الإمارات العربية المتحدة
UNITED ARAB EMIRATES
هيئة التأمين
INSURANCE AUTHORITY

Insurance Authority
United Arab Emirates

Board of Directors’ Decision Number (25) of 2014 Pertinent to

Financial Regulations for Insurance Companies

Table of Contents

Insurance Authority Board Decision Number (25) of 2014 Pertinent to Financial Regulations for Insurance Companies

Chairman of Insurance Authority

Having considered:

- Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the insurance operations and its amendments;
- Board Decision No. (2) of 2009 related to the issuance of the Executive Regulation of the Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the insurance Operations and its amendments; and
- Pursuant to what has been presented by the Director General of the Authority and approved by the Insurance Authority Board of Directors, it was decided to issue the following Financial Regulations for Insurance Companies:

Preamble: Glossary.

Part One: Financial Regulations:

Section 1	The Basis of Investing the Rights of the Policyholders.
Section 2	The Solvency Margin and Minimum Guarantee Fund.
Section 3	The Basis of Calculating the Technical Provisions.
Section 4	Determining the Company's assets that meet the accrued insurance liabilities.
Section 5	The Records which the Company shall be obligated to Organize and Maintain as well as the Data and Documents that shall be made Available to the Authority.
Section 6	The Principles of Organizing Accounting Books and Records of Each of the Companies, Agents and Brokers and Determining Data to be maintained in these Books and Records.
Section 7	Accounting policies to be adopted and the necessary forms needed to prepare reports and financial statements and presentations.

Part Two: General Provisions.

Preamble

First Article – Glossary

The following words and expression shall bear the meaning indicated beside each of them unless the context provides otherwise:

State	The United Arab Emirates.
Law	Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the insurance Operations and its amendments.
Executive Regulations	The Executive Regulation of the Federal Law.
Minister	The Minister of Economy.
Authority	The Insurance Authority established by virtue of the provision of the Federal Law.
Board	Board of Directors of the Insurance Authority.
Director General	Director General of the Insurance Authority.
The Company	The insurance Company incorporated in the State, or foreign branch of an insurance Company, licensed to carry out insurance operations in the State either through a branch or an insurance agent.
Board of Directors	Board of Directors of the Company or its equivalent in the governance structure of Foreign Insurance Companies.
Insurer	An insurance company incorporated in the State, or foreign branch licensed to carry out insurance operations in the State.
Insured	The person who has concluded an insurance contract with the Company.
Premium	An amount of money that the Company receives from the insured to provide him with the insurance coverage specified in the insurance policy.
Insurance Policy (Insurance Contract)	The insurance document (policy) concluded by the insurer and insured containing the terms and conditions of the contract between the two parties, their obligations, and rights or the rights of the beneficiary of the insurance or any endorsements therein.
Property and Liability Insurance	It covers the lines of business as detailed in Article (5) of the Executive Regulations.
Insurance of Persons and Fund Accumulation	It covers the lines of business as detailed in Article (4) of the

operations	Executive Regulations.
Technical Provisions	The provisions which the insurer (the Company) must deduct and maintain to meet the insured's accrued financial liabilities as per Law's stipulations.
Actuary	The person who estimates values of the insurance contracts, documents and the related accounts.
Risk Management Policy	The process of identification, evaluation and mitigation of the economic effects of the past, present or future events, or their impact, that cause a Company to deviate from its stated objectives whether positively or negatively. These events can impact both the asset and liability side of the Company's balance sheet, the Company's profit and loss account, its cash flows, its earning capacity, profitability, ability to continue operating, reputation and its intellectual and technological capital. Risk management should be well integrated into the organizational structure and decision making processes.
Risk Appetite	The degree of risk that the Company and Board of Directors are willing to accept in respect of conducting the business.
Derivatives	A financial asset or liability whose value is derived from an underlying asset, liability or related index. Common forms of derivative instruments include forwards, futures, options, swaps, credit derivatives or combinations thereof (as applicable).
Investments	The act of investing, laying out money or capital by a Company with the expectation of profit.
Hedging	To invest in a manner that reduces the risks related to underlying assets or liabilities.
Total Invested Assets	The sum of all assets held for investment purposes, including derivatives or other hedging instruments and cash.
Admissible Assets	The value of total assets, after taking into account the constraints and limitations that are taken into consideration when calculating the solvency margin of the Company.
Solvency Margin	Funds that the Company is required to maintain to fulfill the obligations of the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement.
Minimum Capital Requirement	The minimum capital required to be maintained by a Company at all times as directed by the Authority.
Own Funds	The capital that an insurance Company has available to meet solvency requirements, which includes Admissible Assets less liabilities.
Solvency Capital Requirement	Funds that the Company must maintain to cover current and projected operations during the next twelve months, which are

