



## Prudential Standard GOB

### Governance and Operational Standard for branches of foreign reinsurers

#### **Objectives and Key Requirements of this Prudential Standard**

*This Standard sets out the high-level framework for assessing the governance and operational soundness of branches of foreign reinsurers in respect to the insurance business conducted in the Republic by such branches from a regulatory perspective. The principles set out in this Standard are supported by detailed Attachments that address particular aspects of the framework.*

*It is the responsibility of the representative of a branch of a foreign reinsurer to ensure that the branch of the foreign reinsurer meets the governance and operational requirements on a continuous basis.*

*The cornerstones of the framework are good governance and effective risk management. This Standard highlights the Prudential Authority's expectations in terms of good governance, and sets down minimum requirements for governance and the approach to risk management and control. Other areas addressed in this Standard include fitness and propriety of key persons, management of outsourcing and business continuity. This Standard also addresses certain miscellaneous regulatory requirements provided for in the Insurance Act, 2017.*

*The requirements set out in this Standard are aligned to the principles and requirements under the Governance and Operational Standards for Insurers, but are applied with appropriate adjustments to account for the specific nature and characteristics of a branch of a foreign reinsurer and the equivalent regulatory and supervisory regime that a foreign reinsurer is subject to in its home jurisdiction.*

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## 1. Application

- 1.1. This Standard applies to a branch of a foreign reinsurer licensed under the Insurance Act, 2017 (the Act) in respect of the insurance business conducted in the Republic.
- 1.2. Unless otherwise indicated, all references to “insurance business” in this Standard must be read as a reference to the insurance business conducted in the Republic by a branch of a foreign reinsurer.

## 2. Roles and Responsibilities

- 2.1. The foreign reinsurer must in meeting the regulatory and supervisory governance requirements imposed on it in its home jurisdiction take into account the requirements of this Standard in respect of the insurance business conducted in the Republic by its branch.
- 2.2. The branch representative is responsible for ensuring that the branch of the foreign reinsurer complies with the principles and requirements of this Standard.
- 2.3. Where required to do so by this Standard, the control functions for the insurance business must regularly review and report to the branch representative on the branch’s compliance with this Standard.
- 2.4. If requested to do so, the auditor appointed by the branch representative under section 32 of the Act must provide assurance to the branch representative and the Prudential Authority that the branch of the foreign reinsurer complies with the requirements of this Standard.

## 3. Commencement and Transition Provisions

- 3.1. This Standard commences on 1 July 2018.

Version Number	Commencement Date
1	1 July 2018

## 4. Principles underlying Governance and Operational Requirements for branches of foreign reinsurers

- 4.1. The structure and characteristics of branches of foreign reinsurers differ from that of other insurers. Branches are not legal entities separate from the foreign reinsurers, but are operating entities of the foreign reinsurers located in the Republic. The insurance business conducted in the Republic by branches therefore forms part of the balance sheets of the foreign reinsurers. As foreign reinsurers are subject to

regulatory and supervisory regimes in their home jurisdictions that are equivalent to the Act, the Prudential Authority may place reliance on that regulatory and supervisory regime.

- 4.2. This Standard together with the Financial Soundness Standards for Branches of Foreign Reinsurers are aimed at placing appropriate regulatory requirements on branches of foreign reinsurers (overseen by the foreign reinsurers), so as to create a sufficiently level playing field and effectively mitigate prudential risks arising from the insurance business, while recognising the structure and characteristics of branches.
- 4.3. The Financial Soundness Standards for Branches of Foreign Reinsurers provide the first pillar of regulatory assurance around the capacity of branches (overseen by the foreign reinsurers) to meet their financial promises in respect of the insurance business. This Standard provides a second pillar of regulatory assurance, aimed at ensuring that branches of foreign reinsurers maintain a minimum standard of sound governance and prudent business management in respect of the insurance business.
- 4.4. This Standard focuses on the following main areas for branches of foreign reinsurers:
  - a) Governance relating to the insurance business;
  - b) Risk management and internal controls relating to the insurance business;
  - c) Fitness and propriety of key persons for the insurance business;
  - d) Oversight of outsourcing arrangements relating to the insurance business; and
  - e) Miscellaneous regulatory requirements provided for in the Act.

## **5. Governance**

- 5.1. Good governance is the foundation of prudent business management. Strong governance arrangements provide effective oversight of the way in which a branch of a foreign reinsurer operates and manages the risks in respect of the insurance business.
- 5.2. Strong governance arrangements include, but are not limited to:
  - a) clear assignment of roles and responsibilities, including documentation, monitoring and accountability for delegations;
  - b) clarity around decision making, including ensuring that decision makers have the necessary powers and information to support their responsibilities, and appropriate accountability for the decisions they make;
  - c) incentive arrangements that support sound and prudent decision making;
  - d) well-documented policies and procedures that establish how the business should operate;
  - e) clear and reliable mechanisms for escalating breaches of internal policies and procedures, and breaches of this Standard to the Prudential Authority; and
  - f) clear protocols to ensure all regulatory matters are properly prioritised and communicated consistently and accurately to the Prudential Authority.
- 5.3. To be effective, strong governance arrangements need to be supported by the corporate culture of the branch of the foreign reinsurer. Effective culture is closely aligned with the objectives and values of the foreign reinsurer, as defined and implemented by the foreign reinsurer's governance structures. An effective culture is one in which individuals feel comfortable, and are protected, when raising difficult issues, challenging the status quo, and calling out breaches of the foreign reinsurer's governance framework.

- 5.4. Good governance starts with the governance structures and senior management of the foreign reinsurer. Attachment 1 (Governance) establishes minimum requirements for the operation of the foreign reinsurer's governance structures and how roles and responsibilities should be allocated between the governance structures, senior management and the branch representative in respect of the insurance business.
- 5.5. The governance framework requirements outlined in Attachment 1 (Governance) may form part of or be incorporated into the broader governance framework of the foreign reinsurer, provided that the foreign reinsurer and the branch representative are at all times in a position to evidence to the Prudential Authority that the governance requirements contained in the Attachment are met by the branch and the foreign reinsurer.

## **6. Risk Management and Internal Controls**

- 6.1. Effective risk management is critical to the branch of the foreign reinsurer being able to honour promises to policyholders in respect of the insurance business.
- 6.2. The Prudential Authority's approach to regulating risk management by branches of foreign reinsurers (see Attachment 2 (Risk Management and Internal Controls)) has five main components:
  - a) The foreign reinsurer's governance structures responsible for the insurance business are required to establish an enterprise-wide risk strategy for the branch in respect of that business. The risk strategy sets out the types of risks that the branch is willing to retain in implementing its business plan / business objectives for its insurance business, and the way in which it will manage those risks. While insurance risks are central to risk retention, other financial and non-financial risks can be just as important to the prudent management of the insurance business.
  - b) As a key component of the risk strategy, the foreign reinsurer is required to develop a risk appetite statement, which sets out the overall level of risk the branch is prepared to accept in respect of the insurance business and the articulation down of that overall limit into granular risk limits on different material risk categories, activities, and business units, where appropriate.
  - c) The foreign reinsurer is required to implement a risk management system that enables it to identify, assess, monitor, report on, and mitigate the material risks to which it and the branch are exposed in respect of the insurance business.
  - d) The foreign reinsurer is required to implement an effective system of internal controls to ensure that the strategies, policies, and processes approved by the governance structures responsible for the insurance business are in fact in place, observed, and effective in assisting that governance structures and senior management in fulfilling their respective responsibilities for oversight and management of the insurance business.
  - e) To provide appropriate governance over the risk management system and system of internal controls, the foreign reinsurer is required to establish a risk governance structure for the insurance business including at least the following control functions: a risk management function, a compliance function, an internal audit function, and an actuarial function.
- 6.3. The risk management system may form part of or be incorporated into the broader risk management system of the foreign reinsurer provided that the foreign reinsurer and the branch representative must at all times be in a position to evidence to the Prudential Authority that the requirements of Attachment 2 (Risk Management and Internal Controls) are met by the branch and the foreign reinsurer.

## **7. Fitness and Propriety**

- 7.1. Prudent business management is heavily dependent on the suitability of individuals who make the critical business decisions for the foreign reinsurer. Persons who are responsible for the management and oversight of the insurance business need to have appropriate skills, experience and knowledge. These skills and qualities strengthen the protection afforded to policyholders and other stakeholders.
- 7.2. The concept of fitness and propriety takes a broad view of suitability. Competence, including formal qualifications, skills and practical experience, is critical. But so too is integrity; without integrity, business decisions may fail to reflect the desired culture of the foreign reinsurer and fail to meet the minimum standards set by the Prudential Authority in respect of the insurance business.
- 7.3. Prudent business management requires that the foreign reinsurer establish mechanisms to ensure that the key persons for the key functions and activities relating to the insurance business are fit and proper for their roles.
- 7.4. The Prudential Authority requires the foreign reinsurer to have, and to implement, an approved policy and related procedures for testing the fitness and propriety of key persons for the insurance business. Attachment 3 (Fitness and Propriety of Key Persons) sets out the minimum requirements for the foreign reinsurer's fit and proper policy and procedures in relation to the insurance business.
- 7.5. While responsibility for maintaining the fitness and propriety of key persons for the insurance business resides primarily with the governance structures of the foreign reinsurer, under Chapter 3 of the Act the foreign reinsurer must seek the Prudential Authority's approval for the appointment of the branch representative and deputy representative, the auditor referred to in section 32 of the Act and the trustee of the trust referred to in section 41 of the Act.

