SUMMARY OF PRIVATE SECTOR CONSULTATION AND FEEDBACK STATEMENT
RULE – INVESTMENT ACTIVITIES OF INSURERS

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
	GENERAL COMMENTS			
1.	An insurer's investment strategy may differ significantly based on the nature of the business being written amongst many other factors. To ensure the Authority has a degree of flexibility in interpreting and applying the Rule to a licensee's unique business model we propose the inclusion of a new Rule 6.2 as follows: ***"6.2 The Rule should be interpreted and applied with due regard to the nature, size and complexity of each licensee and the investment policy which it employs to support the business conducted."*** Generally there is a concern that certain provisions of the Rule, such as those in relation to the approval of the investment policy by the Authority, go further than necessary to comply with the Insurance Core Principles and result in unnecessary regulatory oversight and involvement in a licensee's daily business activities. It is suggested that, wherever possible, compliance requirements and regulatory oversight be limited only to what is necessary to comply with applicable international standards so as to allow both the Authority and the licensee to focus their energy and resources only on necessary and important regulatory and compliance issues rather than adding unnecessary compliance costs and making it more difficult to do business in this jurisdiction. Aligning with international standards may not be sufficient justification for rule changes. For example, there are outdated international standards or international standards that are well intentioned but impractical in certain markets. International standards should be given		The Authority agrees that an Insurer's investment strategy should be tailored to the uniqueness of the Insurer, however, it does not consider the content of the proposed section 6.1 necessary as the Rule provides sufficient flexibility.	No changes are required.

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
	due consideration, however it is the expertise of the regulator to set appropriate and fitting rules for the Cayman market. The Cayman Islands regulation is one based on knowledgeable regulators setting specific requirements based on the nature, purpose and approved business plan of regulated entities – not a one size fits all approach.			
2.	The following should be highlighted at the outset of the Rule: ***"****This Rule should be interpreted and applied with due regard to the nature, size and complexity of each licensee and the investment policy which it employs to support the business conducted****."***		Please see the Authority's comment directly above.	No changes are required.
	SECTION-SPECIFIC COMMENTS			
3.	**[6.1.5]** An Insurer must invest its assets in accordance with the following requirements: *"Unless otherwise required by legislation or regulations, ensure that assets are sufficiently diversified (within and between risk categories taking into account the nature of liabilities) subject to the nature, scale and complexity of the business and that all asset and counterparty exposures are kept to prudent levels"*	**Industry comment:** The rule is setting out diversification requirements but that is one possible solution to concentration risk. The real issue is that insurers must address concentration risk. A limited number of high quality investments may provide greater protection than a more diversified portfolio of lower quality assets. Accordingly, *we suggest that wording would be set in place detailing that concentration risk is measured, mitigated and monitored or that required diversification is determined through analysis of concentration risk.*	Rule 6.1.5 requires an Insurer inter alia, to ensure that assets are diversified subject to the nature, scale and complexity of the business. This connotates that a **"risk assessment"** should be done by the insurer in determining the appropriate diversification of assets. Therefore, the Authority does not agree with the suggested wording "*that concentration risk is measured, mitigated and monitored or that required diversification is determined through analysis of concentration risk*." Concentration risk should not be the only risk that is assessed and addressed by an insurer. Additionally, Insurance Core Principles provide that "the insurer should ensure that it is diversified within and between risk categories, taking into account the nature of the liabilities. Diversification between investment risk categories could, for example, be achieved through	**Rule 6.1.5 will read:** "Unless otherwise required by legislation or regulations, and/or where the Authority has determined that the assets held are of low risk, the insurer must ensure that assets are sufficiently diversified (within and between risk categories considering the nature of liabilities) subject to the nature, scale and complexity of the business and that all asset and counterparty exposures are kept to prudent levels."