	measured to ensure that all quantitative risks have been taken into account.
Minimum Guarantee Fund	Funds that the Company must maintain to cover current and projected operations during the next twelve months, which is at least one third of the Solvency Capital Requirement or a greater amount as determined by the Authority.
Unearned Premium Reserves (UPR)	Provisions for the premium which represents the portion of the premium corresponding to the responsibilities extended beyond the date of the statement of financial position.
Unexpired Risk Reserves (URR)	Provisions for the premiums which represent the portion of the premium subsequent to the financial statement date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.
Outstanding Loss Reserves (OSLR)	Provisions representing claims that have been reported but not yet settled. Typically, this is the sum of the remaining liabilities for each open claim estimated on a case-by-case basis.
Incurred but Not Reported (IBNR)	Provisions for claims that have been incurred but not yet reported or have not obtained enough information related to such claims as of the reporting date.
Allocated Loss Adjustment Expense (ALAE) or Unallocated Loss Adjustment Expense (ULAE)	Provisions representing future claim expenses and related handling costs. The Allocated (ALAE) reserve is for expenses and costs that can be assigned to a specific claim. The Unallocated (ULAE) reserve is for all other overhead expenses and costs that can't be assigned to a specific claim.
Mathematical Reserve	Provisions created for long term insurance contracts (Insurance of Persons and Fund Accumulation operations products more than one year) to cover all future claim liabilities as determined by the Actuary.
External Auditor	The External auditor licensed to operate in the State.
Authority Examiners	Employees of the Authority, or delegated personnel, authorized to perform examination and inspection of Company records, transactions and documents.
Insurance Agent	The person approved and authorized by the Company to carry out insurance operation on its behalf or in behalf of any branch thereof.
Beneficiary	The person who acquired the rights of the insurance contract at the start or these rights that have been legally transferred thereto.
Unit Linked Insurance Policies	Insurance plans that provide the option to invest in any number of qualified investments, such as stock, bonds, mutual funds.

Second Article – Glossary Application

The Glossary mentioned in the first article of this Section should be applied to all regulations and provisions identified in Part One and Part Two of these regulations.

Third Article – Regulations Application

The provisions of the regulations herein should be applied to insurance companies incorporated in the State and the foreign insurance companies licensed to practice the activity in the State.

Part One: Financial Regulations for Insurance Companies

Fourth Article – Financial Regulations

The Financial Regulations for Insurance Companies include the following sections:

Section 1: Regulations Pertinent to the Basis of Investing the Rights of the Policyholders

Section 2: Regulations Pertinent to the Solvency Margin and Minimum Guarantee Fund

Section 3: Regulations Pertinent to the Basis of Calculating the Technical Provisions

Section 4: Regulations Pertinent to Determining the Company's Assets that Meet the Accrued Insurance Liabilities.

Section 5: Regulations Pertinent to the Records which the Company shall be obligated to Organize and Maintain as well as the Data and Documents that shall be made Available to the Authority

Section 6: Regulations Pertinent to the Principles of Organizing Accounting Books and Records of Each of the Companies, Agents and Brokers and Determining Data to be maintained in these Books and Records

Section 7: Regulations Pertinent to Accounting policies to be adopted and the necessary forms needed to prepare and present reports and financial statements

Section 1

Regulations Pertinent to the Basis of Investing the Rights of the Policyholders

Section (1)

Regulations Pertinent to the Basis of Investing the Rights of the Policyholders

Article (1) – General Requirements for Investments

The Company shall apply the following rules in investments operations:

1. The Company must ensure that the assets are diversified and adequately spread and allow the Company to respond adequately to changing economic circumstances. In particular for developments in the financial and real estate markets or major catastrophic events; the Company must assess the impact of irregular market circumstances on its assets and must diversify the assets in such a way as to reduce such impact.
2. Investments in products or instruments issued by the same issuer or by issuers belonging to the same group must not expose the Company to excessive risk concentrations. Limits defined for asset class and counterparty are defined in Article (3) and should be adhered to.
3. An active Investment Committee should be in place to ensure there is adequate segregation of duties between execution, recording, authorization, reconciliation and related assurance.
4. For the purpose of matching of Assets and Liabilities subject to paragraph (6) of this Article, the assets held by a Company to cover its technical provisions and all other long-term insurance liabilities must:
    a) Have characteristics of safety, yield and marketability which are appropriate to the type of business carried on by the Company; and
    b) Be diversified and adequately spread.
5. The assets referred to in paragraph (4) must be of a sufficient amount, and of an appropriate currency and maturity, to ensure that the cash inflows from those assets will meet the expected cash outflows from the Company's insurance liabilities as they become due.
6. For the purpose of paragraph (4), a Company must take into consideration any options which exist in the Company's insurance contracts when determining expected cash outflows.
7. For the purpose of these regulations, paragraph (4) does not apply to assets held to cover unit-linked liabilities, except where the respective long-term insurance contract in question includes a guarantee of investment performance or some other guaranteed benefits, paragraph (4) will nevertheless apply to assets held to cover that guaranteed element.
8. Further guidance for investments in Addendum (1) of the regulations herein shall be applied.

Article (2) – General rules for investment policy

1. To ensure proper investment of funds, each Company must put in place investment and risk management policies that are in line with the risk appetite set by the Board of Directors of the Company. The investment and risk management policies shall be approved and reviewed on an annual basis by the Board of Directors and cover overall investment strategy and proper risk management systems, including oversight mechanisms.
2. The risk management systems must cover the risks associated with investment activities that may affect the coverage of insurance liabilities and capital adequacy. The main risks include market, credit and liquidity risks.
3. Appropriate procedures shall be in place to monitor and ensure that the asset limits and counterparty concentration limits are as directed in Article (3) and are being adhered to.
4. An appropriate process to assess the credit-worthiness of counterparties to whom the Company is significantly exposed to in large transactions must be in place.
5. The Company shall establish a stress testing framework and policy for all its investments (including regular stress testing for a range of market scenarios and changing investment and operating conditions, like socio-economic or regulatory changes, in order to assess the appropriateness of asset allocation limits) and stress testing is to be performed at least annually as per the Company policy.
6. Branches of Foreign Insurance Companies need to demonstrate in all cases to the authority that the stress testing framework and policy for investments are established at the head office level which shows the UAE operations.
7. The Authority may impose requirements on an individual Company to invest in a specified manner, or restrict or prohibit a Company from investing in certain asset classes or individual asset to safeguard insurance funds. Such requirements, restrictions or prohibitions will form part of supervisory actions as a result of the Authority assessment of a Company's risk profile and investment risk management practices.
8. The Company shall have a separate investment strategy for Life (Insurance of Persons and Fund Accumulation operations) and Non-Life (Property and Liability insurance) operations in situations where both businesses are undertaken by the same entity.
9. The Company shall document its Contingency Funding Plan, to address how it will meet its current and future insurance liabilities in case it does not have adequate assets or liquidity of assets to honor its current and future insurance liabilities. The Company shall address the events or circumstances identified in the Contingency Funding Plan. The Contingency Funding Plan is an internal document that should be made available to the Authority upon request.
10. Further guidance on the Investment policy in Addendum (2) of the regulations herein shall be applied.