## **8. Outsourcing**

- 8.1. Outsourcing of some activities is a growing part of any modern business. In many instances, specialised external providers can offer a level of service that businesses cannot replicate internally. Outsourcing can be both cost effective and quality enhancing.
- 8.2. While outsourcing of certain general functions may improve efficiency, the outsourcing of any of its material activities in respect of the insurance business runs contrary to the essence of prudential licensing and therefore requires close consideration by the branch of the foreign reinsurer and the Prudential Authority.
- 8.3. The basic principle of outsourcing by the branch of the foreign reinsurer is that the foreign reinsurer retains responsibility for all regulatory obligations relating to the insurance business, regardless of whether or not an activity or function is outsourced. Therefore, the outsource arrangement must provide the Prudential Authority with the same visibility over regulated activities as it has with the branch of the foreign reinsurer and the branch representative. It also means the branch of the foreign reinsurer or the branch representative (where relevant) must be capable of supervising, if needed, the person who provides the outsourced activities or functions, so as to ensure that its regulatory compliance is not impaired.

- 8.4. GOI 5 (Outsourcing by Insurers) sets down three general sets of standards for outsourcing by insurers, namely:
- a) circumstances in which an insurer may not outsource a function or activity relating to the insurance business, such as where the outsourcing may impair the insurer's operational soundness or ability to monitor its compliance with its legal and regulatory obligations;
  - b) circumstances in which an insurer must notify the Prudential Authority before entering into an outsourcing arrangement for a material activity; and
  - c) matters that must be considered in any outsource arrangement, including avoiding conflicts of interest, the fitness and propriety of the person who performs the outsourced activity, and contractual considerations.
- 8.5. GOI 5 (Outsourcing by Insurers) applies to the branch of the foreign reinsurer and the branch representative in respect of the insurance business. In addition to section 6.2 of GOI 5, all duties, roles and responsibilities of the branch representative as set out Attachment 1 (Governance) are deemed to be material business activities.

## **9. Transfers of Business and other Significant Transactions**

- 9.1. The basic principle underlying the Prudential Authority's approach to transfers of business by the branch to an insurer or another branch, as set out in section 50 of the Act is that the branch must not enter into such a transaction without the prior approval of the Prudential Authority. The purpose of requiring approval is so that the Prudential Authority can assess whether or not the proposed transfer could impair the acquirer's financial soundness, or impact negatively on the interests of policyholders.
- 9.2. GOI 6 (Transfers of Business and Other Significant Transactions by Insurers) sets out the information that must be provided by an insurer in order to have the Prudential Authority consider its request, and the process that the review will follow. The Standard also sets out the actions that the Prudential Authority may take. This Standard applies only to the transfer of insurance business conducted in the Republic by a branch to an insurer or another branch.

## **10. Miscellaneous Regulatory Requirements**

- 10.1. The Act provides for the Prudential Authority to prescribe certain matters with respect to the operation of insurers. These are set out in GOI 7 (Miscellaneous Regulatory Requirements for Insurers). Section 8 (Rider benefits that may be provided in respect of specific classes and Sub-classes of Insurance Business) of GOI 7, where relevant to the insurance business, also applies to the branch.

## **11. Regulatory Intervention**

- 11.1. This Standard establishes the minimum standards required by the Prudential Authority in respect of the branch's insurance business. As with the Financial Soundness Standards, the Prudential Authority expects the branch and the foreign reinsurer to aspire to higher standards in some, if not all, of the areas addressed. In particular, where the complexity and scale of the insurance business is greater, so too should be the standards of governance and operations.

- 11.2. While ultimate responsibility for the sound and prudent management of the insurance business rests squarely with the foreign reinsurer, the Prudential Authority has the power and responsibility to intervene if the branch of the foreign reinsurer or the branch representative does not meet the minimum requirements established by this Standard.
- 11.3. The Act establishes trigger points for regulatory intervention. In practice, while failure to meet the minimum governance and operational requirements signals the need for intervention, prudential regulatory monitoring and supervision is typically more nuanced and graduated than is implied by discrete points of intervention.

## **12. Structure of this Standard**

- 12.1. This Standard includes Attachments that set out supporting detail such as definitions, technical material and Guidance Notes. Attachments must be complied with. Guidance Notes provide guidance on how certain aspects of the Standard may be applied. As suggested by their name, Guidance Notes are intended to be helpful rather than definitive. It is not a breach of the prudential standards for the branch of the foreign reinsurer to interpret / apply the matters covered in a Guidance Note differently to the way suggested by the Prudential Authority. The Prudential Authority nevertheless expects the branch and the foreign reinsurer to be able to justify its alternative interpretation and may call on them to do so.
- 12.2. This Standard is organised as follows:

Attachment 1: Governance

Attachment 2: Risk Management and Internal Controls

Annexure 2.1: Own Risk and Solvency Assessment (ORSA)

Annexure 2.2: Business Continuity Management

Annexure 2.3: Reinsurance and Other Forms of Risk Transfer

Attachment 3: Fitness and Propriety of Key Persons

Attachment 4: Definitions used in this Standard

## **Attachment 1: Governance**

### **1. Principles**

- 1.1. The governance framework for the foreign reinsurer provides for the prudent management and oversight of the insurance business. It includes the checks and balances needed to ensure decisions are aligned with the strategies and policies of the foreign reinsurer and the interests of policyholders in as far as it relates to the insurance business.
- 1.2. As set out in Part 1 of Chapter 5 of the Act:
  - a) the foreign reinsurer must adopt, implement and document an effective governance framework in respect of the insurance business that protects the interest of relevant policyholders;
  - b) the governance framework must be proportionate to the nature, scale and complexity of the insurance business and risks associated with that insurance business; and
  - c) the governance framework must include effective systems of corporate governance, risk management and internal controls in respect of the insurance business.
- 1.3. The requirements for the foreign reinsurer in this Attachment set out the requirements for meeting the governance framework as set out in the Act.
- 1.4. The foreign reinsurer's corporate culture should support its governance framework by aligning with its values and strategic objectives in relation to the insurance business. Guidance Note GOI GN 2.1 offers guidance on this alignment.

### **2. Roles and Responsibilities of the foreign reinsurer's governance structures responsible for the insurance business**

- 2.1. In adopting, implementing and documenting an effective governance framework, the foreign reinsurer's governance structures responsible for the insurance business must in respect of that insurance business:
  - a) set, approve and oversee the implementation of the foreign reinsurer's business objectives and strategies for achieving those objectives, taking into account the long-term financial soundness of the insurance business, the interests of the relevant policyholders and other stakeholders, and the fair treatment of customers;
  - b) act with independence of mind in pursuing the best interests of the foreign reinsurer in respect of the insurance business, policyholders and other stakeholders;
  - c) regularly review the insurance business to ensure that it is consistent with the objectives and broader policyholder and other stakeholder commitments referred to in a) above;
  - d) set and test the ongoing adherence to the foreign reinsurer's values and culture (for guidance on culture see GOI Guidance Note 2.1 (Corporate Culture)) in respect of the insurance business;
  - e) promote an open and accountable environment in which employees who communicate concerns about illegal or irregular behaviour in respect of the insurance business are properly protected from occupational detriment;
  - f) set and oversee the design and implementation of sound risk management and internal control systems and functions in respect of the insurance business as set out in Attachment 2 (Risk Management and Internal Controls);

- g) set and oversee the effective implementation of all material policies in respect of the insurance business as set out in Attachment 2 (Risk Management and Internal Controls);
- h) set and oversee the effective implementation of a remuneration and incentive model that demonstrably supports prudent decision making, is consistent with the foreign reinsurer's risk appetite in respect of the insurance business, and does not induce excessive or inappropriate risk taking in respect of the insurance business;
- i) set and implement appropriate governance procedures over the insurance business to ensure that conflicts of interest are properly identified and managed;
- j) set and implement governance arrangements to ensure reliable and transparent financial reporting for public and supervisory purposes in respect of the insurance business;
- k) establish and implement impartial and effective arrangements for communicating with the Prudential Authority and other financial sector regulators through the branch representative, to ensure that regulatory matters are properly prioritised and dealt with expeditiously and accurately;
- l) regularly monitor and, at least annually, review the adequacy and effectiveness of the governance framework; and
- m) notify the Prudential Authority, through the branch representative, of any shortcomings in the governance framework, the reasons for the shortcomings, and the foreign reinsurer's plans to rectify them.

2.2. In overseeing senior management and heads of control functions for the insurance business, the foreign reinsurer's governance structures responsible for that insurance business must:

- a) ensure that there are adequate policies and procedures relating to the appointment, dismissal and succession of senior management and heads of control functions, and monitor that the knowledge and expertise of senior management and heads of control functions remain appropriate to the nature and risk profile of that business;
- b) set appropriate performance and remuneration standards for senior management and heads of the control functions consistent with the long-term strategy and the financial soundness of the foreign reinsurer in respect of the insurance business and monitor whether they are meeting the performance goals set for them;
- c) assess, at least annually, the performance of the heads of the control functions against the performance goals set for them;
- d) ensure that adequate procedures are in place for assessing, at least annually, the effectiveness of the performance of senior management against the performance goals set for them;
- e) monitor whether senior management is managing the insurance business in accordance with the strategies and policies set by the foreign reinsurer, and the risk appetite, values and culture;
- f) monitor whether the policies and procedures of the foreign reinsurer are being properly implemented by senior management and are operating as intended;
- g) monitor whether senior management is promoting a culture of sound risk management, compliance and policyholder protection in respect of the insurance business;
- h) monitor whether senior management and heads of control functions provide the branch representative with adequate and timely information to enable him or her to carry out his or her duties and functions;
- i) monitor whether senior management and heads of control functions appropriately support the branch representative to provide the Prudential

Authority, policyholders and other stakeholders with the information required to satisfy the legal and other obligations applicable to the branch of the foreign reinsurer and the insurance business; and

- j) ensure that senior management and heads of control functions regularly meet with the branch representative to discuss and review the decisions made, information provided and explanations given with respect to the insurance business.