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
			spreading the investments across different classes of assets and different markets. For diversification within a risk category, the investments are sufficiently uncorrelated so that – through pooling of individual assets – there is a sufficient degree of diversification of the portfolio as a whole." There is a clear distinction between diversification within a risk category and diversification between risk categories. For clarity the ICP Guidance notes that Diversification within a risk category occurs where risks of the same type are pooled (for example shares relating to different companies). Diversification between risk categories is achieved through pooling different types of risk. For example, where the insurer combines two asset portfolios whose performances are not fully correlated, the exposure to the aggregated risks will generally be lower than the sum of the exposures to the risks in the individual portfolios However, for clarity, the Authority will amend Rule 6.1.5 by adding the following underlined narrative to Rule: "Unless otherwise required by legislation or regulations, and/or where the Authority has determined that the assets held are of low risk, ensure that assets are sufficiently diversified (within and	

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
			between risk categories considering the nature of liabilities) subject to the nature, scale and complexity of the business and that all asset and counterparty exposures are kept to prudent levels."	
4.	**[6.3]** An insurer shall only invest in assets that can be properly assessed and managed by the Insurer.	**Industry comment:** Suggest to delete or replace "and managed" since where an external investment manager is used, the term "managed" can be contradictory and lead to confusion since the assets are "managed" by an external manager. Maybe the use of "monitored", "supervised" or "reviewed" would be more appropriate.	The Authority agrees to amend Rule 6.3 as follows: An insurer shall only invest in assets ~~that can be property assessed and managed by the Insurer~~ with risks it can properly assess, monitor and mitigate."	**Rule 6.3 will read:** "An insurer shall only invest in assets whose risks it can properly assess, monitor and mitigate."
5.	**[6.3.2]** An Insurer shall only invest in assets that can be properly assessed and managed by the Insurer. The Insurer must: "*establish segregation policies relevant to each type of business it is licensed to carry out*"	**Industry commented:** Wat is meant here by segregation policies and where does this requirement arise? Surely it should read: *"Establish segregation policies for the segregation of assets in relation to policies or different lines of business where required under the Insurance Act (Revised)."*	The Authority agrees to amend Rule 6.3.2 for clarity as follows: An Insurer shall only invest in assets with risks it can properly assess, monitor and mitigate. The Insurer must: "ensure that assets are appropriately segregated where required by the legislation or regulations, or as otherwise directed by the Authority".	**Rule 6.3.2 will read:** An Insurer shall only invest in assets whose risks it can properly assess, monitor and mitigate. The Insurer must: "ensure that assets are appropriately segregated where required by the legislation or regulations, or as otherwise directed by the Authority."
		Clarity needs to be provided as this is too vague and can be interpreted in multiple ways.	Please see response provided by the Authority directly above.	Please note amendments by the Authority directly above.
		Can we clarify what is intended by 'segregation policies'?	Please see response provided by the Authority for Rule 6.3.2 above.	Please note amendments to Rule 6.3.2 above.

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
6.	**[6.3.3]** An Insurer shall only invest in assets that can be properly assessed and managed by the Insurer. The Insurer must: "*Ensure its investments, including those in collective investment funds, are sufficiently transparent and limit its investments to those where the associated risks of the asset can be properly managed by the Insurer.*"	**Industry commented:** Certain fund investments will by their nature not be very transparent but that does not mean they should not form part of an insurers greater portfolio subject to the transparency and other risks falling within the overall risk tolerance and approved asset class diversification strategy. Suggest updating the wording to: *Ensure its investments, including those in collective investment funds, are sufficiently transparent and limit its investments to those where the associated risks of the asset can be properly managed by* the Insurer, with regard to the insurer's overall risk tolerance and asset class diversification strategy.	The Authority agrees to amend Rule 6.3.3 as follows: An Insurer shall only invest in assets with risks it can properly assess. The Insurer must: "Ensure its investments, including those in collective investment funds, are sufficiently transparent and limit its investments to those where the associated risks of the asset can be properly managed by the Insurer, with regard to the insurer's overall risk tolerance and asset class diversification strategy."	**Rule 6.3.3 will read:** An Insurer shall only invest in assets whose risks it can properly assess. The Insurer must: "Ensure its investments, including those in collective investment funds, are sufficiently transparent and limit its investments to those where the associated risks of the asset can be properly managed by the Insurer, with regard to the insurer's overall risk tolerance and asset class diversification strategy."

