Cayman Monetary Regulatory Authority International

At the forefront of financial regulation, the Cayman Monetary Regulatory Authority International (CMRAI) is dedicated to upholding the highest standards of financial oversight and compliance. Our mission is to safeguard the stability and integrity of the global financial system by ensuring that financial services operate within a framework of transparency, accountability, and excellence.

As a trusted partner to financial institutions worldwide, CMRAI provides rigorous supervision, innovative solutions, and strategic guidance to foster a secure and thriving financial environment. With decades of experience and a commitment to global standards, we stand as a pillar of trust and security in an ever-evolving financial landscape.

With a legacy of excellence in financial oversight, the Cayman Monetary Regulatory Authority International (CMRAI) is a beacon of trust in the international financial community. Our role extends beyond regulation; we are innovators, collaborators, and protectors of the global financial ecosystem. By fostering compliance, promoting best practices, and embracing technological advancements, CMRAI ensures that financial services remain resilient and adaptable in a dynamic global market.

Our comprehensive approach to regulation encompasses a deep understanding of financial risks and a proactive stance on emerging challenges. We are committed to empowering financial institutions with the tools and guidance necessary to navigate complex regulatory landscapes, thereby contributing to global economic stability and growth.

CAYMAN ISLANDS Supplement No. 2 published with Extraordinary Gazette No. 129 dated 20 th December, 2012. THE INSURANCE LAW, 2010 (LAW 32 OF 2010) THE INSURANCE (CAPITAL AND SOLVENCY) (CLASS A INSURERS) REGULATIONS, 2012 The Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 2 THE INSURANCE (CAPITAL AND SOLVENCY) (CLASS A INSURERS) REGULATIONS, 2012 ARRANGEMENT OF REGULATIONS The Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 3 CAYMAN ISLANDS THE INSURANCE LAW, 2010 (LAW 32 OF 2010) THE INSURANCE (CAPITAL AND SOLVENCY) (CLASS A INSURERS) REGULATIONS, 2012 In exercise of the powers conferred by section 40 of the Insurance Law, 2010, the Governor in Cabinet makes the following Regulations - 1. These Regulations may be cited as the Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012. 2. In these Regulations - asset factors means factors set out in Schedule 1; available capital means - (a) in the case of local insurers, capital and surplus made up of - (i) issued share capital; (ii) additional paid in capital, including share premiums; (iii) retained earnings; (iv) investment reserves; (v) capital reserves; (vi) currency translation reserves; and (vii) other equity reserves; less any deductions or accumulated deficits applicable; or (b) in the case of external insurers, total assets located in the Cayman Islands less total liabilities and any other deductions applicable relating to the Cayman risks; bank grade means bank obligations, including securities issued by, loans made to, or securities or loans guaranteed by, and accounts receivable from, any deposit taking institution licensed under the Banks and Trust Companies Law (2009 Revision) or the Building Societies Law (2010 Revision); capital means those amounts shown in shareholder equity or equivalent section of the insurer balance sheet; catastrophe reinsurance means the reinsurance associated with risks insured against catastrophe losses; Citation Interpretation Schedule 1
(2009 Revision) (2010 Revision) The Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 4 catastrophe risk means gross modelled loss for all risk associated with a 1-in- 100-year event; Cayman risk means risks related to domestic business; deductions means the amounts to be deducted to determine the capital available and are - (a) receivables and recoverables from unlicensed insurers or re- insurers that were not highly rated reinsurers or not medium rated reinsurers as at the date of treaty inception or last renewal, whichever is later, to the extent that they are not covered by letters of credit or by deposits held as security; (b) unearned premium, unpaid claims and adjustment expenses recoverable from unlicensed insurers or reinsurers that were not highly rated reinsurers as at the date of treaty inception or last renewal, whichever is later, to the extent that they are not covered by letters of credit or by deposits held as security from the reinsurer; (c) future income tax debits; (d) goodwill and other intangible assets; (e) redeemable preference shares; (f) other deductions approved by the Authority for the purpose of these Regulations; and (g) other nonfinancial or intangible assets in excess of one per cent of total assets; enhanced