2.3. In overseeing the branch representative and deputy representative, the foreign reinsurer's governance structures responsible for the insurance business must:

- a) ensure that the branch representative has the resources, authority and independence needed to meet his or her roles and responsibilities provided for in the Act and this Standard;
- b) ensure that there are adequate policies and procedures relating to the appointment, dismissal and succession of the branch representative and deputy representative, and monitor that the knowledge and expertise of the branch representative and deputy representative remain appropriate to the nature and risk profile of the insurance business;
- c) plan for the orderly succession of the branch representative and deputy representative;
- d) set appropriate performance and remuneration standards for the branch representative and deputy representative consistent with the long-term strategy and the financial soundness of the foreign reinsurer in respect of the insurance business, and monitor whether they are meeting the performance goals set for them;
- e) assess, at least annually, the performance of the branch representative and deputy representative against the performance goals set for them; and
- f) monitor whether the branch representative provides the Prudential Authority, policyholders and other stakeholders with the information required to satisfy the legal and other obligations applicable to the branch of the foreign reinsurer and the insurance business.

### **3. *Allocation and Delegation of Roles and Responsibilities by the foreign reinsurer's governance structures responsible for the insurance business***

3.1. The foreign reinsurer's governance structures responsible for the insurance business may delegate some of the activities or functions associated with its roles and responsibilities to other governance structures in the foreign reinsurer, members of senior management, other persons within the foreign reinsurer or, in certain cases, to external parties. Outsourcing of roles and functions to external parties introduces particular risks to the prudent management of the insurance business and are addressed separately in section 8 (Outsourcing) of the Standard.

3.2. The allocation of roles and responsibilities relating to the insurance business within the foreign reinsurer is one of the most critical governance decisions that the foreign reinsurer makes. Effective delegation requires a strong and disciplined governance model. The foreign reinsurer's governance structures responsible for the insurance business must develop an appropriate system of delegation in which:

- a) delegations are appropriately and clearly mandated and documented;
- b) there are adequate checks and balances;
- c) there is provision for the monitoring and reporting on delegations;
- d) there is no undue concentration of powers; and
- e) delegations may be withdrawn.

#### **4. Roles and responsibilities of senior management responsible for the insurance business**

4.1. Subject to appropriate delegation from the foreign reinsurer's governance structures responsible for the insurance business, senior management that is responsible for the insurance business must:

- a) carry out the day-to-day operations relating to the insurance business effectively and in accordance with the approved culture, business objectives and strategies for achieving those objectives in line with the foreign reinsurer's long-term interests and viability;
- b) promote sound risk management, compliance and fair treatment of customers;
- c) provide the foreign reinsurer's governance structures responsible for the insurance business and the branch representative with adequate and timely information to enable the latter to carry out their duties and functions, including the monitoring and review of the performance and risk exposures of the insurance business, and the performance of senior management;
- d) maintain adequate and orderly records of the internal organisation relating to the insurance business;
- e) promote strong risk management and internal controls relating to the insurance business, through their personal conduct, through the implementation of transparent policies, and by communicating to all employees their responsibilities in these areas; and
- f) not interfere with the activities that control functions for the insurance business carry out in the rightful exercise of their responsibilities, including that of providing an independent view of governance, risk, compliance and control related matters in respect of that business.

4.2. Senior management responsible for the insurance business must implement appropriate systems and controls, in accordance with the risk appetite and values, and consistent with internal policies and procedures relating to that insurance business. The systems and controls must provide for organisation and decision making in a clear and transparent manner that promotes effective management of the insurance business, and must include:

- a) processes for engaging persons with appropriate competencies and integrity to discharge the functions under senior management in respect of the insurance business, including succession planning, ongoing training and procedures for termination;
- b) clear lines of accountability and channels of communication between senior management and key persons for the insurance business;
- c) proper procedures for the delegation of senior managerial functions relating to the insurance business and monitoring whether delegated functions are carried out effectively and properly, in accordance with the same principles that apply to delegations by the foreign reinsurer's governance structures responsible for the insurance business (see section 3 of this Attachment);
- d) standards of conduct and codes of ethics for senior management and other staff responsible for the insurance business to promote a sound corporate culture, and the effective implementation on an on-going basis of internal standards and codes;
- e) proper channels of communication, including clear lines of reporting, between senior management, governance structures responsible for the insurance business, and the branch representative.

- 4.3. The foreign reinsurer's governance structures must assess, at least annually, the effectiveness of the performance of senior managers responsible for the insurance business against the performance goals set by the governance structures responsible for that insurance business and address any identified inadequacies or gaps in performance of those senior managers promptly and report same to the governance structures and the branch representative.

**5. *Duties, roles and responsibilities of branch representative and deputy representative***

- 5.1. The branch representative and deputy representative must:
- a) act in good faith, honestly, and reasonably, and exercise due care and diligence in fulfilling his/her duties;
  - b) at all times comply with the fit and proper policy of the foreign reinsurer relating to the insurance business;
  - c) act in the best interests of the insurance business and relevant policyholders; and
  - d) exercise independent judgment and objectivity in decision making, taking into account the interests of the insurance business and relevant policyholders.
- 5.2. The branch representative and deputy representative must act without favour, providing constructive and robust challenge of proposals and decisions and asking for information when he or she considers it necessary.
- 5.3. The branch representative must assist the foreign reinsurer's governance structures responsible for the insurance business to –
- a) regularly review the insurance business to ensure that it is consistent with the approved strategic objectives and broader policyholder and other stakeholder commitments;
  - b) test the ongoing adherence to the foreign reinsurer values and culture (see GOI Guidance Note 2.1 (Corporate Culture)) in respect of the insurance business;
  - c) oversee the implementation of sound risk management and internal control systems and functions in respect of the insurance business as set out in Attachment 2 (Risk Management and Internal Controls);
  - d) effectively implement the material policies in respect of the insurance business as set out in Attachment 2 (Risk Management and Internal Controls);
  - e) implement effective governance arrangements to ensure reliable and transparent financial reporting for public and supervisory purposes in respect of the insurance business;
  - f) implement impartial and effective arrangements for communicating with the Prudential Authority and other financial sector regulators through the branch representative, to ensure that regulatory matters are properly prioritised and dealt with expeditiously and accurately; and
  - g) monitor and, at least annually, review the adequacy and effectiveness of the governance framework; and
  - h) notify the Prudential Authority of any shortcomings in the governance framework, the reasons for the shortcomings, and the foreign reinsurer's plans to rectify them.

- 5.4. The branch representative must provide input to the foreign reinsurer's governance structures responsible for the insurance business when the latter assess the performance of the heads of the control functions against the performance goals set for them.
- 5.5. The branch representative must regularly express a view to the foreign reinsurer's governance structures responsible for the insurance business on whether -
- a) senior management and heads of control functions provide the branch representative with adequate and timely information to enable him or her to carry out his or her duties and functions;
  - b) senior management and heads of control functions appropriately support the branch representative to provide the Prudential Authority, policyholders and other stakeholders with the information required to satisfy the legal and other obligations applicable to the branch of the foreign reinsurer and the insurance business;
  - c) senior management and heads of control functions regularly meet with the branch representative to discuss and review the decisions made, information provided and explanations given with respect to the insurance business; and
  - d) senior management responsible for the insurance business are implementing appropriate systems and controls, in accordance with the risk appetite and values, and consistent with internal policies and procedures relating to that insurance business in the manner set out in 4.2 above.
- 5.6. The branch representative must:
- a) have appropriate practices and procedures to support his or her roles, responsibilities and duties, in a manner that promotes efficient, objective and independent judgment and decision making;
  - b) have effective communication strategies with the Prudential Authority, policyholders and other stakeholders in respect of the insurance business that include the identification of matters that should be disclosed, and to whom such disclosures should be made; and
  - c) ensure that the practices, procedures and strategies referred to are followed and periodically reviewed to assess their effectiveness and adequacy.
- 5.7. The branch representative must have adequate powers and resources to discharge his or her duties fully and effectively. These should, at a minimum, include:
- a) the power to obtain timely and comprehensive information relating to the insurance business, including direct access to relevant persons within the foreign reinsurer for obtaining information, such as senior management and heads of control functions; and
  - b) access to services of external consultants or specialists where necessary or appropriate, subject to criteria (such as independence) and due procedures for appointment and dismissal of such consultants or specialists.
- 5.8. The practices and procedures referred to above must, among other things:
- a) be documented in a Charter; and
  - b) set out how the representative will carry out his or her roles and responsibilities.
- 5.9. The branch representative may delegate some of the activities or functions associated with his or her roles and responsibilities to the branch deputy representative or to external parties. Outsourcing of roles and functions to external

parties introduces particular risks to the prudent management of the insurance business and are addressed separately in section 8 (Outsourcing) of the Standard.

5.10. The branch representative must develop an appropriate system of delegation in which:

- a) delegations are appropriately and clearly mandated and documented;
- b) there are adequate checks and balances;
- c) there is provision for the monitoring and reporting on delegations;
- d) there is no undue concentration of powers; and
- e) delegations may be withdrawn.