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
7.	**[6.3.4]** An Insurer shall only invest in assets that can be properly assessed and managed by the Insurer. The Insurer must: "h*ave access to, and utilise, the requisite knowledge and skills to assess and manage the risks of its investments. Where an external investment advisor or investment manager is used, the Insurer must retain adequate in-house expertise (including at the Board of Directors level) as it is ultimately responsible for all investments."*	**Industry commented:** 6.3.4 appears contradictory to 6.4.10 as 6.4.10 appears to scope out B(i) & B(ii) whereas 6.3.4 doesn't provide clarity in relation to same. Class B (i) & (Bii) captives should be excluded from the requirement to have adequate 'in-house' expertise at the Board level. It should be sufficient that the Board rely on the external investment manager reporting to the Board, that has overall responsibility. Class B (i) & Class B (ii) will often have internal support from an investment expert at the Parent level, however, it is overreach expecting this in-house person to be expected to be added to the Board. It may not be well received by existing Cayman Insurers, advising them that they have to add another director to the Board that has investment experience.	For clarification, the Authority agrees to amend Rule 6.3.4 as follows: An Insurer shall only invest in assets with risks it can properly assess, monitor and mitigate." The Insurer must: "have access to, and utilise, the requisite knowledge and skills to assess and manage the risks of its investments. Where an external investment advisor or investment manager is used, ~~the Insurer must retain adequate in-house expertise (including at the Board of Directors level) as it is ultimately responsible for all investments,~~ the Insurer retains ultimate responsibility for all investments." "Expertise" here refers to having suitable skill, experience, and qualification as required by the relevant legislation and the Authority.	**Rule 6.3.3 will read:** An Insurer shall only invest in assets whose risks it can properly assess. The Insurer must: "have access to, and utilise, the requisite knowledge and skills to assess and manage the risks of its investments. Where an external investment advisor or investment manager is used, the Insurer retains ultimate responsibility for all investments." No changes are required.
		For Insurers that fall within the scope of the Rule clarity should be provided as to definition of 'expertise' to remove uncertainty.		

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
8.	**[6.4]** An Insurer must establish an Investment Policy that is appropriate to the nature, scale and complexity of the business, which must be submitted to the Authority for approval. Unless otherwise approved by the Authority, the Investment Policy must include the following information:	**Industry commented:** a) This seems an onerous and unnecessary requirement. An insurer's business plan would include its investment strategy and is approved by CIMA. Unless an entity changes its investment strategy, it seems an unnecessary administrative burden to also submit the Investment Policy. CIMA can require the insurer to have more details in the business plan instead of requiring the company's investment policy to be submitted and approved.	a) The Authority does not consider the submission of an Insurer's investment policy to be an onerous requirement. The investment policy is meant to be a more detailed document that would entail how the insurer proposes to implement its investment strategy. This requirement is key in assisting the Authority in adequately monitoring/supervising the investment activities of an Insurer as the Authority must be satisfied that an insurer's assets are being invested prudently. It is not enough for an Insurer to simply indicate in its business plan the general investment strategy it has. This is the reason why the Rule entails the type of information that must be included in an investment policy. The investment policy and strategy should form part of one encompassing document which should be approved as part of the Insurer's business plan.	No changes are required.
		b) Item 6.4.12.2 requires a review of the Policy annually. Would Item 6.4 require entities to re-submit the Investment Policy every time the board reviews and updates the policy - regardless of how trivial the changes might be? This again adds additional administrative burden for very little benefit.	b) Rule 6.4.12.2 requires the Investment Committee to assess the suitability of the investment policy annually given prevailing market conditions as part of good corporate governance/risk management practice.	No changes required.

