will become effective on 1 January 2025 and apply to the financial years commencing on or after that date. The Authority understands the complexity of transitioning to comply with the proposed changes and will give due consideration to any applications of a transitional nature in the first year following the implementation of this Guidance Note. The Authority anticipates that further consultation with the industry may be needed as these requirements are operationalised.

OWNERSHIP AND GOVERNANCE OF SEGREGATED ACCOUNTS

11. An insurer registered under the SAC Act that is conducting insurance business using cells should ensure its board of directors understands its responsibility to ensure that the business, including the business in the cells, is effectively directed and operated by the insurer's management team, insurance manager or any outsourced service providers and that all insurance business is conducted with integrity, due care and appropriate professional skills. It is also the board of directors' responsibility to ensure that the insurer's management team has compliance processes in place to assess and document the fitness and propriety of its members, controllers, officers, insurance manager and any outsourced service providers. In addition, the board of directors is responsible for providing appropriate oversight of the insurer's governance and the oversight of the management framework (including where an insurance manager is appointed), risk management and internal controls frameworks, including any activities and functions that are delegated or outsourced.
12. Where an account owner or participant provides services for cells, this should be considered as the use of an outsourced service provider and be governed and managed at a level commensurate with the type of risk profile, complexity and nature of the services provided as per the outsourcing guidance in the Insurance Code of Conduct. The responsibility for the management and oversight of these outsourced services cannot be assigned or delegated and is subject to the oversight of the insurer.
13. The insurer's board of directors should ensure that robust processes are in place for appropriate Know Your Client (KYC) materials to be obtained, that due diligence is performed for all cell participants, sponsors and capital/collateral providers and that these are subject to risk-based ongoing monitoring. The insurer's board of directors must also ensure that processes and controls are in place to facilitate compliance with Bermuda

laws, all applicable sanction and suspicious activity reporting and anti-money laundering/anti-terrorist financing requirements.

LICENSING

14. Companies registered under the SAC Act that are intent on conducting insurance business must apply to become registered under the Act. The insurance licensing application must be comprehensive and include all relevant documentation related to the insurance business to be conducted in the cells, including draft or executed copies of insurance contracts, collateral agreements, copies of agreements with the account owners, etc. The application should also detail the nature of the relationship between the account owner, policyholders and the company, the flow of capital, the nature of funding available (including contingent forms of capital), the arrangements for topping up capital, the arrangements for ensuring the capital for each cell is segregated from the assets of the other cells and the general account and the inclusion within the contracts of limited recourse language that states the recovery in relation to liabilities in each cell is limited to the assets of that cell.
15. Insurers using cells to conduct insurance business are registered according to the nature of insurance being written and its scale, structure and complexity. Factors such as the type of contract, the contract structure, the policyholder relationship and other such factors denoting the insurers risk profile are also important aspects for consideration. The general business License Classes (Classes) that accommodate insurance businesses using cells are as follows:
 - i. Commercial Insurer – Classes 3A, 3B and 4;
 - ii. Limited Purpose Insurer – Classes 1, 2 and 3;
 - iii. Special Purpose Insurer;
 - iv. Collateralised Insurer (CI); and
 - v. IIGB.
19. Generally, the following licensing criteria will apply: -
 - a) If an insurer proposes to use a cell structure to conduct insurance business and intends to write insurance that would ordinarily meet the criteria to be registered as a Class 1, 2 or 3 insurer (as applicable) as defined by the Act, the applicant will generally be registered as a Limited Purpose Insurer. In all these cases, the expectation is that the exposure from the business written in the cells or general account is backed by capital (or collateral) that is capable of absorbing and paying losses as and when they become due; and
 - b) If an insurer proposes to use cells and intends to write unrelated insurance as defined by the Act, it should generally be registered in a Commercial Insurance class 3A, 3B, or 4 (as applicable). Unrelated insurance in this case, will be assessed at both the insurer and cell level.