## **Attachment 2: Risk Management and Internal Controls**

### **1. Principles**

- 1.1. A foreign reinsurer must have an approved risk management system in respect of the insurance business, consisting of a risk management strategy, policies, and related procedures, and tools for assessing, monitoring, reporting, and mitigating material risks that may affect its ability to meet its obligations to relevant policyholders.
- 1.2. The risk management strategy must include a risk appetite in respect of the insurance business. The foreign reinsurer's risk appetite should be aligned with its risk management strategy and business plan / business objectives.
- 1.3. A foreign reinsurer must establish, maintain and operate within a system of effective internal controls designed to ensure that the risk management system referred to in 1.1. above is operating effectively and that there are appropriate checks and balances to ensure that it operates effectively and efficiently in respect of the insurance business.
- 1.4. To provide appropriate governance over the risk management system and system of internal controls, a foreign reinsurer must establish and adequately resource at least the following control functions for the insurance business:
  - a) a risk management function;
  - b) a compliance function;
  - c) an internal audit function; and
  - d) an actuarial function.

### **2. Risk Management Strategy**

- 2.1. A foreign reinsurer's approved risk management strategy in respect of the insurance business must set out the types of risks that the branch and foreign reinsurer are willing to retain, and the way in which it will manage those risks. Material risks that are central to the foreign reinsurer's risk management strategy include the lines of insurance business the branch plan to engage in, and the mix of insurance risks they are targeting.
- 2.2. The risk management strategy must have a specific focus on the insurance business and address all sources of risk that may impact on the financial soundness of the branch and the foreign reinsurer, not just insurance risks.
- 2.3. At a minimum, the foreign reinsurer's documented risk management strategy must:
  - a) identify the objectives of the strategy;
  - b) describe each current material and emerging risk, and the approach to managing those risks;
  - c) list the policies and procedures for dealing with risk management;
  - d) summarise the roles and risk management responsibilities of the risk management function, the governance structures and senior management responsible for the insurance business and the branch representative;
  - e) include a documented process for approval by the governance structures responsible for the insurance business for any deviations from the risk management strategy or risk appetite; and
  - f) outline the foreign reinsurer's approach to ensuring all persons responsible for the insurance business have awareness of the risk management system and for instilling an appropriate risk culture in respect of the insurance business.

- 2.4. The risk management strategy must be consistent with the nature, scale and complexity of the insurance business.
- 2.5. The risk management strategy must include a clearly defined risk appetite statement, which quantifies the levels of different types of risk the branch and the foreign reinsurer are willing to retain in respect of the insurance business. The risk appetite must be consistent with foreign reinsurer's risk management strategy and business plan / business objectives.
- 2.6. At a minimum, the foreign reinsurer's risk appetite statement must identify clearly:
  - a) the overall level of risk the foreign reinsurer is prepared to accept in pursuit of its strategic objectives and business plan, giving due consideration to the interests of relevant policyholders; and
  - b) for each material risk, the maximum level of risk that the foreign reinsurer is willing to operate within, expressed as a limit based on its risk appetite, risk profile and capital strength.
- 2.7. Where risks are not readily quantified, the risk management strategy and risk appetite should set qualitative limits on risk.
- 2.8. The risk management strategy must set out processes with respect to the risk appetite statement for:
  - a) ensuring that risk limits are set at appropriate levels, based on an estimate of the impact of a breach of a risk limit, and the likelihood that each material risk is crystallised;
  - b) monitoring and reporting compliance with each risk limit and for taking appropriate action in the event that a particular limit is breached; and
  - c) review of the risk appetite and risk limits, and the timing thereof.
- 2.9. The risk management strategy must be reviewed regularly and kept updated in light of emerging risks and changing circumstances.
- 2.10. Material changes to the risk management strategy must be approved by the foreign reinsurer's governance structures responsible for the insurance business, properly justified and documented. The documentation must be available for review by internal audit, external audit, and the Prudential Authority, as needed.

### **3. Risk Management Policies**

- 3.1. The foreign reinsurer must, at a minimum, have policies approved by the foreign reinsurer's governance structures responsible for the insurance business that address the following material risks and risk areas, where relevant:
  - a) fitness and propriety;
  - b) information technology;
  - c) insurance fraud;
  - d) operational risk;
  - e) outsourcing;
  - f) reinsurance and other forms of risk transfer;
  - g) remuneration; and
  - h) underwriting.
- 3.2. The foreign reinsurer may combine one or more of the policies or incorporate the policies into its broader policies for addressing these risks, provided the foreign reinsurer is of the view that the specified risks do not justify a separate policy given

the nature, scale and complexity of the branch of the foreign reinsurer and the risks relating to the insurance business. Where policies are combined or incorporated into the broader policies of the foreign reinsurer, the foreign reinsurer and the branch representative must at all times be in a position to evidence to the Prudential Authority that the risks relating to the insurance business are appropriately addressed.

3.3. *Fitness and Propriety Policy* - For requirements relating to foreign reinsurer's Fitness and Propriety Policy see Attachment 3 (Fitness and Propriety of Key Persons).

3.4. *Information Technology Policy* – The foreign reinsurer's Information Technology Policy in respect of the insurance business must:

- a) Provide for the development and implementation of an information technology internal control framework that:
  - i. sets out the foreign reinsurer's strategies, policies, systems, processes and controls relating to information technology;
  - ii. addresses the appropriateness, effectiveness, efficiency, integrity, confidentiality and reliability of the information technology systems of the foreign reinsurer;
  - iii. facilitates compliance with legislative reporting requirements and legislation relating to confidentiality, privacy, security and retention of data or information; and
  - iv. provides for independent assurance on the effectiveness of the information technology internal controls, including data management systems.
- b) Address at least the following critical technology-related risk areas:
  - i. Cyber security risk – addressing the way in which the foreign reinsurer will monitor cyber risk, respond to cyber attacks, and manage cyber risk. The foreign reinsurer must have a Cyber Attack Response Plan, with clear assignment of roles and responsibilities for responding to the attack and keeping stakeholders informed.
  - ii. Data privacy risk – addressing the way in which the foreign reinsurer will monitor and protect data privacy.
- c) Provide for processes to ensure the promotion of an ethical information technology governance culture and awareness of that culture (see GOI GN 2.1 (Corporate Culture)).
- d) Provide for processes and procedures to ensure the effective management and governance of information technology assets.
- e) Provide for the development, implementation and management of systems for the management of information and data, including systems in respect of information security and information management.

3.5. *Insurance Fraud Risk Policy* – The foreign reinsurer's Insurance Fraud Risk Policy in respect of the insurance business must:

- a) Outline appropriate strategies, procedures and controls to deter, prevent, detect, report and remedy insurance fraud.
- b) Outline appropriate strategies for managing fraud risk and the risk to the branch's and the foreign reinsurer's financial soundness or sustainability caused by fraud.
- c) Take into consideration how the effectiveness of fraud risk management may be enhanced by contributing to industry-wide initiatives to deter, prevent, detect, report, and remedy insurance fraud.
- d) Provide for the prompt reporting of insurance fraud to relevant regulatory authorities.

- 3.6. *Operational Risk Policy* – The foreign reinsurer’s Operational Risk Policy in respect of the insurance business, must:
- a) Set out the foreign reinsurer’s approach to the identification, assessment, monitoring, management and reporting of relevant operational risk exposures (including the risks associated with inadequate or failed internal processes, people or systems, or from external events).
  - b) To the extent quantitative data on incidents and impacts are available, leverage the data to help quantify operational risks and provide, where possible, and legally permissible, for the foreign reinsurer’s to share such data with industry and leverage broader industry experience to help quantify operational risks.
- 3.7. *Outsourcing Policy* - For requirements relating to the foreign reinsurer’s Outsourcing Policy in respect of the insurance business, see section 8 (Outsourcing) in the Standard.
- 3.8. *Reinsurance and Other Forms of Risk Transfer Policy* - For requirements relating to the foreign reinsurer’s Reinsurance and Other Forms of Risk Transfer policy see section 2 of Annexure 2.3 (Reinsurance and Other Forms of Risk Transfer) to Attachment 2 (Risk Management and Internal Controls).
- 3.9. *Remuneration Policy* – The foreign reinsurer’s Remuneration Policy, in respect of the insurance business, must:
- a) Not induce excessive or inappropriate risk taking and be consistent with the long-term interests of the foreign reinsurer’s and the interests of relevant policyholders.
  - b) At a minimum, address the remuneration of key persons and other persons responsible for the insurance business whose actions may have a material impact on the risk exposure of the foreign reinsurer (including persons to whom functions are outsourced).
  - c) Be consistent with the foreign reinsurer’s business and risk management strategy (including risk management practices), and target corporate culture (see GOI GN 2.1 (Corporate Culture)).
  - d) Contain specific arrangements that take into account the respective roles of persons responsible for the insurance business.
  - e) Provide for a clear, transparent, and effective governance structure around remuneration, and oversight of the policy.
  - f) When remuneration includes both fixed and variable components, provide that:
    - i. the fixed portion represents a sufficiently high portion of the total remuneration to avoid over dependence on the variable components;
    - ii. the variable component is based on a combination of the assessment of the individual and the collective performance, such as the performance of the insurance business and the overall results of the foreign reinsurer; and
    - iii. the payment of the major part of a significant bonus, irrespective of the form in which it is to be paid, contains a flexible, deferred component that considers the nature and time horizon of the insurance business.
  - g) Ensure that, in defining an individual’s performance, that both financial and non-financial performance is considered.
- 3.10. *Underwriting Policy* – The foreign reinsurer’s Underwriting Policy in respect of the insurance business, must:
- a) Identify the nature of the insurance business, including, but not limited to:

- i. the classes of insurance to be underwritten; and
    - ii. the types of risks that may be underwritten and those that are to be excluded.
  - b) Describe the formal risk assessment process for underwriting, including, but not limited to:
    - i. the criteria used for risk assessment;
    - ii. the method(s) for monitoring emerging experience; and
    - iii. the method(s) by which emerging experience is taken into consideration in the underwriting process.
  - c) Set out the actions to be taken by the foreign reinsurer to assess and manage the risk of loss, or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions.
  - d) Establish the foreign reinsurer approach to assumption setting.
  - e) Set out the relevant data (quantity and quality) to be considered in the underwriting and reserving processes.
  - f) Provide for the regular review of the adequacy of claims management procedures, including the extent to which they cover the overall cycle of claims.
- 3.11. The foreign reinsurer's risk management policies must be reviewed regularly and kept updated in light of emerging risks.
- 3.12. Material changes to the risk management policies must be approved by the foreign reinsurer's governance structures responsible for the insurance business, properly justified and documented. The documentation must be available for review by internal audit, external audit, and the Prudential Authority as needed.