prescribed capital requirement means the amount prescribed by the Authority as an alternative to the prescribed capital requirement as determined by regulation 6; government grade means Government obligations, including securities issued by, loans made to, or securities or loans guaranteed by, and accounts receivable from the government of a country rated A or equivalent, or higher in the latest rating issued by a recognized rating agency, or other rating agency approved by the Authority; gross premium written means - (a) in the case of external insurers, the gross premiums related to Cayman risks; or (b) in the case of local insurers, the gross premiums related to worldwide risk; highly rated reinsurer means reinsurance in which the counterparty is rated A- or higher or equivalent in the latest rating of a recognized rating agency or as approved by the Authority; IBNR means claims that have been incurred but not reported; investment grade means a security with a rating of or in excess of grade BBB or equivalent, excluding securities that are included in the government grade or bank grade; medium rated reinsurer means reinsurance in which the counterparty is rated BBB or higher, or equivalent, in the latest rating of a recognized rating agency or as approved by the Authority; minimum capital requirement means, in respect of external insurers, the capital and margins detailed in regulation 5(2) and in respect of local insurers the capital and margins detailed in regulation 6(2); net written premium means gross premium written, less reinsurance premium ceded; not-investment grade means any investment not included in Government grade, bank grade or investment grade; policy liabilities means the sum of unearned premiums, premium deficiency, unpaid claims, and claims incurred but not yet reported, net of reinsurance and for class A insurers writing long term business, and includes loss reserves for life, pensions and annuity business; probable maximum loss means the amount to which the insurer is exposed from a specific event as calculated using an acceptable model approved by the Authority; premium deficiency means the excess, if any, of expected future claims, associated with unearned premiums, over unearned premiums; prescribed capital requirement or PCR means one hundred and twenty-five per cent of the minimum capital requirement for local insurers and one hundred and fifty per cent for approved external insurers; recognized rating agency means A. M. Best Company, Fitch, Moody s, Standard and Poor s, and any other agency approved by the Authority; regulated financial institution means an entity conducting financial services business regulated in a jurisdiction, and by a body, both recognised by the Authority for the purpose of these Regulations; reinsurance premium ceded means the premium ceded to reinsurers related to Cayman risk in the case of external insurers and worldwide risk in the case of locally incorporated insurers; retention means the net amount of risk which the insurer does not reinsure and keeps for its own account; subsidiary means an entity, including an unincorporated entity, that is controlled by the insurer; and worldwide risk means the entire insurance business of the insurer including its Cayman risks. 3. These Regulations apply to class A insurers. 4. (1) A class A insurer shall maintain adequate financial resources to meet its insurance business commitments and adequately manage its risks as required by the Law. (2) In accordance with section 8(2) of the Law, the capital and solvency requirements of class A insurers shall be as prescribed in regulations 5 and 6 and calculated in accordance with these Regulations. 5. (1) Pursuant to section 15 of the Law, except as otherwise approved by the Authority, a class A external insurer that carries on domestic business shall place and at all times maintain upon trust, with a person approved by the Authority, in a segregated account at a bank in the Islands which holds an A licence issued under the Banks and Trust Companies Law (2009 Revision) assets in an amount at least equal to the prescribed capital requirement. (2) The minimum capital requirement in respect of a class A insurer that is an external insurer shall be the greater of one million dollars or policy liabilities. 6. (1) The available capital of a class A insurer that is a local insurer shall at all times exceed the minimum capital requirement. (2) The minimum capital requirement for a local insurer shall be the greater of three hundred thousand dollars or the square root of the sum of the square of - (a) capital required for subsidiaries in accordance with regulation 7; (b) capital for assets as determined pursuant to regulation 8 and 9; (c) margins for policy liabilities as determined pursuant to regulation 10; (d) margin for catastrophes as determined pursuant to regulation 11; and (e) margin for foreign exchange risk as determined pursuant to regulation 14. (3) Unless otherwise approved by the Authority, a class A insurer s available capital shall exceed the prescribed capital requirement. (4) Notwithstanding the amounts prescribed in paragraphs (1) and (2) or regulation 5, as applicable, the Authority may set an enhanced prescribed capital Application General requirements External insurer trust requirements (2009 Revision) Capital requirements The Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 7 requirement in respect of any class A insurer following the Authority s own inspection and review of the class A insurer and its financial condition. (5) If the Authority sets an enhanced prescribed capital requirement for an insurer pursuant to paragraph (4), the available capital of the insurer shall equal or exceed the enhanced prescribed capital requirement until such time as the Authority directs otherwise. (6) At the end of each quarter a class A insurer shall calculate, using net written premium for the twelve months ending in that quarter, and record the minimum capital requirement and prescribed capital requirement and if required the enhanced prescribed capital requirement, in the format prescribed in Schedule 2. (7) The calculations required under paragraph (6) shall - (a) in the case of a class A insurer that is a local insurer, relate to worldwide assets and liabilities; (b) in the case of a class A insurer that is an external insurer, relate to the assets and liabilities arising out of the insurer s Cayman risk. (8) The calculation required under paragraph (6) shall be maintained at the insurer s principal place of business in the Islands for a period of five years from the completion, and the insurer shall produce the calculations to the Authority if so directed by it on or before a date specified in the direction. (9) An insurer shall notify the Authority within thirty business days of the end of each quarter where it fails to meet the minimum capital requirement, prescribed capital requirement or enhanced prescribed capital requirement. (10) Where a class A insurer notifies the Authority pursuant to paragraph (9), the Authority may - (a) require the insurer to submit a remedial action plan for its approval; (b) require the insurer to provide any information or document that the Authority may direct; or (c) direct the insurer to take any action the Authority deems appropriate. (11) Where an insurer notifies the Authority pursuant to paragraph (9), the insurer shall comply with any requirement or direction imposed by the Authority pursuant to paragraph (10) within the time period specified by the Authority. 