20. The Authority may consider approving a company that conducts business through cells as a class 3, CI, SPI or IIGB insurer if the business will be fully collateralised. In this case, the insurer's board of directors is responsible for ensuring that controls are in place that ensure that the limit of the exposure in cells is at all times backed by collateral capable of absorbing 100% of the exposure written in the cells.
21. If the company plans to write a combination of related and unrelated insurance business, the company will be registered in the highest applicable registration class.
22. Where an insurer only intends to conduct insurance using cells, the Authority will include a condition on the Certificate of Registration that requires prior written approval if any insurance is to be conducted through the general account.
23. At the registration stage, the company will need to disclose the details related to ongoing funding arrangements related to the insurance business to be conducted using the cells. At the registration stage, the company will also need to substantiate the existence of the capital funding the exposure in the cells. The Authority's supervision teams will review the capital and collateral requirements for cells as part of their review of annual statutory filing.

GOVERNANCE, BOARD COMPOSITION AND RISK MANAGEMENT

24. In accordance with the Insurance Code of Conduct, an insurer with cell structures must establish sound and effective governance and risk management frameworks that are proportional to its risk profile. The frameworks should facilitate effective and efficient operations and address the organisational structure of the cells, including the delegation or outsourcing of management and operational tasks, the segregation of duties and the management of conflicts of interest. These governance and oversight responsibilities rest with the insurer's board of directors and cannot be delegated.
25. Insurers with cell structures should ensure that they organise their governance framework and composition of their board of directors in a manner that mitigates reliance on, or conflict of interest with, the account owner or participant.
26. The insurer's board of directors are responsible for ensuring that effective controls are in such that, at no time, an insurer that uses cells and is registered as a license class 1, 2 3, CI or IIGB, has an insurance exposure in a cell that is not fully backed by contributed capital (or collateral) or forms of contingent capital (or collateral) that can be immediately made available in the event it is required.

REPORTING FOR CELLS

27. The reporting regime for insurers with cells impacts the following sections of the Act:
 - i. Section 15 (3) of the Act requires insurers to include in the statutory financial statements information calculated to fulfil (in addition to any other purposes for which regulations may be made) the following purposes:

- a. To give as early a warning as possible of any financial or operational difficulties into which the insurer's business has fallen, or might appear likely to fall, to any person examining the insurer's statements. This includes statements made by way of notice of the observance or non-observance by the insurer of any margin of solvency or in any other way; and
 - b. To provide the basis upon which the BMA or any other authority may, in good time, take action under the Act or any other statutory provision to exercise any statutory power available to it for the safeguarding of any element of the public interest involved in or affected by the insurer's business.
28. For insurers with cells, it is essential that each cell's information is included in the statutory financial statements to help ensure that the insurer fulfils the requirements of Section 15 (3) of the Act and facilitates regulatory oversight. The Authority has introduced a schedule of Segregated Accounts and Separate Accounts, which will form part of the statutory filings.
29. The contents of the schedule of Segregated Accounts and Separate Accounts have been designed to provide sufficient information in the statutory financial statements to allow the BMA to assess the financial and operational status of the insurer's general account, as well as each of the insurer's cells.
30. The Authority's expectation is that the schedule of Segregated Accounts and Separate Accounts is completed and included as an integral part of the insurer's statutory financial statements. The schedule of the Segregated Accounts template contains the minimum cell information that insurers should provide in the statutory financial statements. Insurers should add any additional information necessary to fulfil the requirements of section 15 (3) of the Act to the statutory financial statements disclosure.
31. Section 15 (4) of the Act requires that the insurer's statutory financial statements be audited annually by the insurer's approved auditor. The audit of the insurer's financial statements should include in its scope the schedule of Segregated Accounts and Separate Accounts as it forms a part of the statutory financial statements. The approved auditor should audit the information for the cells that are included in the schedule of Segregated Accounts and Separate Accounts (subject to the approved auditor's materiality threshold). The Authority also expects the auditors to perform sufficient audit procedures to confirm the existence and valuation of all the assets and liabilities in the cells, including the instruments that are presented as the collateral that backs the insurance exposures in the cells.
32. Section 16A requires the approved auditor to give notice to the Authority if it becomes aware of any fact or matter that, in relation to the insurer, is likely to be of material significance for the discharge of the Authority's functions under the Act. The Authority's expectation is that the approved auditor should, for the purposes of section 16A of the Act, consider the significance of matters at both the insurer's general account and cell levels.