#### **4. Risk Management Procedures and Tools**

- 4.1. The foreign reinsurer must maintain a suite of risk management procedures and tools that enables it to assess, monitor, report on, and mitigate the material risks relating to the insurance business. While the majority of material risks facing the branch and the foreign reinsurer will typically be financial in nature, non-financial risks such as cyber risk must not be ignored. The suite must provide the foreign reinsurer's governance structures responsible for the insurance business and the branch representative with a view of the material risks relating to the insurance business.
- 4.2. The foreign reinsurer's suite of risk management procedures and tools must, at a minimum, include:
- a) a process for identifying and assessing new and emerging risks;
  - b) procedures and tools for quantifying and managing specified individual material risks;
  - c) the application of scenario analysis and stress testing programs that are commensurate with the size, business mix and complexity of the insurance business;
  - d) a forward-looking approach to assessing financial risk relating to the insurance business through an Own Risk and Solvency Assessment process (ORSA) (see Annexure 2.1: Own Risk and Solvency Assessment (ORSA));
  - e) a management information system that provides reliable and informative reports on the measurement, assessment and management of all material risks; and
  - f) a review process to ensure the risk management system remains effective in identifying, quantifying, assessing and managing material risks to which the insurance business is exposed.

- 4.3. The foreign reinsurer's risk management procedures and tools must be reviewed regularly and kept updated in light of emerging risks and changes in risk management tools and techniques.
- 4.4. Material changes to the risk management procedures and tools must be approved by the governance structures responsible for the insurance business, properly justified and documented. The documentation must be available for review by internal audit, external audit, and the Prudential Authority as needed.

## **5. Internal Controls**

- 5.1. The foreign reinsurer's risk management system must be supported by an effective system of internal controls capable of providing the governance structures and senior management responsible for the insurance business, and the branch representative, with reasonable assurance from a control perspective that the insurance business is being operated consistently with:
  - a) the strategy and business objectives determined by the governance structures responsible for the insurance business;
  - b) the key business, risk management, information technology and financial policies and procedures determined by the governance structures responsible for the insurance business; and
  - c) the legislation that applies to the insurance business.
- 5.2. The foreign reinsurer's system of internal controls must be appropriate to the nature, scale and complexity of the insurance business and risks.
- 5.3. At a minimum, the foreign reinsurer's internal control system must provide for the following:
  - a) appropriate segregation of duties and controls to ensure that segregation is observed;
  - b) appropriate controls for all key business processes and policies, including for major business decisions;
  - c) end-to-end control processes for complex business activities;
  - d) controls to provide reasonable assurance over the fairness, accuracy, reliability and completeness of financial and non-financial information relating to the insurance business;
  - e) delegations of authority approved by the governance structures responsible for the insurance business (these should also be reviewed regularly by the governance structures responsible for the insurance business);
  - f) controls at the appropriate levels, including at the procedure or transactional levels;
  - g) regular monitoring of all controls to ensure they remain effective;
  - h) an inventory of all key policies and procedures, and the controls in respect of each policy and procedure; and
  - i) training in respect of relevant components of the system of internal controls, particularly for employees responsible for the insurance business in positions of trust or responsibility, or who carry out activities that involve significant risk in respect of the insurance business.

## **6. Risk Governance - General Requirements for Control Functions**

- 6.1. To provide appropriate governance over the risk management system and system of internal controls, the foreign reinsurer must establish and adequately resource the control functions referred to in section 1.4. above. Control functions are a critical part of the foreign reinsurer's checks and balances and must provide an independent

perspective on risks and breaches of legal or regulatory requirements in respect of the insurance business.

- 6.2. The governance structures responsible for the insurance business must approve the roles and responsibilities, and any changes to the roles or responsibilities, of each control function for the insurance business, and must ensure that each function has the resources, authority and independence needed to meet its responsibilities.
- 6.3. The authority and responsibilities of each control function for the insurance business must be documented and subject to regular review by the governance structures responsible for the insurance business.
- 6.4. The control functions for the insurance business must be adequately staffed by appropriately qualified and competent persons who have sufficient authority to perform their roles effectively.
- 6.5. Control functions should operate without conflicts of interest; where a conflict arises, it must be brought to the attention of the governance structures responsible for the insurance business for resolution.
- 6.6. Control functions must have the right to conduct investigations of possible breaches and to request assistance for such investigations from specialists within the foreign reinsurer, or external specialists.
- 6.7. The foreign reinsurer may, where appropriate in light of the nature, scale and complexity of the insurance business, risks, and legal and regulatory obligations relating to the insurance business, outsource a control function or a head of a control function (see section 8 (Outsourcing) of the Standard).
- 6.8. The foreign reinsurer may, where appropriate in light of the nature, scale and complexity of the business, risks, and legal and regulatory obligations relating to the insurance business, and subject to approval by the Prudential Authority, combine one or more control functions (other than the internal audit function) or allow control functions for the insurance business to be combined with control functions (other than the internal audit function) for business other than insurance business conducted in the Republic by the branch.
- 6.9. The foreign reinsurer's governance structures responsible for the insurance business or an independent expert must periodically review and assess the performance of each control function.
- 6.10. Each control function must conduct regular self-assessments of their respective functions and implement or monitor the implementation of any needed improvements.

## **7. Risk Governance – Heads of Control Functions**

- 7.1. Heads of control functions for the insurance business must be fit and proper (see Attachment 3 (Fitness and Propriety of Key Persons)).
- 7.2. There must be adequate policies and procedures relating to the appointment, dismissal and succession of heads of control functions for the insurance business, and the governance structures responsible for the insurance business and the branch representative must be actively involved in such processes.
- 7.3. The appointment, performance assessment, remuneration, disciplining and dismissal of the head of each control function for the insurance business (other than the head

of the internal audit function) must be done with the approval of, or after consultation with, the governance structures responsible for the insurance business and the branch representative must be actively involved in such processes.

- 7.4. The remuneration of heads of control functions for the insurance business must not be predominantly linked to the financial performance of the foreign reinsurer's insurance business and must be consistent with the long-term strategy and the financial soundness of the branch and the foreign reinsurer.
- 7.5. Heads of control functions for the insurance business must have appropriate segregation of duties from operational business line responsibilities. The governance structures responsible for the insurance business must ensure that the segregation is observed.
- 7.6. The heads of control functions for the insurance business must have:
  - a) sufficient seniority and authority to be effective;
  - b) reporting lines that support their independence;
  - c) unrestricted access to relevant information;
  - d) direct access to the governance structures responsible for the insurance business and the branch representative, without the presence of senior management responsible for the insurance business if so requested, for the purpose of raising concerns about the effectiveness of the risk management system or system of internal controls; and
  - e) the freedom to report to the governance structures responsible for the insurance business and the branch representative without fear of retaliation from senior management.
- 7.7. The foreign reinsurer may appoint the head of the risk management function, the head of the internal audit function and the head of the actuarial function for the foreign reinsurer's broader operations to also serve as the head of the same control function for the insurance business. The foreign reinsurer must appoint a dedicated person as the head of the compliance function, which person must be located in the representative office of the branch.
- 7.8. Heads of control functions must report regularly to the governance structures responsible for the insurance business and the branch representative.
- 7.9. The head of a control function must without delay report in writing to the governance structures responsible for the insurance business and the branch representative any reasonable suspicion that any financial sector law that applies to the branch of the foreign reinsurer or the insurance business has or is being contravened. Where the suspected contravention is of the Act or the Financial Sector Regulation Act, 2017, the head must also report immediately to the Prudential Authority if, in the opinion of the head, satisfactory steps to rectify the matter have not been taken within 30 days from the date of the meeting of the governance structures responsible for the insurance business at which the report is considered.

## **8. *The Risk Management Function***

- 8.1. The foreign reinsurer must have an effective risk management function for the insurance business, capable of assisting the governance structures and senior management responsible for the insurance business, and the branch representative, to develop and maintain a risk management system to identify, assess, monitor, and mitigate material risks, and promote a sound risk culture in respect of the insurance business.