7. (1) A class A insurer is required to hold capital for its subsidiaries equivalent to the book value of the investments in the subsidiaries or associates that are not regulated financial institutions. Subsidiaries The Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 8 (2) A Class A insurer that holds a controlling interest in a subsidiary that is a regulated financial institution shall, on a consolidated basis, calculate the difference between - (a) the amount of capital the subsidiary would require to meet the minimum capital requirement if the minimum capital requirement applied to it; and (b) the capital available to the subsidiary after the subtraction of all applicable deductions. (3) Where a class A insurer owns less than one hundred per cent of the regulated financial institution subsidiary, it shall include its pro rata share of the subsidiary s capital available and capital required in the minimum capital requirement calculation. (4) In the event that the subsidiary s capital available exceeds its minimum capital requirement, the excess should be added to the capital available to the parent company. (5) In the event that the subsidiary s capital available is less than its minimum capital requirement, the shortfall shall be added to the minimum capital requirement of the parent company. 8. (1) To determine the amount of capital a class A insurer shall hold in respect of its assets, the insurer shall multiply the factor prescribed in Schedule 1 to the balance sheet value of each asset that is not a deduction. (2) In determining the asset factors, insurers shall consistently apply the ratings of one recognized rating agency, except where that agency does not rate a particular instrument, in which case the rating of another recognized agency may be used. 9. (1) To determine the amount of capital a class A insurer shall hold in respect of unpaid claims recoverable or deferred reinsurance premiums ceded, the insurer shall multiply the factor prescribed in Schedule 1 to the value of such recoverable. (2) Cash or securities of government grade, bank grade or investment grade may be applied as collateral for the minimum capital requirement. (3) Where a rating is not available for the counterparty, no reduction in capital required shall be permitted. 10. (1) In calculating the minimum capital requirement, prescribed capital requirement, and enhanced prescribed capital requirement, where applicable, a class A insurer shall apply a margin for policy liabilities. (2) Margins for a class A insurer writing general business shall be maintained as specified in Schedule 3 for each class of business. Applying asset factors Capital for unpaid claims or unearned premiums recoverable Schedule 1 Margin required for policy liabilities The Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 9 (3) The margin for a class A insurer writing long-term business shall be maintained at a minimum of two and a half per cent of discounted policy liabilities excluding pension and annuity reserves. (4) The unearned premiums margin shall be applied to the greater of the net unearned premiums or fifty per cent of the net written premiums in the last twelve months. 11. (1) A class A insurer writing general business shall apply a risk margin for all business exposed to catastrophe risks. (2) A class A insurer shall notify the Authority of which method will be employed for the calculation of its catastrophe margin and may not change methods without the prior approval of the Authority. 12. (1) The risk margin required by regulation 11 equals the per event excess retention for all lines exposed to catastrophe losses plus the cost of one re- instatement of catastrophe reinsurance cover in cases where the reinstatement reinsurance cover has not been pre-paid by the insurer. (2) For the purpose of this regulation, per event excess retention for a line is equal to the sum of default percentage multiplied by the catastrophe exposed gross aggregate exposure net of sums insured and placed with highly rated reinsurers, less amounts recoverable from reinsurers. (3) The default percentage shall be thirty per cent or as otherwise determined by the Authority from time to time. 13. (1) Pursuant to regulation 11 insurers may calculate and apply a catastrophe margin using a model-generated method provided that adequate details are reported in the notes to the forms as prescribed in Schedule 2. (2) At a minimum the model shall include windstorm and earthquake catastrophe losses results for prescribed one hundred year return period or as directed by the Authority and record - (a) gross probable maximum loss; or (b) net probable maximum loss. 14. A factor of five per cent is to be applied to the net assets or liabilities of insurers that are denominated in a currency other than Cayman Islands dollars, United States dollars or any other currency that has a fixed rate of exchange against the United States dollars. 15. Notwithstanding any provision to the contrary in these Regulations, a licensee existing at the coming into force of these Regulations who is not in compliance with regulations 5 or 6 shall so comply within eighteen months of the coming into force of these Regulations. Catastrophe margin Default method Model-generated method Schedule 2 Foreign currency Transitional provision SCHEDULE 1 (Regulations 2, 8 and 9) ASSET FACTORS 0% Factor (a) cash and cash equivalents including time deposits and money market funds rated AA or higher; (b) investment grade obligations of government or central banks rated AA or above; (c) incoming irrevocable letters of credit where approved by the Authority; (d) loans or notes receivable where supported by irrevocable letters of credit acceptable by the Authority; (e) income tax receivables; or (f) installment premiums not yet due. 0.5% Factor (a) high investment grade bonds or paper rated AA or higher (or equivalent) ; (b) exchange rate derivative contracts, designated and accounted for as hedging, with a maturity of one year or less and interest rate derivative contracts, designated and accounted for hedging, regardless of the maturity date; (c) receivables from insurers licensed to conduct insurance business in the Cayman Islands or from highly rated reinsurers; (d) unearned premiums recoverable from insurers licensed to conduct insurance business in the Cayman Islands or from highly rated reinsurers; (e) unpaid claims and adjustment expenses recoverable from insurers licensed to conduct insurance business in the Cayman Islands or from highly rated reinsurers outstanding for less than 12 months; or (f) gold and other commodities acceptable to the Authority. 2% Factor (a) bonds, and debentures (including commercial paper) rated investment or bank grade, that mature or are redeemable in less than one year; (b) accounts receivable outstanding ninety days or less from agents brokers, subsidiaries and policyholders, including installment premiums and other receivables; (c) investment income due and accrued; or (d) unpaid claims and adjustment expenses recoverable from insurers licensed to conduct insurance business in the Cayman Islands or from highly rated reinsurers outstanding for over twelve months. 4% Factor (a) term deposits, bonds, and debentures (including commercial paper) rated investment grade or bank grade, that mature or are redeemable in one year or more; (b) investment grade bonds or paper rated A (or equivalent); or (c) receivables and recoverables from medium rated reinsurers outstanding for less than twelve months. 5% Factor (a) investment grade bonds or paper rated BBB; (b) investment grade obligations of government or central bans rated BBB; (c) related party loans not yet called for; or (d) receivables and recoverables from medium rated reinsurers outstanding for 12 months or more. 10% Factor (a) common shares; (b) exchange traded funds (c) exchange traded derivatives (d) non-cumulative preference shares; (e) investments in collective investment schemes, unit trusts, hedge funds, mutual funds or other similar assets; (f) real estate; (g) mortgage-backed securities rated A or higher. 15% Factor (a) commercial mortgages; (b) accounts receivable, outstanding over ninety days, from agents, brokers, subsidiaries, associates and policyholders, including installment premiums and other receivables; (c) other recoverables including salvage and subrogation on unpaid claims; (d) residential mortgages; (e) cumulative preferred shares.