Article (3) – Asset distribution and allocation limits

1. For asset distribution and allocation limits, the following apply:

Type of Invested Asset	Maximum Limit for aggregate exposure in a particular asset class	Sub-limit for exposure to a single counter-party
Real Estate	30%	No Sub Limit
Equity instruments in listed and not listed companies within UAE.	30%	10%
Equity instruments issued by companies listed and not listed outside UAE.	20%	10%
Government securities/instruments issued by the UAE and/or by one of the Emirates in the UAE.	100%	25%
Government securities/instruments issued by (A) rated countries.	80%	25%
Cash and deposits with Banks in the UAE (e.g. current account, demand deposits, term deposits, notice deposits, certificates of deposit, etc.)	Minimum 5%	50%
Loans secured by life policies (excluding unit-linked funds' related policies) issued by the Company.	30%	No Sub Limit
Derivatives or complex financial instruments to be used for hedging purposes only.	1%	No Sub Limit
Secured loans, deposits with non-banks, debentures, bonds & other debt instruments which are rated strong or very strong by reputed and independent rating agency.	30%	20%
Other Invested Assets	10%	No Sub Limit

2. The above limits shall be applicable for Total Invested Assets.

3. For the purpose of the application of the limits contained in paragraph (1) of this Article, real estate shall be at market value. As an exception to what is stated in paragraph (1) of this Article, the Authority may allow, in specific cases, insurance companies to invest in real estate with a maximum of up to 40% on the basis of a request from the Company stating the reasons for the exception along with an investment risk analysis report as described in Article (10) of the regulation herein.

4. As an exception to what is stated in paragraph (1) of this Article, Derivative limits may exceed 1% if employed to hedge against currency fluctuation only.

5. Statutory Deposits provided as collateral for the Company to fulfill its obligations are excluded from the concentration and asset allocation limits listed in paragraph (1) of this Article.
6. The limits mentioned in this Article are not applicable to unit-linked funds.
7. For branches of Foreign Insurance Companies, the limits mentioned in paragraph (1) of this Article, shall be applicable to the assets backing the insurance fund for UAE policies only.
8. Strong and very strong rating by an independent agency for investments inside or outside UAE would mean ratings equivalent to or better than following weighted average ratings for each asset class portfolio:

S&P	Fitch	A.M. Best	Moody's
A	A	A	A2

Article (4) – Compliance period for concentration and asset allocation limits

1. A Company not in compliance with the limits of assets in real estate listed in paragraph (1) of Article (3) will have three (3) years to comply with the limits effective from the day following the date of publication of these regulations in the Official Gazette.
2. The compliance period is two (2) years for Companies not in compliance with the limits other than real estate listed in paragraph (1) of Article (3), effective from the day following the date of publication of these regulations in the Official Gazette.

Article (5) – Investment related risks

1. For the purpose of this Article, "Investment Risk" refers to the possibility of an adverse movement in the value of a Company's on-balance sheet assets or certain off-balance sheet obligations. Investment risk derives from a number of sources including market risk, credit quality risk, investment concentration risk, and liquidity risk, as well as risk associated with the use of derivatives.
2. The Company's Board of Directors shall endorse policies and procedures regarding the risks detailed in Addendum (3) to be implemented by its senior management, who shall take adequate steps to disseminate the policy and train the relevant staff such that they can effectively implement the policies and procedures.
3. Further guidance on investment related risks in Addendum (3) of the regulations herein shall be applied.

Article (6) – Domiciling of investments

1. The Company is permitted to hold, for the purpose of investment, assets of its insurance fund for UAE policies in a foreign jurisdiction with a sovereign rating which is better or at least equivalent to the sovereign rating of the UAE. Total invested assets held outside the UAE shall not exceed 50% of the total invested assets or 100% of the total technical provisions for policies outside the UAE only (excluding unit-linked funds), whichever is greater.

2. This restriction in terms of the location and value of invested assets held outside the UAE is applicable to both the insurance fund for UAE policies and the shareholders' fund, notwithstanding whether the invested assets are held to support the solvency margin.
3. The restriction in terms of the location and value of invested assets held outside the UAE for branches of Foreign Insurance Companies is applicable to the insurance fund for the UAE policies only, notwithstanding whether the invested assets are held to support the solvency margin.
4. The Company shall at all times invest inside the UAE the assets required to match the technical provisions, for policies inside the UAE only, with consideration of Article (2) of Section (3) in regards to the Regulations Pertinent to the Basis of Calculating the Technical Provisions.
5. The above domiciling investment limits are not applicable to unit-linked funds.

Article (7) – Derivatives

1. Companies are allowed to engage in derivative activities for hedging purposes where such derivative transactions are identified with the corresponding risk exposures being hedged, and the risks associated with such derivative transactions are insignificant and remote given the risk reduction benefits that can reasonably be expected from the transactions.
2. Derivative positions which no longer meet the hedging intent shall be closed out promptly.
3. Further guidance on derivatives in Addendum (4) of the regulations herein shall be applied.