- 8.2. The foreign reinsurer's risk management function is responsible for providing reasonable assurance that adequate mechanisms and procedures are established, implemented and maintained in respect of the insurance business to:
- a) identify the individual and aggregated risks (current and emerging) the foreign reinsurer faces;
  - b) assess, monitor and help manage and otherwise mitigate identified risks effectively;
  - c) gain and maintain an aggregated view of the risk profile of the foreign reinsurer in respect of the insurance business; and
  - d) establish a forward-looking assessment of the risk profile and financial position of the foreign reinsurer, including the conducting of regular stress testing and scenario analyses as defined in Annexure 2.1: Own Risk and Solvency Assessment (ORSA).
- 8.3. The foreign reinsurer's risk management function must assess the appropriateness of the foreign reinsurer's policies, processes, and controls in respect of risk management of the insurance business and the effective monitoring thereof by the foreign reinsurer.
- 8.4. The risk management function must:
- a) regularly provide written reports to senior management, other key persons in control functions and the governance structures responsible for the insurance business, and the branch representative on the risk profile of the insurance business and details on the risk exposures facing the insurance business and related mitigation actions as appropriate;
  - b) document and report material changes affecting the risk management system to the governance structures responsible for the insurance business to help ensure that the system is maintained and improved; and
  - c) have access to and report to the governance structures responsible for the insurance business on the strategy of the risk management function and information on its resources, including an analysis on the appropriateness of those resources.

## **9. The Compliance Function**

- 9.1. The foreign reinsurer must have an effective compliance function for the insurance business capable of assisting the governance structures responsible for the insurance business and the branch representative in overseeing and monitoring that the foreign reinsurer meets its, the branch and the branch representatives legal and regulatory obligations, and promotes and sustains a sound compliance culture in respect of the insurance business.
- 9.2. The foreign reinsurer's compliance function for the insurance business must implement a risk-based compliance monitoring plan to:
- a) monitor compliance with the foreign reinsurer's system of compliance related internal controls, as well as legal and regulatory obligations in respect of the insurance business; and
  - b) identify, assess and report on key legal and regulatory risks.
- 9.3. The foreign reinsurer's compliance function must assess the appropriateness of policies, processes, and controls in respect of key areas of legal, regulatory, and ethical obligations and the effective monitoring thereof in respect of the insurance business.

- 9.4. The compliance function must monitor compliance shortcomings and instances of non-compliance and, where required under section 7.9 above, report to the branch representative, the Prudential Authority or other relevant regulatory authorities.
- 9.5. The foreign reinsurer's compliance function must ensure that regular training is conducted on compliance obligations, particularly for employees in positions of trust or responsibility, or who are involved in activities that have significant legal or regulatory risk in respect of the insurance business.
- 9.6. The foreign reinsurer's compliance function is responsible for ensuring that staff who wishes to report concerns about the insurance business are able to do so with appropriate protections.
- 9.7. The compliance function must have access to and report to the governance structures responsible for the insurance business and the branch representative on:
  - a) the strategy of the compliance function in respect of the insurance business;
  - b) the compliance monitoring plan, including specific annual or other short-term goals being pursued and the performance against such goals; and
  - c) information on its resources, including an analysis on the appropriateness of those resources.

## **10. *The Internal Audit Function***

- 10.1. The foreign reinsurer must have an effective internal audit function capable of providing the governance structures responsible for the insurance business and the branch representative with independent assurance in respect of the adequacy and effectiveness of the foreign reinsurer's corporate governance framework, and systems for risk management and internal control in respect of the insurance business.
- 10.2. The foreign reinsurer's internal audit function must also provide independent assurance to the governance structures responsible for the insurance business and the branch representative, through regular audit activities, on matters such as:
  - a) the means by which the foreign reinsurer preserves assets in respect of the insurance business and those of relevant policyholders, and seeks to prevent fraud, misappropriation or misapplication of such assets;
  - b) the reliability, integrity and completeness of the accounting, financial and risk reporting information relating to the insurance business, as well as the capacity and adaptability of foreign reinsurer's information technology architecture to provide information in a timely manner to the governance structures and senior management responsible for the insurance business, and the branch representative;
  - c) the design and operational effectiveness of the foreign reinsurer's controls in respect of the above matters;
  - d) other matters as may be requested by the governance structures and senior management responsible for the insurance business, the branch representative, the Prudential Authority or the auditor appointed by the branch representative; and
  - e) other matters which the internal audit function for the insurance business determines should be reviewed to fulfil its responsibilities as set out in its Charter.
- 10.3. The head of the internal audit function for the insurance business must report directly to the governance structures responsible for the insurance business and the branch

representative. In its reporting, the internal audit function should address at least the following:

- a) the function's annual or other periodic risk-based audit plan in respect of the insurance business, detailing the proposed areas of audit focus, and any significant modifications to the audit plan;
- b) any factors that may adversely affect the internal audit function's independence, objectivity or effectiveness;
- c) material findings from audits or reviews conducted; and
- d) the extent of compliance by senior management responsible for the insurance business with agreed corrective or risk-mitigating measures in response to identified control deficiencies, system weaknesses, or compliance violations.

## **11. The Actuarial Function**

- 11.1. The foreign reinsurer must have an effective actuarial function for the insurance business capable of assisting the governance structures responsible for the insurance business and the branch representative regarding the matters addressed below.
- 11.2. The foreign reinsurer's actuarial function for the insurance business is responsible for expressing an opinion to the governance structures responsible for the insurance business and the branch representative on the reliability and adequacy of the calculations of the security requirements referred to in section 40(2) of the Act, including on:
  - a) the appropriateness of the methodologies and underlying models used and assumptions made;
  - b) the sufficiency and quality of the data used in actuarial calculations;
  - c) best estimates and associated assumptions against experience when evaluating technical provisions;
  - d) the accuracy of the calculations;
  - e) the appropriateness of and impact of assumed future management actions and the effect of risk mitigation instruments; and
  - f) the appropriateness of approximations or judgments used in the calculations due to insufficient data of appropriate quality.
- 11.3. The foreign reinsurer's actuarial function is responsible for expressing an opinion to the governance structures responsible for the insurance business and the branch representative on the appropriateness of the Underwriting Policy of the foreign reinsurer.
- 11.4. The foreign reinsurer's actuarial function is responsible for evaluating and providing advice to the governance structures, senior management and other control functions (where relevant) for the insurance business, and the branch representative, on:
  - a) the actuarial-related matters in the ORSA such as the stress-, sensitivity- and scenario testing, and the assumed management actions; and
  - d) the internal controls relevant to actuarial matters referred to under this section.

## **Annexure 2.1: Own Risk and Solvency Assessment (ORSA)**

### **1. Principles**

- 1.1. A key component of the governance and risk management requirements for the foreign reinsurer in relation to the insurance business is that it must conduct a forward-looking, risk-based Own Risk and Solvency Assessment (ORSA). The objective of the ORSA is to assess -
  - a) the resilience of the security held in accordance with section 40(2) of the Act across a range of possible scenarios;
  - b) the overall security needs of the insurance business taking into account the specific risk profile, risk appetite and business strategy of the foreign reinsurer;
  - c) compliance, on a continuous basis, with the security requirements; and
  - d) the significance with which the risk profile of the foreign reinsurer deviates from the assumptions underlying the security requirements.
- 1.2. A critical feature of an ORSA is that it is conducted over a longer time frame than conventional risk assessments. The foreign reinsurer is required to select a time frame for the ORSA that is consistent with its business planning horizon.
- 1.3. The foreign reinsurer must annually, and when the risk profile of the insurance business changes materially, or when so directed by the Prudential Authority, undertake an ORSA. The scope of an ORSA should be consistent with the complexity, risk profile, and operations of the insurance business.
- 1.4. The foreign reinsurer must in respect of the insurance business, at all times, be able to evidence to the Prudential Authority that each ORSA is aligned with the risk profile of the foreign reinsurer, is widely used, is embedded in the decision making processes of the foreign reinsurer, plays an important role in its system of governance, and informs strategic decisions, especially with respect to the security requirement.
- 1.5. The Prudential Authority, if not satisfied that the ORSA of the foreign reinsurer in respect of the insurance business is aligned with the risk profile of the branch of the foreign reinsurer, may direct the foreign reinsurer to repeat the ORSA within the time specified by the Prudential Authority.

### **2. ORSA Policy**

- 2.1. The foreign reinsurer must have an ORSA Policy in respect of the insurance business approved by the governance structures responsible for the insurance business.
- 2.2. The foreign reinsurer's ORSA Policy must address at least the following:
  - a) a description of the processes and procedures in place to conduct the ORSA including how the forward-looking perspective is addressed and how the time frame for the assessment is justified;
  - b) consideration of the link between the risk profile, the approved risk limits and the overall security needs; and
  - c) information on:
    - i. how stress tests / sensitivity analyses or reverse stress testing are to be performed and how often they are to be performed;
    - ii. data quality requirements;

- iii. the frequency and timing for the performance of the (regular) ORSA and the circumstances which would trigger the need for an out-of-cycle ORSA (outside the regular timescales); and
  - iv. the areas of the ORSA which are subject to independent review and the frequency with which these will be reviewed.
- 2.3. The foreign reinsurer's ORSA policy must ensure that the governance structures, senior management, the risk management function and the actuarial function for the insurance business, and the branch representative, are appropriately engaged in the ORSA process, and that the results of each ORSA are communicated to all relevant staff responsible for the insurance business.
- 2.4. The policy must also ensure that the results of the ORSA are properly embedded in the process of managing the foreign reinsurer's security requirements for the insurance business.

