

Captive Insurance Rulebook (CIB)

*In this attachment underlining indicates new text and striking through indicates deleted text.



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2.3.3 ~~Quarterly Regulatory Return~~ [Deleted]

- (1) ~~Except as otherwise provided in this Rule 2.3, a Captive Insurer must, at the end of March, June, September and December in each year, prepare a quarterly Regulatory Return in respect of the period commencing at the start of the Captive Insurer's reporting period and ending on that date.~~
- (2) ~~The quarterly Regulatory Return must comprise the statements set out in this Rule 2.3, together with any Supplementary Notes pertaining to those forms, and including a Statement by Directors.~~
- (3) ~~The form and content of the statements comprising the quarterly Regulatory Return (including the Statement by Directors) are set out in this Rule 2.3, and EPRS.~~
- (4) ~~Class 1 Captive Insurers are not required to prepare a quarterly Regulatory Return unless required in writing by the Regulator to do so.~~

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2.3.5 Completion of forms for global and Fund reporting units

- (1) A Regulatory Return must be completed in respect of each of the reporting units set out in this Rule that applies to the Captive Insurer.

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- (4) Except as provided otherwise in this Chapter, a Captive Insurer that is a Cell Company must, each time a Global Return is completed as provided in Rule 2.3.5(3)(b), separately complete a Cell Return in respect of each Captive Cell that it maintains. A Cell Return includes all of the assets, liabilities, equity, revenues and expenses attributable to the Captive Cell, regardless of the residency status or location of the customer or of any asset or liability. A Captive Insurer that is a Cell Company is not required to complete a Cell Return each time a quarterly Regulatory Return is completed in respect of any Cell maintained by it that is a ~~Class 1~~ Captive Cell unless required by the Regulator to do so.

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2.3.7 Submission of Regulatory Returns to the Regulator

- (1) A Captive Insurer must submit its annual Regulatory Return in writing to the Regulator within four months of the Captive Insurer's reporting date.

- (2) A Captive Insurer must prepare and submit its annual Regulatory Return in the following manner:
- (a) the annual Regulatory Return must be submitted to the Regulator using EPRS:
- (i) ~~in accordance with any instructions set out in the notice and any instructions provided through such a system by the Regulator or specified in this Chapter; and~~
- (ii) ~~within four months of the Captive Insurer's reporting date;~~
- ...
- (7) ~~Subject to Rule 2.3.7(8), Where required by the Regulator to prepare a quarterly Regulatory Return, a Captive Insurer must submit its quarterly Regulatory Return in writing to the Regulator in the manner and within the time period prescribed by the Regulator.~~
- (8) ~~When the Regulator has issued a notice announcing that EPRS is in operation, a Captive Insurer must, from the date specified in the notice, prepare and submit its quarterly Regulatory Return in the following manner:~~
- (a) ~~the quarterly Regulatory Return, excepting the parts of the quarterly Regulatory Return referred to in 0(8)(b) and 0(8)(c), must be submitted to the Regulator using EPRS:~~
- (i) ~~in accordance with any instructions set out in the notice and any instructions provided through such a system or specified in this Chapter; and~~
- (ii) ~~within two months of the Captive Insurer's reporting date;~~
- (9) ~~The Statement by Directors forming part of the quarterly Regulatory Return must be signed before the time of submission by one Director of the Captive Insurer.~~
- (10) ~~An original signed hard copy of the Statement by Directors, together with a copy of the quarterly Regulatory Return submitted to the Regulator using EPRS, must be kept for at least six years for inspection by the Regulator.~~
- (118) If within twenty-four months of the date that an annual Regulatory Return or quarterly Regulatory Return is submitted to the Regulator, the Regulator notifies the Captive Insurer that a Regulatory Return appears to be inaccurate or incomplete, the Captive Insurer must consider the matter and within one month of the date of notification it must correct any inaccuracies, make good any omissions and re-submit the relevant parts of the Regulatory Return.
- (129) A Captive Insurer must submit, at the same time as every annual Regulatory Return of that insurer or as soon as practicable thereafter, any report on the affairs of the Captive Insurer submitted to the shareholders or policyholders of

the Captive Insurer in respect of the reporting period to which the annual Regulatory Return relates.