Article (8) – Investment outsourced activities

The Company is entitled to engage with a third party inside the UAE to execute and manage its investment policy, provided that:

1. The policies, procedures and limits for the outsourced party must meet the same objectives of the Company's investment policies and procedures approved by its Board of Directors.
2. The arrangements for outsourcing the investment activities to the third party are in compliance with supervisory expectations specified by the Authority.
3. The Company is responsible for the management of investment activities with an authorized third party.
4. The Company provides the Authority with a copy of the agreement with the third party and any amendments thereto and any other requirements as requested by the Authority.
5. Further guidance on investment outsourced activities in Addendum (5) of the regulations herein shall be applied.

Article (9) – Borrowed Funds

The Company shall not utilize borrowed funds for the purpose of investments to cover Gross Technical provisions, Minimum Capital Requirement, Minimum Guarantee Fund and

Solvency Capital Requirement. For this purpose, borrowed funds include bank loans and other debt instruments, but it does not include Surplus Bonds issued to raise working capital in lieu of Shares.

Article (10) – Reporting Requirements to the Authority

1. The Company shall submit to the Authority a quarterly report and analysis of its investment portfolio classified as per the regulations in Article (3) of this Section, and authenticated by its External Auditor, the deadline for the submission of these reports to be within (45) days from the end of the quarter period.
2. The Company shall submit to the Authority an annual risk analysis report of its investment portfolio, strategy and management process which is certified by the Actuary, authenticated by the External Auditor and endorsed by the Chairman of the Board of Directors. The timeline for submission of this report will be at the same time as the submission of the audited annual financial results. The risk analysis report should include, but is not limited to, the following:
   a) A summary of the overall investment strategy as outlined in Addendum (2);
   b) Analysis of the investment portfolio classified as per the regulations in Article (3) above; and
   c) Analysis of the Market and Liquidity (Investment) Risk and Credit Risk, including scenario / stress testing, as outlined in Addendum (3).

Article (11) – Addendums

The Addendums attached to these regulations are an integral part of the regulations and are to be read along with the regulations.

Addendums to Section 1

Basis of Investing the Rights of the Policyholders

Addendum (1)

1. The investment portfolio shall consider the type of business carried out by the Company, in particular the nature, amount and duration of expected claim payments, in such a way as to secure the sufficiency, liquidity, security, quality, profitability and matching of its assets.

2. With respect to the whole portfolio of assets, the Company shall only invest in assets and instruments whose risks can be properly identified, measured, monitored, managed, controlled and reported thereof, and appropriately take into account in the assessment of its overall solvency needs as detailed in the Solvency Margin and Minimum Guarantee Fund regulations.

3. All assets, in particular those covering the Minimum Capital Requirement, Solvency Capital Requirement and Minimum Guarantee Fund, shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition the localization of those assets shall be as such to ensure their availability.

4. Assets held to cover the technical provisions shall also be invested in a manner appropriate to the nature and duration of the insurance and reinsurance liabilities. Those assets shall be invested in the best interest of all policyholders and beneficiaries taking into account any disclosed policy objective.

5. Wherever possible, the Company must use ‘mark-to-market’ to measure the value of the investments.

   a) When using ‘mark-to-market’, the Company must use the more prudent side of bid/offer unless the Company is a significant market maker in a particular position type and it can close out at the mid-market price.

   b) When calculating the current exposure value of a credit risk or exposure for counterparty credit risk purposes:

      1) The Company must use the more prudent side of bid/offer or the mid-market price and the Company must be consistent in applying the basis it chooses; and

      2) If the difference between the more prudent side of bid/offer and the mid-market price is material, the Company must consider making adjustments or establishing reserves.