### **3. *Matters an ORSA must address***

- 3.1. An ORSA must assess the current, and likely future, financial soundness position of the insurance business on a regulatory basis.
- 3.2. An ORSA must, at a minimum, encompass the reasonably foreseeable and relevant material risks including, at a minimum, underwriting, credit, market, operational and liquidity risks (where relevant) and any additional risks arising from the insurance business, and risks resulting from the foreign reinsurer's broader operations. The ORSA is required to identify the relationship between risk management and the level and quality of financial resources needed and available. The ORSA must address a combination of quantitative and qualitative elements relevant to the medium- and longer-term business strategy of the foreign reinsurer.
- 3.3. The ORSA must comprise the totality of the processes and procedures employed to:
- a) identify, measure, monitor, manage, and report the short- and long-term risks and potential risks relating to the insurance business; and
  - b) determine the security needed to maintain the financial soundness of the insurance business over an appropriately long time horizon and across a range of adverse scenarios, in order to achieve its business strategy.
- 3.4. An ORSA must include an assessment of:
- a) potential future changes in the risk profile of the insurance business in stressed situations;
  - b) the quantity of security needed over the full business planning period of the foreign reinsurer;
  - c) the quantity and quality of security available to the foreign reinsurer, including the composition of own funds across the various own fund tiers and how this composition may change as a result of redemption, repayment, and maturity dates during the business planning period; and
  - d) the overall solvency position and solvency needs of the foreign reinsurer expressed in quantitative terms, complemented by a qualitative description of the risks.

### **4. *Embedding the ORSA in Decision Making***

- 4.1. The ORSA process is a powerful tool for helping the foreign reinsurer to manage its long-term strategy and sustainability. The ORSA helps the foreign reinsurer to understand how its risk management and management of security in respect of the

insurance business interact and whether or not its business strategy is sustainable across a range of risk scenarios. The ORSA assists the foreign reinsurer in determining when to transfer or retain particular risks, and how to price risk.

- 4.2. The central role of the ORSA process in respect of the branch's insurance business is in security management and planning. By assessing the gap between required and available security across a range of risk scenarios, the ORSA helps senior management responsible for the insurance business and the branch representative to identify the additional security and contingencies that may be needed to execute the foreign reinsurer's business strategy in respect of the insurance business. By identifying these needs well in advance, the ORSA helps the foreign reinsurer to optimise its approach to security management over time.
- 4.3. The ORSA process is a powerful tool, but it is of little value unless its outputs are embedded into strategic decision making by the foreign reinsurer as it relates to the insurance business. The Prudential Authority will look for evidence that the ORSA is embedded and that management actions are linked to the outputs of the exercise.

## **5. Requirements for Verification of an ORSA**

- 5.1. The foreign reinsurer must ensure that an assessment and validation of the process whereby the ORSA has been performed is carried out by an independent and appropriately qualified person who is operationally independent of the ORSA process. The independent person must also provide assurance to the governance structures responsible for the insurance business and the branch representative that the ORSA policy has been complied with.

## **6. Information that must be Retained in Respect of an ORSA**

- 6.1. The foreign reinsurer and the branch representative must maintain a record of each ORSA (including the outcomes of the assessment) and its internal reports on each ORSA (internal management information on risk and capital management).
- 6.2. The record of the ORSA must be such that it can be reviewed without unreasonable effort by a third party. The record must be complete and accurate, and must include clear audit trails. Records must not be overly or unnecessarily complex.

## **7. Reporting Requirements in Respect of an ORSA**

- 7.1. The branch representative must submit a report on each ORSA, and the methods used in that ORSA, to the Prudential Authority within two weeks of approval by the governance structures responsible for the insurance business.
- 7.2. A report referred to in section 7.1 above, must, in a coherent and informative manner present, at a minimum:
  - a) detailed information on current and future projected security levels relative to the regulatory requirements and target levels over the full business planning period of the foreign reinsurer in respect of the insurance business;
  - b) detailed information on the actual outcomes of applying the ORSA over the period, relative to the planned outcomes in the previous ORSA report (including analysis of the actual-versus-planned security held and the management actions assumed);
  - c) a description of material changes to the ORSA since the previous ORSA report;
  - d) detail and outcomes of stress testing and scenario analysis used in undertaking the ORSA;

- e) an assessment of anticipated changes in the foreign reinsurer's risk profile, the risk profile of the insurance business or capital management processes over the planning horizon;
  - f) details of any review of the ORSA since the previous ORSA report, including any recommendations for change and how those recommendations have been, or are being, addressed; and
  - g) references to supporting documentation and analysis, where relevant.
- 7.3. The ORSA report must be accompanied by a declaration signed by the branch representative that –
- a) the foreign reinsurer's governance structures responsible for the insurance business have assessed and discussed the results of the ORSA;
  - b) management has been undertaken by foreign reinsurer in accordance with the ORSA over the period and, if not, a description of, and explanation for, deviations;
  - c) the foreign reinsurer has assessed the security targets contained in its ORSA to be adequate given the size, business mix and complexity of the insurance business; and
  - d) the information included in the ORSA report is accurate in all material respects.

## **Annexure 2.2: Business Continuity Management**

### **1. Principles**

- 1.1. The Business Continuity Management (BCM) is an approach in respect of the insurance business that includes policies, standards and procedures for ensuring that critical business operations can be maintained or recovered in a timely fashion, in the event of a disruption. Its purpose is to minimise the financial, legal, regulatory, reputational and other material consequences arising from a disruption.
- 1.2. Critical business operations are the business functions, resources and infrastructure that may, if disrupted, have a material impact on the insurance business, the reputation of the foreign reinsurer and its branch, profitability, or relevant policyholders.
- 1.3. The Prudential Authority requires the foreign reinsurer to have, and to implement, a policy approved by the governance structures responsible for the insurance business and related procedures for its objectives and approach in relation to BCM. The policy must address the matters provided for in this Standard.
- 1.4. The governance structures responsible for the insurance business must ensure that business continuity risks and controls are taken into account as part of its overall risk management strategy and when completing a risk management declaration required to be provided to the Prudential Authority under section 7 of Annexure 2.1 (Own Risk and Solvency Assessment (ORSA)).

### **2. Minimum Requirements for Business Continuity Management Framework**

- 2.1. The foreign reinsurer's BCM framework must, at a minimum, include:
  - a) a BCM Policy in accordance with section 1.3. above;
  - b) a regular business impact analysis, including a risk assessment in accordance with section 3 below;
  - c) recovery objectives and strategies, in accordance with section 4 below;
  - d) a Business Continuity Plan that includes crisis management and recovery plans in accordance with section 5 below; and
  - e) programs for:
    - i. review and testing of the Business Continuity Plan in accordance with section 6 below; and
    - ii. training and ensuring awareness of staff in relation to BCM.

### **3. Business Impact Analysis**

- 3.1. A business impact analysis involves the foreign reinsurer identifying all its critical business operations relating to the insurance business (functions, resources and infrastructure) and assessing the impact of a material disruption on each of these. The business impact analysis should pay attention to potential disruption arising from all material risks, including risks related to information technology and cyber attacks (see Attachment 2 (Risk Management and Internal Controls)).
- 3.2. A business impact analysis must be conducted at least annually, or more frequently if there are material changes to the insurance business, or when so directed by the Prudential Authority.
- 3.3. When conducting the business impact analysis, the foreign reinsurer must consider:
  - a) plausible disruption scenarios over varying periods of time;

- b) the period of time for which the insurance business could not be conducted without each of its critical business operations;
- c) the extent to which a disruption to the critical business operations might have a material impact on the interests of the relevant policyholders; and
- d) the financial, legal, regulatory and reputational impact of a disruption on the foreign reinsurer's critical business operations over varying periods of time.

#### **4. Recovery Objectives and Strategies**

- 4.1. Recovery objectives are pre-defined goals for recovering critical business operations to a specified level of service (recovery level) within a defined period (recovery time) following a disruption.
- 4.2. The foreign reinsurer must identify and document appropriate recovery objectives and implementation strategies based on the results of the business impact analysis and the size and complexity of the insurance business.

#### **5. Business Continuity Planning**

- 5.1. The foreign reinsurer must maintain at all times a documented Business Continuity Plan that meets the objectives of the Business Continuity Policy.
- 5.2. The Business Continuity Plan must document procedures and information that enable the foreign reinsurer to:
  - a) manage an initial business disruption (crisis management); and
  - b) recover critical business operations.
- 5.3. The Business Continuity Plan must reflect the specific operational requirements of the insurance business and must identify:
  - a) critical business operations;
  - b) recovery levels and time targets for each critical business operation;
  - c) recovery strategies for each critical business operation;
  - d) infrastructure and resources required to implement the Business Continuity Plan;
  - e) roles, responsibilities and authorities to act in relation to the Business Continuity Plan; and
  - f) communication plans with staff and external stakeholders.

#### **6. Review and Testing of the Business Continuity Plan**

- 6.1. The foreign reinsurer must review and test its Business Continuity Plan in respect of the insurance business at least annually, or more frequently if there are material changes to business operations, to ensure that the Business Continuity Plan can meet the business continuity management objectives. The results of the testing must be formally reported to the governance structures responsible for the insurance business and the branch representative.
- 6.2. The Business Continuity Plan must be updated if shortcomings are identified as a result of the review and testing required above.

#### **7. Notification Requirements**

- 7.1. The branch representative must notify the Prudential Authority as soon as possible, but no later than 24 hours, after experiencing a major disruption that has the potential to have a material impact on the risk profile of the branch of the foreign reinsurer or the insurance business, or affect security requirements. The branch representative

must explain to the Prudential Authority the nature of the disruption, the action being taken, the likely effect and the timeframe for returning to normal operations. The foreign reinsurer must notify the Prudential Authority when normal operations resume.