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
9.	**[6.4.10]** An Insurer must establish an Investment Policy that is appropriate to the nature, scale and complexity of the business, which must be submitted to the Authority for approval. Unless otherwise approved by the Authority, the Investment Policy must include the following information: "Identify the in-house individuals, or outsourced investment managers, who are tasked with managing the investments"	**Industry commented:** See comment for 6.3. According to 6.4.10, CIMA accepts that investments can be managed by outsourced investment managers, therefore the word "managed" in 6.3 should be amended.	Please see the Authority's amended response for Rule 6.3 above.	Please see the amendment proposed to Rule 6.3 above.
10.	**[6.4.12]** Save for Class B(i) and B(ii) insurers underwriting and/or assuming significant related business, establish an Investment Committee to be responsible for: 6.4.12.1. maintaining the investment policy. 6.4.12.2. assessing on an annual basis (or other frequency as determined by the Authority) the suitability of the investment policy having regard to, among other things, changes in the market. 6.4.12.3. overseeing the investment activities of the Insurer.	**Industry commented:** There is an unnecessary burden having to annually assess the adequacy of an investment policy approved by CIMA. CIMA should add certain investment measurement parameters that would only scope in the appropriate B (iii)'s and therefore not applicable to lesser B (iii)'s. This would ensue that the unintended B (iii)'s that fall outside of same would not be unfairly impacted. For example, B (iii)'s insuring Property & Casualty risk, should not fall automatically within the scope as these requirements will add a layer of	Please see the response provided by the Authority for Rule 6.4. (b) above. Prudent investment management requires regular review of the investment policy to ensure it remains effective.	No changes are required.

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
		complexity, drain on resources and expense.		
11.	**[6.5]** Insurers are required to seek the approval of the Authority to provide loans to an entity/person. This requirement does not apply to Insurers carrying on direct long-term business where loans are offered to policyholders under the terms and conditions of the life insurance policy.	**Industry commented:** Does this apply to intercompany/related party loans? There should be a dollar threshold for seeking loan approvals. Small loans to employees or other business partners that in aggregate have no material impact on an insurer, should be exempted from this requirement. Materiality could be set as a percentage of the insurer's surplus.	The scope of the Rule and Statement of Guidance relates to investment activity of the Insurer and therefore is not intended to cover loans proposed to be issued by an Insurer for other commercial purposes or to related parties and affiliates. Insurers are not licensed as lending financial institutions and are therefore prohibited from selling loan products unless otherwise approved by the Authority as part of the Insurer's Business Plan. Loans granted to related parties and affiliates for non-investment purposes, for example, to provide liquidity relief to such parties are also out of scope of the Rule and Statement of Guidance and such loans would also require prior approval from the Authority on a case-by-case basis as a Business Plan change as stipulated in the Insurance Law. The procedure for such approval request is outlined in *Regulatory Procedure – Approval and Notification of Changes – Class B, C and D Insurers and Portfolio Insurance Companies.*	**Rule 6.5 was amended as follows**: "Insurers are required to seek the approval of the Authority to provide loans or otherwise extend credit for investment purposes in accordance with the Insurer's Investment Policy."
		Loans need to be defined in detail to provide clarity as to types of investments that can be purchased, convertible debts and other hybrid investments.	Loan as used in Rule 6.5 refers to direct loans issued by an insurer as the lender to another entity/person as the borrower for investment purposes."	Rule 6.5 was amended as follows for clarity: "Insurers are required to seek the approval of the Authority to provide loans or otherwise extend credit for investment purposes in