BALANCE SHEET ACCOUNTING

33. The term 'Balance Sheet Accounting' refers to a modified accounting presentation whereby the assets related to the cells is reported on the balance sheet as a single line item on line

13 and the liabilities and capital related to the cells are reported on the balance sheet as a single line item under line 36. The modification in the presentation of the statutory financial statements requires approval under Section 56 of the Act (in relation to Limited Purpose insurers) or Section 6C (in relation to Commercial Insurers). A key consideration that is applied when these applications are being assessed is whether the general account is exposed to the risks in the cells and whether the insurance exposure in the cells is fully provided for by the account owners/participants. Although the Authority's appetite for approving Balance Sheet Accounting is low, applications will be assessed on a case-by-case basis, including grandfathering certain existing approvals.

DECLARATION OF COMPLIANCE

34. Section 15A of the Act requires insurers to file a declaration confirming compliance with certain matters as part of its statutory financial statements under section 17 of the Act. The declaration is required to include whether or not the insurer has achieved the following with respect to the preceding financial year:

- Complied with all requirements of the minimum criteria applicable to it
- Complied with the minimum margin of solvency as at its financial year-end
- Complied with the applicable enhanced capital requirements as of its financial year-end
- Complied with applicable conditions, directions and restrictions imposed on, or Approvals granted to, the insurer
- Complied with the minimum liquidity ratio for general business as of its financial year-end

35. The declaration applies to insurance in both the general account and each cell.

LOSS RESERVE SPECIALIST OPINION (LRSO)

36. Section 18B of the Act prescribes that the statutory financial return required to be filed by an insurer under section 18 of the Act shall include the opinion of the Approved Loss Reserve Specialist (LRS) regarding the insurer's loss and loss expense provisions. With respect to Commercial Insurers, the section within the Insurance Prudential Standards Solvency Requirement Rules entitled Capital and Solvency Return states an insurer shall, at the time of furnishing its Capital and Solvency Return, also file with the Authority the opinion of its Loss Reserve Specialist (LRS) that takes into account the insurer's technical provisions calculated in accordance with Line 19 of Form 1EBS and Schedule XV.

37. Historically, the Authority has approved exemptions from the requirement to file an opinion from an LRS for general business for some insurers with cells. These exemptions have traditionally included cells that are fully collateralised to policy limits or where no insurance has been written or no exposure exists in the general account. However, ensuring that reserves are adequate is just as important as ensuring that there is adequate capital to fund exposure. As such, the Authority requires the LRS to opine on the reserves in the general account in addition to the reserves reported at the cell level.

38. Where the Authority has approved a request to apply Balance Sheet Accounting to the insurance business conducted in the cells, the assets, liabilities and capital related to the cells will be recorded on lines 13 and 36 of the Statutory Balance Sheet, respectively, and the approval will include a condition requiring the LRS to also opine on the reserves included in the total reported on lines 13 and 36.
39. The LRS is required to opine on the amount reported on line 17 of the statutory balance sheet and line 19 of Form 1EBS, as well as the amount that is reported in the Schedule of Segregated Accounts – cell by cell disclosure (unconsolidated basis), line R. This approach ensures the LRS opines of the adequacy of all reserves. This information is particularly important for assessing capital adequacy, where there is no limit to the exposure written in cells.
40. The Authority's appetite for approving waivers of opinions from LRS is low; however, applications will be considered on a case-by-case basis (e.g., where a cell does not retain any exposure and the exposure is ceded to an insurance carrier rated A- or better by AM Best or similar rating agency). In this case, the Authority may require evidence of an actuarial review of the gross reserves, as well as the details of the insurance program and the capital used to fund the exposure in the event that the reinsurer does not perform in support of the application.