- 7.2. The information or notifications required by this Prudential Standard must be given in such form, if any, and by such procedures, if any, as the Prudential Authority determines and publishes on its website from time to time.

## **Annexure 2.3: Reinsurance and Other Forms of Risk Transfer**

### **1. Principles**

- 1.1. Risk transfer mechanisms, whether traditional reinsurance or otherwise, play an important role in managing a branch of a foreign reinsurer's security requirements. For example, effective reinsurance can function as an alternative means of capital access for a branch of a foreign reinsurer to absorb losses, and can provide a branch of a foreign reinsurer with lower or more predictable claims costs.
- 1.2. In order to be effective, reinsurance arrangements and other risk transfer techniques must be monitored on an ongoing basis by a branch of a foreign reinsurer. Reinsurance arrangements in particular must be subject to appropriate due diligence, administration and documentation.
- 1.3. A branch of a foreign reinsurer must establish a Reinsurance and Other Forms of Risk Transfer Policy that sets out, among other things, its procedures for monitoring and managing its reinsurance arrangements and other risk transfer techniques.
- 1.4. Reinsurance arrangements and other risk transfer techniques may be used to mitigate a branch of a foreign reinsurer's capital requirements under the Financial Soundness Standards for Branches of Foreign Reinsurers where it satisfies certain eligibility criteria. Reinsurance arrangements that do not satisfy the eligibility criteria may still be used by a branch of a foreign reinsurer, but must not be recognised as a risk mitigation instrument for financial soundness calculations.

### **2. Reinsurance and Other Risk Transfer Policy**

- 2.1. A branch of a foreign reinsurer's Reinsurance and Other Risk Transfer Policy must:
  - a) Outline appropriate strategies and procedures for the selection of suitable reinsurance programs and other risk transfer techniques, proportionate to the nature, scale and complexity of the branch of a foreign reinsurer's risks, and to the capabilities of the branch of a foreign reinsurer to manage and control the risk transfer technique used.
  - b) Ensure transparent reinsurance and other risk transfer arrangements that enable the Prudential Authority to understand the economic impact of these arrangements.
  - c) Provide for processes and procedures for ensuring that the strategies referred to in paragraph a) above are implemented and complied with, and that the branch of a foreign reinsurer has in place appropriate systems and controls over its risk transfer transactions.
  - d) Identify the level of risk transfer appropriate to the branch of a foreign reinsurer's risk appetite and the types of reinsurance and other risk transfer arrangements most appropriate to effectively manage the branch of a foreign reinsurer's risk profile.
  - e) Establish principles for selecting, and assessing the appropriateness, creditworthiness and diversification of, reinsurance and other risk transfer counterparties.
  - f) Set concentration limits for credit risk exposure to reinsurance and other risk transfer counterparties and appropriate systems for monitoring these exposures.
  - g) Establish procedures for assessing the effectiveness of risk transfers.
  - h) Provide for liquidity management to address any timing mismatch between claims payments and reinsurance or other risk transfer recoveries.

## **Attachment 3: Fitness and Propriety of Key Persons**

### **1. Principles**

- 1.1. The foreign reinsurer should ensure that key persons for the insurance business are fit and proper for their roles.
- 1.2. In practical terms this requires that key persons have integrity and the competence to meet the demands of their roles.
- 1.3. The foreign reinsurer must have a policy approved by the governance structures responsible for the insurance business and related procedures for testing and assessing the fitness and propriety of its key persons for the insurance business. The sections below set out minimum matters that should be considered in the policy and procedures.
- 1.4. Notwithstanding that primary responsibility for assessing fitness and propriety of key persons resides with the foreign reinsurer, the Act requires the Prudential Authority to approve certain key persons. Under section 14 of the Act, the Authority is required to approve the auditor referred to in section 32 of the Act, the branch representative and deputy representative and a trustee of the trust referred to in section 41 of the Act. Fitness and propriety is the central consideration of any such approval. In the case of the appointment of a senior manager or head of a control function for the insurance business, the branch representative is required to notify the Authority within 30 days of an appointment, or of changes in circumstances that may adversely affect the fit and proper status of any key person (see section 15 of the Act). The branch representative is also required to notify the Authority within 30 days of the termination of the appointment of a key person (see section 16 of the Act) other than the branch representative. The foreign reinsurer's governance structures are required to notify the Authority within 30 days of the termination of the appointment of the branch representative.

### **2. Fitness and Propriety Policy**

- 2.1. The foreign reinsurer fitness and propriety policy must be consistent with this Standard.
- 2.2. The policy and procedures must:
  - a) clearly define and document the fitness and propriety criteria required for each category of person, having regard to the requirements set out in this Standard;
  - b) require periodic (at least annual) fit and proper assessments for key persons;
  - c) require that sufficient documentation for each fit and proper assessment is retained to evidence the fitness and propriety of key persons and their immediate predecessors;
  - d) set out the processes (including the decision making processes) to be undertaken in assessing whether a person is fit and proper;
  - e) specify the actions to be taken where the foreign reinsurer assesses an existing key person to no longer be fit and proper, including notifying the Prudential Authority of such an assessment and the actions taken;
  - f) include adequate provisions to allow for confidential reporting by any person who believes that a key person does not meet the branch of the foreign reinsurer's fit and proper criteria, and for the protection of such a person;
  - g) require that key persons consent to being subject to the fitness and propriety policy as a condition of employment as a key person; and

- h) provide that the foreign reinsurer and the branch representative consents to any former key person disclosing information to the Prudential Authority, including their reasons for resignation, early retirement or removal.

### **3. *Fitness and Propriety Requirements for Key Persons***

- 3.1. Section 6 of GOI 4 (Fitness and Propriety of Key Persons and Significant Owners of Insurers) applies, with the necessary changes, in respect of key persons of the foreign reinsurer that is responsible for the insurance business.

### **4. *Matters to be considered when assessing Fitness and Propriety***

- 4.1. Sections 8.1 and 8.3 of GOI 4 (Fitness and Propriety of Key Persons and Significant Owners of Insurers) apply, with the necessary changes, in respect of key persons of the foreign reinsurer that is responsible for the insurance business.

### **5. *Regulatory Approvals***

- 5.1. In considering whether or not to approve the auditor referred to in section 32 of the Act, the branch representative and deputy representative, and a trustee of the trust referred to in section 41 of the Act or to object to the appointment of another key person responsible for the insurance business the Prudential Authority will be guided by the principles set out in this Standard.
- 5.2. Where the foreign reinsurer proposes a key person subject to the conditions referred to in section 8.3 of GOI 4 (Fitness and Propriety of Key Persons and Significant Owners of Insurers), in considering its approval, the Prudential Authority will pay particular attention to the factors identified in section 8.1 of that Standard.
- 5.3. The Prudential Authority may, from time to time, specify the minimum educational qualifications, or other criteria referred to in section 6 of GOI 4 (Fitness and Propriety of Key Persons and Significant Owners of Insurers), required to meet the competency standard of certain key persons.
- 5.4. The Head of the foreign reinsurer's actuarial function for the insurance business must be a natural person who is a Fellow of the Actuarial Society of South Africa, a Fellow of the Actuarial Society of the United Kingdom or any other Actuarial Society recognised by the foreign reinsurer's home jurisdiction, and has, as an actuary, appropriate practical experience relating to the business of the foreign reinsurer and the insurance business.

## Attachment 4: Definitions used in this Standard

The following terms used in this Standard are defined in the Act:

- auditor
- branch of a foreign reinsurer
- control function
- foreign reinsurer
- head of a control function
- insurance business conducted in the Republic
- key person
- operational risk
- outsourcing
- person
- policyholder
- prescribed
- Prudential Authority
- Prudential Standard
- regulatory authority
- senior manager / senior management

The following table sets out definitions of additional terms used throughout this Standard:

Term	Definition
branch representative	The representative of the branch of a foreign reinsurer appointed under section 34 of the Act.
branch	A branch of a foreign reinsurer.
Charter	A document describing the internal governance practices and procedures of the branch representative.
critical business operations	The functions, resources and infrastructure that may, if disrupted, have a material impact on a branch of a foreign reinsurer's business functions, reputation, profitability, or policyholders.
culture	The commonly held beliefs and values of the individuals who carry out the insurance business.
Financial Soundness Standards	Collective term for the suite of Prudential Standards prescribed by the Prudential Authority in respect of Branches of Foreign Reinsurers.
foreign reinsurer's governance structures	The body of persons that manages, controls, formulates the policy and strategy of a foreign reinsurer, directs its affairs or has the authority to exercise the powers and perform the functions of the foreign reinsurer in respect of the insurance business conducted in the Republic by a branch of that reinsurer.
Governance and Operational Standards for Insurers	Collective term for the suite of Prudential Standards prescribed by the Prudential Authority in respect of the governance and operational requirements of insurers.

Term	Definition
reinsurance arrangement	The terms and conditions of the reinsurance contract combined with those of any related contract. A related contract means a contract that alters the commercial effect of a reinsurance contract between parties and is entered into between the parties to the reinsurance contract, or between those parties and a related or inter-related person of either of those parties. An arrangement may involve one contract, or a combination of two or more individual contracts and/or side letters.
remuneration	As defined in section 30(6) of the Companies Act, 2008.
risk mitigation instrument	An instrument or arrangement used by a branch of a foreign reinsurer to transfer part or all of their risks to another party, including derivatives and reinsurance arrangements.
Standard	Prudential Standard.