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
				accordance with the Insurer's Investment Policy."
12.	**[6.6]** A request for approval to the Authority must include results of the conduct of a credit review in respect of the proposed debtor including the collateral to be used for the loan.	**Industry commented:** The requirement for collateralization should be eliminated for all related party loans. This would involve additional banking related fees, legal fees whilst also eroding substantial amounts of the competitive advantages of doing business in the Cayman Islands (competitive cost and ease doing related party business). It does not make commercial sense to have a Class B (i) or B (ii) insurer perform a credit review of the Parent or asking the Parent to do a credit review of itself. Requesting same of a third party consultant will add more cost to the Class B (i) & B (ii) insurers and ultimately complexity in doing business in the Cayman Islands. Also, it will add to uncertainty of doing business in the Cayman Islands, whilst awaiting the	The Authority agrees to amend Rule 6.6 as follows: A request for approval to the Authority must include ~~results of the conduct of a credit review in respect of the proposed debtor including the collateral to be used for the loan.~~ material details regarding the loan including, the purpose, terms and conditions of the loan. Depending on the nature of the loan and the parties involved, the Authority may require a draft loan agreement to be provided. The request should provide an explanation of the risk assessment conducted by the Insurer on the borrower and details as to whether collateral is required to support the loan".	**Rule 6.6 will read as follows:** A request for approval to the Authority must include material details regarding the loan including purpose and terms and conditions of the loan. Depending on the nature of the loan and the parties involved, the Authority may require a draft loan agreement to be provided. The request should provide an explanation of the risk assessment conducted by the licensee on the borrower and details as to whether collateral is required to support the loan."

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
		outcome of CIMA's response to any review. Current controls whereby any loan is prior approved by CIMA is sufficient to deal with the many unique circumstances.		
13.	**[6.7]** An Insurer must have in place adequate systems of internal controls to ensure: 6.7.1. the conduct of investments activities is appropriately supervised having regard to the Insurer's size, complexity, and the nature of its investment activities; and 6.7.2. that assets are managed in accordance with the overall Investment Policy.	**Industry commented** Clarification should be added if Class B (i) and Class B (ii) insurers are excluded. Otherwise it adds an additional layer of complexity and unnecessary processes and procedures. Certain B (iii)'s should also be excluded from same CIMA should add certain investment measurement parameters that would only scope in the appropriate B (iii)'s and therefore not applicable to lesser B (iii)'s. This would ensue that the unintended B (iii)'s that fall outside of same would not be unfairly impacted. For example, (iii)'s insuring Property & Casualty risk, should not fall automatically within the scope as these requirements will add a layer of complexity, drain on resources and expense.	The Authority believes that effective systems of internal controls are integral to **all** insurer categories, with the nature and complexity of such systems differing based on size and type of business.	No changes are required.
14.	**[6.8]** Save for Class B(i) and B(ii) Insurers that underwrite and/or assume significant related business, an	**Industry commented:** Can this be part of internal audit or does it need to be performed by a third party? Does the audit	The Authority agrees to the proposed change. Rule 6.8 will be amended as follows:	**Rule 6.8 will read:** "Save for Class B(i) and B(ii) Insurers that underwrite

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
	Insurer shall conduct an audit of its investment activities which ensures timely identification of internal control weaknesses and deficiencies in the management information systems.	need to be annual or can the frequency vary based on the nature, scale and complexity? Suggest re-word of "audit" to conduct an "internal audit" so that it doesn't seem that a registered auditor needs to complete this task.	Save for Class B(i) and B(ii) Insurers ~~that underwrite and/or assume significant related business,~~ an Insurer shall conduct an internal audit of its investment activities which ensures timely identification of internal control weaknesses and deficiencies in the management information systems. The internal audit must be conducted through independent and competent internal arrangements such as internal audit and/or compliance functions, or through equivalent independent and competent third parties. The frequency of such internal audits shall be commensurate to the size, nature, and complexity of the Insurer and its investment activities.	and/or assume significant related business, an Insurer shall conduct an internal audit of its investment activities which ensures timely identification of internal control weaknesses and deficiencies in the management information. The internal audit must be conducted through independent and competent internal arrangements such as internal audit and/or compliance functions, or through equivalent independent and competent third parties. The frequency of such internal audits shall be commensurate to the size, nature, and complexity of the insurer and its investment activities."
		There is a lot of uncertainty as to this section as to whom conducts the audit and clarification should be included. This is adding excess layers of complexity and cost. 6.9.2 Conflicts with 6.8. Clarity should be added to confirm that Class B (i) & B(ii) are excluded from 6.9.2. Certain B (iii)'s should also be excluded from same.	As per the revision to Rule 6.8 directly above, the audit should be conducted by an **internal auditor**. The internal audit must be conducted through independent and competent internal arrangements such as internal audit and/or compliance functions, or through equivalent independent and competent third parties. Rules 6.8 and 6.9.2 has been revised for consistency. Please see the proposed revisions made by the Authority in the	No changes are required.