RESTRICTIONS TO RETURN OF CAPITAL UNDER SECTION 31C OF THE ACT

41. The Authority will consider capital distribution applications pursuant to section 31C from insurers using cells. Where the capital distribution of 15% or more of the insurer's total statutory capital, as set out in its previous year's financial statements, will occur at a future date, the capital distribution application may be pre-approved in the following circumstances:
- The capital distribution is in relation to a cell or cells
 - Where the insurance contract is fully collateralised to the policy limit and has by mutual consent of the insured and reinsurer agreed (either at the inception of the contract or by mutual consent through an addendum) to release capital/collateral that automatically reduces the limit under the policy
 - Where capital/collateral is returned, but the policy remains in force, the policy limit must be reduced by at least an equivalent amount on or before the release of the collateral to ensure the policy is fully collateralised at all times
 - Where a policy has ceased because of a commutation or cancellation and the residual capital/collateral from that cell is released

Subject to the application being acceptable, the Authority will provide approval for a fixed period, normally a year, subject to a condition requiring that the details of the capital return be provided to the Authority within 30 days after the completion of the said return.

42. This approach is intended to allow insurers to carry out the return of capital/collateral for cell transactions specified in their insurance agreements/contractual obligations with minimal delay in cases where they adhere strictly to the agreed-upon terms. The section 31C application should include:

- A description of the proposed transaction(s) and the rationale for distribution
 - Proforma financial statements showing the balance sheet and income statement pre and post distribution
 - Copies of contracts, as applicable
 - Contract termination letter(s), as applicable
 - Collateral withdrawal notice(s), as applicable
 - Confirmation that the cell(s) will continue to be fully collateralised if there is a residual cell exposure to insurance
43. Insurers intending to reduce total statutory capital by more than 15% in a financial year will still be required to obtain approval from the Authority as per the requirements of section 31C of the Act.
44. It should be noted that any insurer with specific conditions on their registration restricting dividends/distributions/return of capital is required to adhere to those specific conditions as prescribed.

COLLATERAL QUALITY, IMPAIRMENT AND DISCLOSURES

45. The board of directors of the company that has established cells for the purpose of conducting insurance business should ensure effective oversight of the insurer's management and operational policies, procedures and controls for the collateral and funding available based on the exposure that is assumed by the cells (referring to contributed capital and contingent forms of capital) and in line with the representations set out in the company's approved business plan and licensing conditions, as well as relevant contractual arrangements.
46. The Authority does not perceive the following arrangements as an acceptable means of funding insurance exposure written in the cells:
- (i) Insurance exposure that is collateralized using what could be considered speculative and low-quality investment instruments;
 - (ii) Exposure that is collateralised using receivables, including premium receivables, except any net premiums receivable from the cedant, provided the (re)insurance contract has appropriate contractual provisions that permit the insurer to offset the losses payable by the insurer against the net premiums due under the (re)insurance contract. The net premiums shall be the gross premium written, less any applicable expenses such as brokerage, tax, etc. Similarly, funds withheld by a cedant may cover the collateral requirements provided this is clearly stated in the (re)insurance contract; and
 - (iii) Contractual arrangements that use 'limited recourse' language in place of actual collateral or capital.
47. The insurer's cell documentation is expected to disclose details such as the types, issuers, collateral structure and requirements, investment guidelines and expectations for credit ratings for collateral where appropriate. It is the expectation of the Authority that the cells

will generally carry minimal investment and counterparty credit risk with respect to collateral.

48. Where the cell is writing fully collateralized insurance business, the collateral must be contributed to the cell on or before the effective date of the insurance contract.
49. Where there are contractual top-up provisions to mitigate and manage losses incurred/loss ratios or the loss of value of assets backing the collateral require additional collateral to be contributed, the insurance contract must clearly define, using explicit contractual language, specific mechanisms and arrangements explaining how the top-up provision will be executed in the event it is triggered.
50. Evergreen and irrevocable Letters of Credit (LOC) are acceptable forms of contingent capital, provided the following criteria are met. The issuer of the letter of credit:
 - a) Is a regulated financial institution; and
 - b) Either:
 - i. Has achieved a financial rating (counterparty, credit or financial strength as applicable) of at least A- (or equivalent) as of the date of application and as determined by a recognised rating agency; or
 - ii. Is deemed to be of a sound financial quality (in the circumstance of unrated issuers or issuances) by the Authority.
51. The insurer's board of directors, through its oversight of the insurer's management or Insurance Manager, is responsible for ensuring the validity and continued existence of the letters of credit (LOC) during the period that the insurance contracts written in cells or the general account are at risk.
52. The LOC should be first approved by the Authority before it is reported on Form 8 - Statement of Statutory Capital & Surplus of the statutory financial statements.
53. Through the Principal Representative, the insurer shall notify the Authority if it reaches the view or becomes aware that an impairment of the assets backing the collateral has occurred and that the insurer is liable to top-up the collateral in accordance with each insurance contract. The Principal Representative shall furnish the Authority with a report in writing outlining all the relevant particulars, including how the top-up has been or shall be satisfied.