(f) unlisted equity securities, (g) private equity funds; (h) limited partnerships; or (i) mortgage-backed securities rated lower than A. 35% Factor (a) term deposits bonds and debentures (including commercial paper) rated not-investment grade, that mature or are redeemable in one year or more; (b) deferred policy acquisition expenses; (c) commissions, net of an adjustment for unearned commissions (net value) and if the net value is negative, report zero; (d) other intangible and nonfinancial assets up to a limit of one percent of total assets. Any excess over the limit is included in the amount deducted from capital available; or (e) other loans. SCHEDULE 2 (Regulations 6 and 13) CAPITAL REQUIREMENT TEMPLATE Capital ($'000) Capital Required for: Assets A Policy Liabilities B Subsidiaries - Regulated Financial Institution (subject to Authority approval) C Catastrophes - Default Method or Model- Generated Method D Foreign Exchange Risk E Other (specify) F Total Minimum Capital Requirement (MCR) is the Square Root of ($A^2 + B^2 + C^2 + D^2 + E^2 + F^2$) 1. Total Capital Available 2. Prescribed Capital Requirement (PCR) 3. Capital in Excess of PCR (2. Minus 3.) SCHEDULE 3 (Regulation 10) MARGINS ON UNPAID CLAIMS (INCLUDING INCURRED BUT NOT REPORTED LOSSES), UNEARNED PREMIUMS AND PREMIUM DEFICIENCY Margin on Net Unearned Premiums Margin on Net Unpaid Claims and IBNR Net Premium Deficiency Reserve Property 10% 10% 10% Liability 10% 20% 10% Motor vehicle 10% 10% 10% All other 20% 20% 20% Made in Cabinet the 12 th day of December, 2012. Kim Bullings Clerk of the Cabinet.