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
		CIMA should add certain investment measurement parameters that would only scope in the appropriate B (iii)'s and therefore not applicable to B (iii)'s that this measure is not appropriate for. This would ensue that the unintended B (iii)'s that fall outside of same would not be unfairly impacted. For example, B (iii)'s insuring Property & Casualty risk, should not fall automatically within the scope as these requirements will add a layer of complexity, drain on resources and expense and place the islands at a significant competitive disadvantage.	responses provided for Rule 6.8 and 6.9.2 of this paper. For confirmation Rule 6.8 explicitly excluded Class B(i) and B(ii) insurers, however, Class B (iii) insurers are not exempted from the requirement of Rule 6.8.	
		Should the requirement for an "audit" of the investment activities instead be an "assessment" or is it intended to be within the scope of internal audit?	The revision suggested above (for Rule 6.8) of replacing "audit" with "internal audit" is sufficient.	No additional changes required.
15.	**[6.9.2]** The effectiveness of internal control will be assessed based on whether the Insurer has ensured: "*Adequacy of internal and external audit functions relative to the investment activities of the Insurer."*	**Industry commented:** It may be challenging for an Insurer to determine the adequacy of external audit functions over the investment activities the auditors conduct their audit of the financial statements as a whole under generally accepted audit standards. Those charged with governance may however, have	For clarity, the Authority agrees to amend Rule 6.9.2 as follows: The effectiveness of internal control will be assessed based on whether the Insurer has ensured: "Adequacy of internal ~~and external~~ audit ~~functions~~ arrangements relative to the investment activities of the Insurer, where applicable ."	**Rule 6.9.2 will read:** The effectiveness of internal control will be assessed based on whether the Insurer has ensured: "Adequacy of internal audit arrangements relative to the investment activities of the Insurer, where applicable."

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
		discussions with the auditors around their audit strategy of investments if material. What is the impact should an Insurer not have an internal audit?		
16.	**[6.10]** Unless otherwise approved by the Authority, an Insurer is prohibited from the following activities: 6.10.1. Pledging assets for collateral for any purpose other than securing insurance obligations.	**Industry commented:** Restrictions are made to the securing of assets, however s953d insurers are required to provide outgoing letters of credit to the IRS which may create a challenge?	The Authority agrees to amend Rule 6.10.1 as follows: 6.10.1. Pledging assets for collateral for any purpose other than securing insurance and/or regulatory obligations.	**Rule 6.10.1 will read:** "Pledging assets for collateral for any purpose other than securing insurance and/or regulatory obligations."
		s953d insurers occasionally provide outgoing letters of credit to the IRS to support the condition under the 953d election [reword]	Comment from Industry is not clear.	No changes are required.
	6.10.2. Utilizing uncollateralised promissory notes. 6.10.3 Entering into uncollateralized derivatives transactions.	A Cayman captive issuing an uncollateralized promissory note must be scoped out of this restriction in order to reflect current market practice. To not do so will make the domicile uncompetitive and unattractive for existing and new business.	Rule 6.10.2 and 6.10.3 will be deleted as the provisions of these Rules are adequately captured under Rules 6.5-6 6.6 and 6.11-14 respectively. Additionally, the Authority has sufficient regulatory controls in place for the approval of loans and derivatives.	Rules 6.10.2 and 6.10.3 have been deleted.
17.	**[6.11]** An Insurer will only be permitted to invest in derivatives for hedging and/or efficient portfolio risk management purposes and not for speculation purposes**.**	**Industry commented:** This is potentially a huge issue if no derivatives are allowed for speculation at all. At the moment they would be permitted under many investment policies for	The Authority agrees to amend 6.11 as follows: An Insurer will only be permitted to invest in derivatives for hedging and/or efficient portfolio risk management purposes and not for speculation	**Rule 6.11 will read:** "An Insurer will only be permitted to invest in derivatives for hedging and/or efficient portfolio risk