LIMITED RECOURSE

54. Where limited recourse provisions apply, recoveries from the cell are limited to the available assets in the cell. Limited recourse provisions allow contracts to be commuted or cancelled when there is a liability to the third party that exceeds the value of the available assets. Where limited recourse provisions apply and a cell is insolvent, the cell may be liquidated and closed as a measure of last resort by an independent party to the contract. Limited recourse language cannot be used to justify that the insurance business is fully funded. Instead, limited recourse language is a backstop where there is a shortage

of assets available to fund exposure that has been written and the insurer or the cell is deemed to be no longer operating on a going concern basis.

55. Limited recourse in a contractual arrangement is not a substitute for the need to have, amongst other things:
- i. Clear and effective contractual language within the insurance policy or agreement specifying the limits and aggregate limit;
 - ii. The required capital and collateral structure and operations;
 - iii. A prudent treasury/investment strategy; and
 - iv. Adequate governance, operational and risk management controls.

MATERIAL CHANGE IN BUSINESS

The following changes are considered ‘material’ for the purposes of determining whether the Authority needs to be notified of the change:

- a) Provide insurance for any additional risks that were not contemplated in the initial transaction and/or business plan;
 - b) Make any material changes to the insurance contract or any of the collateral or ancillary contracts to the insurance contract;
 - c) Make any modifications to the material disclosures included in the original application;
 - d) Raise additional capital from investors and/or cell participants not identified or contemplated in the original documentation provided to the Authority;
 - e) Make any other changes pertinent to its business where these changes would be deemed by a reasonable and knowledgeable person to be material; and
 - f) Make any material change as outlined in Section 30JA of the Act.
- These changes are subject to prior supervisory approval as required by section 30JB of the Act.

A succession of minor changes could, as a whole, constitute a material change that needs notification.

53. The approval process for any material change in the insurer with cell business will take into account the nature, scale and complexity of those changes as determined by the Authority to ensure the risks are effectively mitigated and the capital is appropriate to support the ongoing operations of the insurer.
54. In its deliberations, the Authority shall consider whether the changes constitute a change in the insurer’s business plan and to the extent that it does, the Authority may request additional information in order to assess the impact the changes will have on the insurer and the relevant cells.

IMPLEMENTATION

The original Guidance Note came into effect on 1 January 2015.

APPENDIX 1 - GLOSSARY

‘Account Owner’ in relation to a segregated account means any person who is—

- a) The registered holder of shares or any LLC interests which are—
 - i. Issued by the segregated accounts company; and
 - ii. Linked to that segregated account;
- b) Expressly identified in the governing instrument linked to a segregated account as being an account owner for the purposes of the Segregated Accounts Companies Act 2000 in respect of that segregated account; or
- c) Expressly designated in the records of the segregated accounts company as being an account owner in respect of that segregated account; and
- d) The interests of an account owner in any of the foregoing capacities in relation to any segregated account are referred to in the Segregated Accounts Companies Act 2000 as ‘account holdings’.

‘Act’ means the Insurance Act 1978.

‘Authority’ means the Bermuda Monetary Authority established by the Bermuda Monetary Authority Act 1969.

‘Capital and Solvency Return’ means such return relating to the insurer’s or insurance group’s risk management practices and to the information used by the insurer or insurance group to calculate its enhanced capital requirement as may be prescribed by, or under Rules made under, section 6A of the Act.

‘Commercial Insurer or Commercial Insurers’ mean Class 3A, 3B, 4 insurers.

‘Credit Risk’ means the risk of loss arising from an insurer’s inability to collect funds or receivables from debtors.