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2.3.9 General provisions relating to the completion of forms

- (1) Supplementary Notes must be presented in accordance with any instructions specified by the Regulator, including instructions provided through the prudential reporting system specified by the Regulator. Each Supplementary Note must identify the form to which it relates.
- (2) Regulatory Returns must be presented in English.
- (3) Where the format of a form requires the presentation of comparative information, the comparative information shall be presented according to the following principles:
 - (a) in the case of a form forming part of the annual Regulatory Return, the comparative information shall be that presented in the annual Regulatory Return for the previous reporting period;
 - (b) ~~in the case of a form forming part of the quarterly Regulatory Return, the comparative information shall be that presented in the quarterly Regulatory Return for the corresponding quarter in the previous calendar year;~~
 - (c) comparative information shall be presented unless:
 - (i) the Captive Insurer did not exist at any time during the comparative period (whether or not it was a Captive Insurer); or
 - (ii) in the case of a Cell Return or a Fund Return, the Captive Cell or the Long-Term Insurance Fund to which the Regulatory Return relates did not exist at any time during the comparative period;
 - (~~d~~c) a Captive Insurer that is required to present comparative information in a Regulatory Return, and that was not required to prepare a Regulatory Return in respect of the comparative period, must present comparative information that would have been presented in the Regulatory Return covering the comparative period, if the Captive Insurer had been required to prepare that Regulatory Return; and
 - (~~e~~d) comparative information shall not be changed from the time it was first presented, unless re-presentation is necessary for the interpretation of the Regulatory Return. Where comparative information is changed, the Captive Insurer must include in the Regulatory Return a Supplementary Note showing the nature of the change and the reason for it.

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- (5) Each page of the Statement by Directors must show:
- (a) the words 'annual Regulatory Return' or 'quarterly Regulatory Return', as applicable;

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2.3.10 Statement by directors

- (1) Every annual ~~and quarterly~~ Regulatory Return must include a Statement by Directors, in accordance with this Rule.
- (2) The Statement by Directors forming part of the annual Regulatory Return must state that:
- (a) the annual Regulatory Return has been prepared in accordance with the provisions of PIN, this Chapter 2 and the instructional guidelines and prudential reporting systems specified by the Regulator;
- (b) proper accounting records have been maintained and adequate information obtained by the Captive Insurer;
- (c) appropriate systems and controls have been established and maintained by the Captive Insurer over its transactions and records;
- (d) the Captive Insurer has complied with the provisions of Rule 2.2 of these Rules throughout the reporting period; and
- (e) the Captive Insurer complies, as at the date of the statement, with those provisions of PIN that are applicable to it.
- (3) ~~The Statement by Directors forming part of the quarterly Regulatory Return must state that:~~
- (a) ~~the quarterly Regulatory Return has been prepared in accordance with the provisions of PIN, this Chapter 2 and the instructional guidelines and prudential reporting systems specified by the Regulator; and~~
- (b) ~~the Captive Insurer complies, as at the date of the statement, with those provisions of PIN that are applicable to it.~~
- (4) If in the opinion of the directors it would be untrue to make one or more of the statements referred to in Rule 2.3.10(3)(a) or Rule 2.3.10(3)(b) the statements concerned must be omitted and the Captive Insurer must instead state in a Supplementary Note that the directors are unable to make the statements in question, and must give the reasons for that inability.

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2.4.2 Management of particular risks

Without prejudice to the generality of Rule 2.4.1, a Captive Insurer must develop, implement and maintain a risk management system to identify and address risks, including but not limited to:

- (a) reserving risk;
- (b) investment risk (including risks associated with the use of Derivatives);
- (c) underwriting risk;
- (d) market risk;
- (e) liquidity management risk;
- (f) credit quality risk;
- (g) fraud and other fiduciary risks;
- (h) compliance risk;
- (i) outsourcing risk;
- (j) Cyber Risk; ~~and~~
- (k) reinsurance risk. Reinsurance risk refers to risks associated with the Captive Insurer's use of reinsurance arrangements as Cedant-; and
- (k) Climate-Related Financial Risk.

Guidance

GEN 3.5 and 3.6 contains additional requirements that apply to Authorised Persons in relation to Cyber Risk management and the management of Climate-Related Risks respectively.

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6.3 Accounting standards and principles

- 6.3.1 Except where these Rules provide for a different method of recognition or valuation, whenever a Rule refers to an asset, liability, equity or income statement item, a Captive Insurer must, for the purpose of that Rule, recognise the asset, liability, equity or income statement item and measure its value in accordance with IFRS. ~~or any other accounting standards as applicable to the Captive Insurer for the purpose of its external financial reporting.~~

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- 6.10.2 Premiums in respect of a group of direct Contracts of Insurance; ~~facultative contracts of or contracts of reinsurance and non-proportional treaty contracts of reinsurance~~ entered into by a Captive Insurer as insurer must, in accordance with IFRS 17, be treated as receivable from the ~~date of entering into the insurance contract. earliest of:~~

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- (a) the beginning of the coverage period applicable to the group of contracts;
- (b) when the first payment from a policyholder in the group of contracts becomes due;
or
- (c) when the group of contracts becomes onerous.