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
		companies with significant surplus. It would perhaps be better to say "without prior approval from the Authority" as they should still have the ability to approve use of derivatives in an investment strategy where appropriate.	purposes, unless otherwise approved by the Authority taking into consideration, inter alia, the primary authorised business activity of the insurer, surplus assets held by the insurer, type of exposure, and the risks associated with such speculative activity".	management purposes and not for speculation purposes, unless otherwise approved by the Authority taking into consideration inter alia the primary authorised business activity of an insurer, surplus assets held by an insurer, type of exposure, and the risks associated with such speculative activity."
18.	**[6.12]** An Insurer must satisfy the Authority that it has the capacity to recognise, measure and prudently manage the risks associated with derivative use.	Comment same as directly above.	The Authority believes Rule 6.12 is properly construed and the comment with respect to Rule 6.11 is inapplicable.	No changes are required.
19.	**[6.13]** An Insurer must set out clear objectives and rationale, in its Investment Policy, for the use of derivatives and must also be able to demonstrate to the Authority the intended hedging characteristics and the ongoing effectiveness of the derivative transactions or combinations of transactions through cash flow testing or other appropriate analyses.	Comment same as directly above.	The Authority believes Rule 6.13 is properly construed and the comment with respect to Rule 6.11 is inapplicable.	No changes are required.
20.	**[7.1]** An Insurer must deal with the Authority in an open and co-operative way and must disclose to the Authority appropriately, anything relating to the investments	**Industry commented:** This seems like a broad and general requirement with no specific purpose. At a minimum "anything relating to the	To add further clarity to Rule 7.1, the Authority will amend this Rules as follows: An Insurer must deal with the Authority in an open and co-operative way and	Rule 7.1 will read: "Notice to CIMA for anything relating to the investments which the Authority would reasonably expect notice.

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
	by the Insurer of which the Authority would reasonably expect notice.	investments…which the Authority would reasonably expect notice" should be clarified and CIMA's expectations of circumstances under which it be notified should be explicit. If the intention is for the insurer to disclose only upon request from the Authority, the word "notice" should be deleted.	must disclose to the Authority appropriately, anything relating to the investments by the Insurer of which the Authority would reasonably expect notice. This may include but not limited to appropriate and prompt disclosure to the Authority of any discovered material breach(es) to the approved investment policy and investment strategy, and/or any significant realised/unrealised losses that have or are likely to have material impact on the financial condition and position of the insurer".	This may include but not limited to appropriate and prompt disclosure to the Authority of any discovered material breach(es) to the approved investment policy and investment strategy, and/or any significant realised/unrealised losses that have or are likely to have material impact on the financial condition and position of the Insurer."
21.	**[8.1]** The Authority in assessing compliance with these Rules, may from time to time, use its discretion to waive the application of a Rule/s to an Insurer, including the duration for which such a waiver would apply and any conditions thereto that the Authority may in their discretion impose**;** subject to the Authority being satisfied that the waiver: 8.1.1. is in the public interest, 8.1.2. does not prejudice the interests of policyholders and 8.1.3. is necessary and/or appropriate having regard to all the circumstances	**Industry commented:** Suggest building in some further flexibility given the vast differences in nature, size and complexity of licensees businesses by including the words highlighted in red. The Authority in assessing compliance with these Rules, may from time to time, use its discretion to waive the application of a Rule/s to an Insurer, including the duration for which such a waiver would apply and any conditions thereto that the Authority may in their discretion impose; subject to the Authority being satisfied that the waiver: 8.1.1. is in the public interest, 8.1.2. does not prejudice the interests of policyholders and	The Authority is of the view that no changes are required to be made to Rule 8.1.3.	No changes are required.

No.	Section	Comments from the Private Sector	Authority's Response	Consequent Amendments to the Proposed Measure
		8.1.3. is necessary and/or appropriate having regard to all the circumstances.		