‘Fully Collateralised’ means a cell financed up to the full maximum aggregate exposure of a contract by cash and cash equivalents or other assets accepted by the Authority on a case-by-case basis, held to the benefit of the insured.

‘Fully Funded’ means a cell financed up to the reserve provision by means of cash and cash equivalents, investments, assets held in 114 trust or equivalent, LOCs, reinsurance from a carrier rated A- or above, an indemnification agreement from the owner or beneficial owner or any combination of these.

‘General Account’ means an account comprising all the assets and liabilities of an insurer made up of all the assets and liabilities of a segregated accounts company that are not linked to a segregated account of that insurer.

‘General Business’ means, subject to subsection (4) of the Act, insurance business that is not special purpose business or long-term business but includes the business of effecting and carrying out contracts of insurance against the risks of the persons insured who has—

- a) Sustained injury as the result of an accident, an accident of a specified class, dying as the result of an accident or an accident of a specified class; or
 - b) Become incapacitated or dying as a consequence of a disease or a disease of a specified class,
- being contracts that are expressed to be in effect for a period of less than five years.

‘Governing Instrument’ means one or more written agreements, instruments, byelaws, prospectuses, resolutions of directors or managers of a limited liability company, registers or other documents (including electronic records) that set out the rights, obligations and interests of account owners and beneficial owners with respect to a Segregated Account.

‘Insurance Business’ means the business of effecting and carrying out contracts—

- a. That protect persons against loss or liability to loss in respect of risks to which such persons may be exposed; or
- b. To pay a sum of money or render the money’s worth upon the happening of an event. This includes reinsurance business.

‘Limited Purpose Insurer or Limited Purpose Insurers’ means Class 1, 2, 3, Collateralised, IIGB and SPI Insurers.

‘Linked’ means referable by means of—

- a) An instrument in writing, including a governing instrument or contract;
- b) An entry or other notation made in respect of a transaction in the records of a segregated accounts company; or
- c) An unwritten but conclusive indication.

‘Minimum Margin of Solvency’ concerning a particular class of business, means the prescribed minimum amount by which the value of the assets of the insurer must exceed the value of its liabilities.

‘MSM’ means Minimum Margin of Solvency.

‘Segregated Accounts Company’ means a company that is registered under Section 6 of the Segregated Accounts Companies Act 2000.

‘Special Purpose Business’ means insurance business under which an insurer fully collateralises its liabilities to the persons insured through—

1. The proceeds of any one or more of the following—
 - a. A debt issuance where the repayment rights of the providers of such debt are subordinated to the rights of the person insured; or
 - b. Some other financing mechanism approved by the Authority;
2. Cash; and
3. Time deposits.

‘Special Purpose Insurer’ means an insurer that carries on special purpose business.

‘Statutory Financial Return’ means the return provided for in Section 18 of the Act.

‘Statutory Financial Statements’ means the accounts provided for in Section 15 of the Act.

APPENDIX 2 - CELL REPORTING SCHEDULES

SCHEDULE OF SEGREGATED ACCOUNTS

Enter Company Name: **31 December 2022**

Please Select: **1,000**

Select Currency: **USD**

Rate of exchange used if not BMY/USD: **1.0000**

SAC Schedule Applicable to: **1**

Are SAC Balances Consolidated in Fin. Statements: **1**

Ensure that all figures are included on a statutory basis. Items that require a Financial Statement check should be consistent with the respective line of the Financial Statements. Input the value from the financial statements and where a discrepancy is noted, include a comment explaining the difference.

Enter number of columns required. The number should be reflective of the number of cells and should not include the general account. (only only a maximum of 500 cells)