6.10.3 ~~Premiums in respect of proportional treaty contracts of reinsurance entered into by a Captive Insurer as reinsurer must be treated as receivable in accordance with the pattern of the Cedant entering into the underlying Contracts of Insurance.~~

- (1) A group of reinsurance contracts held by a Captive Insurer must be recognised as an asset or liability, as applicable, from the earlier of:
 - (a) the beginning of the coverage period of the group of reinsurance contracts that are held; or
 - (b) when the group of underlying insurance contracts becomes onerous.
- (2) Notwithstanding (1)(a), a Captive Insurer must delay the recognition of a group of reinsurance contracts held by it that provide proportionate coverage until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts.

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6.10.6 ~~A Captive Insurer must treat as a liability the value of future claims payments and associated direct and indirect settlement costs, arising from insured events that have occurred as at the Solvency Reference Date.~~

Where a Captive Insurer is required to recognise a liability associated with the value of expected future claims payments and associated direct and indirect settlement costs, that liability must be calculated in accordance with the appropriate measurement model determined under IFRS 17.

6.10.7 A Captive Insurer may treat as an asset the value of reinsurance ~~receivables~~ and other recoveries expected to be received in respect of claims, in accordance with IFRS 17.

6.10.8 ~~Where this Rule a Captive Insurer is required to recognise as an asset the value of arising from expected future receipts, that asset must be measured as the net present value of those expected future payments.~~ calculated in accordance with the appropriate measurement model determined under IFRS 17.

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6.11.2 Premiums in respect of a group of contracts of reinsurance contracts entered into by a Captive Insurer as insurer must be treated as receivable from the ~~date on which they are due and receivable.~~ earlier of:

- (a) the beginning of the coverage period of the group of reinsurance contracts; or
- (b) when the Captive Insurer recognises the group of underlying contracts as onerous.

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6.11.4 (1) Acquisition costs incurred in respect of Contracts of Insurance entered into by a Captive Insurer must be treated as payable:

- (a) in the case of expenses directly related to the premiums in respect of the contract, at the same time as the premium is treated as receivable; and
- (b) in the case of expenses not directly related to the premiums in respect of the contract, at the time the contract is effected.

(2) Expenses associated with the maintenance of Contracts of Insurance, including, but not limited to, the costs of reporting to policyholders and the costs of managing investments, must be treated as payable as they are incurred.

6.11.5 A Captive Insurer must ~~treat as a liability the amount of Policy Benefits that are due for payment on or before the Solvency Reference Date~~ calculate insurance contract liabilities in accordance with the appropriate measurement model determined under IFRS 17.

6.11.6 A Captive Insurer may treat as an asset the value of reinsurance ~~receivables~~ and other recoveries expected to be received in respect of claims, in accordance with IFRS 17.

6.11.7 Where ~~this Rule requires~~ a Captive Insurer is required to recognise as an asset ~~the value of expected arising from~~ future receipts, that asset must be ~~measured as the net present value of those expected future receipts~~ calculated in accordance with the appropriate measurement model determined under IFRS 17.

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6.12 Discount rates

6.12.1 ~~The Regulator may specify actuarial principles to be used by a Captive Insurer in determining the discount rate.~~

A Captive Insurer is required to use discount rates in accordance with IFRS 17.

6.12.2 ~~For the purposes of determining the net present value of expected future payments in accordance with Rule 6.10 or 6.11, a Captive Insurer must use as a discount rate the gross redemption yield of a portfolio of sovereign risk securities which:~~

- (a) ~~are AAA-rated by Standard & Poor's (or the equivalent by another Approved Rating Agency); and~~
- (b) ~~have a similar expected payment profile to the liability being measured.~~

A Captive Insurer must disclose in the audited financial statements the discount rates employed by it, as well as the methodology used to derive the discount rates.

6.12.3 ~~For the purposes of determining the net present value of expected future receipts in accordance with Rule 6.10.8, a Captive Insurer must use as a discount rate the gross redemption yield of a portfolio of sovereign risk securities which:~~

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- (a) ~~are AAA-rated by Standard & Poor's (or the equivalent by another Approved Rating Agency); and~~
- (b) ~~have a similar expected payment profile to the liability being measured.~~

~~6.12.4 PIN 4.1.4 applies in respect of determination of ratings for the purposes of Rules 6.12.2 and 6.12.3.~~