Schedule 1

	Call 1	Call 2	Call 3	Call 4	Call 5	Total of Cells	General Account	Grand Total General Account and Total Cells	Financial Statements Check	Difference	Comment for Discrepancies Noted
(A) Cell reference number											
(B) Cell name											
(C) Direct insurer, reinsurer or both	Select Premiums Written	Select Premiums Written	Select Premiums Written	Select Premiums Written	Select Premiums Written		Select Premiums Written				
(D) Total statutory assets									Insert balance from Form 1A Line 15		
(E) Total statutory liabilities									Insert balance from Form 1A Line 38		
(F) Statutory surplus											
(G) Statutory capital											
(H) Total statutory capital and surplus									Insert balance from Form 1A Line 40		
(I) Net income											
(J) Cash											
(K) Quoted: bonds and debentures											
(L) Quoted: equities											
(M) Quoted: other											
(N) Unquoted: bonds and debentures											
(O) Unquoted: equities											
(P) Unquoted: other											
(Q) Net from affiliates											
(R) Due to affiliates											
(S) Net loss and loss expense provisions											
(T) Prior year loss reserve development											
(U) Reinsurance recoverable balance											
(V) Cell is run-off	Select Yes/No	Select Yes/No	Select Yes/No	Select Yes/No	Select Yes/No						
(W) Currency used	Select Currency	Select Currency	Select Currency	Select Currency	Select Currency						
(X) Cell to cell activity	Confirm Activity	Confirm Activity	Confirm Activity	Confirm Activity	Confirm Activity						
(X.1) Cell to cell activity details	Confirm Activity	Confirm Activity	Confirm Activity	Confirm Activity	Confirm Activity						
(Y) General cell to cell activity details											
(Z) Where a cell is in deficit, insolvent or subject to litigation, provide or attach details of remediation actions or update on proceedings											
(Z.1) Additional capital support details	Confirm	Confirm	Confirm	Confirm	Confirm						
(A1) Details of beneficial owners and their relationship to the underlying risk	Confirm	Confirm	Confirm	Confirm	Confirm						
(A2) Beneficial owner(s) relationship to the segregated account company ownership	Confirm Beneficial Owner	Confirm Beneficial Owner	Confirm Beneficial Owner	Confirm Beneficial Owner	Confirm Beneficial Owner						
(A3) Beneficial owner(s)	Confirm Ownership	Confirm Ownership	Confirm Ownership	Confirm Ownership	Confirm Ownership						
(A3.1) Beneficial ownership details (if other is chosen)											
(A4) Details of the principal jurisdiction of the underlying risk	Confirm Jurisdiction	Confirm Jurisdiction	Confirm Jurisdiction	Confirm Jurisdiction	Confirm Jurisdiction						
(A5) Beneficial owner governing instrument	Confirm Instrument	Confirm Instrument	Confirm Instrument	Confirm Instrument	Confirm Instrument						
(A5.1) Beneficial owner governing instrument (if other is chosen)											
(A6) Does beneficial owner governing instrument contain indemnity provisions	Select Yes/No	Select Yes/No	Select Yes/No	Select Yes/No	Select Yes/No						
(A7) Does insurance/reinsurance agreement contain limited recourse language	Select Yes/No	Select Yes/No	Select Yes/No	Select Yes/No	Select Yes/No						
(A8) Primary cell funding	Select Funding	Select Funding	Select Funding	Select Funding	Select Funding						
(A9) Limit of cell funding/collateral	Confirm Funding/Collateral	Confirm Funding/Collateral	Confirm Funding/Collateral	Confirm Funding/Collateral	Confirm Funding/Collateral						
(A10) Limit of cell funding/collateral details											
(A11) Enter a detailed description of the type of cell funding											
(A12) What mitigates are in place with respect to operational risk	Confirm Mitigates & Attach Support	Confirm Mitigates & Attach Support	Confirm Mitigates & Attach Support	Confirm Mitigates & Attach Support	Confirm Mitigates & Attach Support						
(A13) Lines of business written by premium written	Select Line of Business	Professional Liability - Select Line of Business	Select Line of Business	Select Line of Business	Select Line of Business		Select Line of Business				
(A13.1) Statutory lines of business written											
(A13.2) Gross premium written											
(A13.3) Reinsurance ceded											
(A13.4) Net premium written											
(A13.5) Statutory lines of business written											
(A13.6) Gross premium written											
(A13.7) Reinsurance ceded											
(A13.8) Net premium written											
(A13.9) Statutory lines of business written											
(A13.10) Gross premium written											
(A13.11) Reinsurance ceded											
(A13.12) Net premium written											
(A13.13) Total gross premium written									Insert balance from Form 24 Line 10		
(A13.14) Total net premium written									Insert balance from Form 24 Line 9		