6. When ‘mark-to-market’ is not possible, the Company must use ‘mark-to-model’ to measure the value of the investments. Marking to model is any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input as follows:

   a) When the model used is developed by the Company, that model must be:

      1) Based on appropriate assumptions which have been assessed and challenged by suitably qualified parties independent of the development process;

      2) Independently tested, including validation of the mathematics, assumptions, and software implementation;

      3) Independently certified by an Actuary; and

      4) Developed or approved independently by the Investment Committee.

b) The Company's senior management must ensure that the Investment Committee, or its equivalent in the governance structure of Foreign Insurance Companies, is aware of the positions which are subject to the 'mark-to-model' valuation and understand the materiality of the uncertainty this creates in the reporting of the performance of the business of the Company and the risks to which it is subject.

c) The Company must source market inputs in line with market prices as far as possible and assess the appropriateness of the market inputs for the position being valued and the parameters of the model on a frequent basis.

d) The Company must use generally accepted valuation methodologies for particular products where these are available.

e) The Company must establish formal change control procedures, hold a secure copy of the model, and periodically use that model to check valuations.

f) The Company must ensure that its risk management function personnel are aware of the weaknesses of the models used and how best to reflect those in the valuation output.

g) The Company must periodically review the model to determine the accuracy of its performance. Examples of periodic review include assessing the continued appropriateness of the assumptions, analysis of profit and loss versus risk factors and comparison of actual close out values to model outputs.

h) The market valuation of the investment in real estate shall be performed as follows for the calculation of Admissible Assets:

   1) One independent real estate firm shall perform the revaluation of the investment in real estate for investments worth less than AED 30 million.

   2) Two independent real estate firms shall perform the revaluation of the investment in real estate for investment worth more than AED 30 million; the average of both valuations will be accounted for. If needed a third firm could be employed to perform the valuation in case the difference between the first two firms was more than 20% of the lowest valuation. Accordingly, the valuation will be calculated based on the average of the two firms negating the valuation with the largest of the three excluded.

   3) The independent real estate firms should be a technical expert for valuation of investment in real estate.

   4) The valuation of the real estate shall be performed by the Company at least annually or as required by the Authority.

   5) The same independent real estate firm shall not be appointed for two consecutive periods to perform the valuation of the same estate. This restriction doesn't apply to the government-based Land Department.

   6) For real estate valuation purposes, the Company shall hire real estate firms accredited by at least two banks operating in the State or real estate experts licensed for this matter or the government-based Land Department.

i) The discounted cash flow valuation of the investment in real estate shall be performed as follows for the purpose of calculating the Solvency Margin requirements:

   1) Estimate the value of annual rental income over the expected life of the property, not to exceed thirty (30) years.

   2) The total rental income per year shall be reduced to account for a reasonable vacancy rate for similar properties.

3) The total rental income per year shall not be increased in future years for inflation.

4) The annual rental income shall be discounted at the current risk free rate to determine the total cash flow valuation.

Addendum (2)

1. The policy on overall investment strategy shall cover, at least, the following elements:

   a) The investment objectives, both at Company and fund-specific levels;

   b) The risk and liability profiles of the Company;

   c) The strategic asset allocation, i.e., the long-term asset mix for the main investment categories, and their respective limits;

   d) The extent to which the holding of certain types of assets is restricted or disallowed, such as illiquid or highly volatile assets; and

   e) An overall policy on the usage of derivatives and structured products.

2. The Company should have in place a Board of Directors (BOD) level Investment Committee. The Investment Committee should have its own charter, investment policy and guidelines approved by the BOD. The Investment Committee can act as a management committee with members of the Investment Committee being elected by the Board of Directors. Members can be executive directors, executive management or members of any of the committees established by the Board of Directors. At a minimum, the Investment Committee shall be responsible for:

   a) Establishing the investment strategy and policy for approval by the Board of Directors;

   b) Setting the investment guidelines;

   c) Reviewing / monitoring the investments;

   d) In conjunction with the Audit Committee, determining the scope of the rigorous audit procedures that include full coverage of the investment activities to ensure timely identification of internal control weaknesses and operating system deficiencies; and

   e) Assisting the Board of Directors in its evaluation of the adequacy and efficiency of the investment policies, procedures, practices and controls applied in the day-to-day management of its business through an audit report (either independent internal or external) that is to be submitted to the Audit Committee.

3. Senior management is responsible for managing and reviewing the investment policies of the Company and reporting the same to the Investment Committee. The function of senior management with the responsibility of executing the investment policy is to:

   a) Manage and review the investment policies of the Company and reporting the same to the Investment Committee;

   b) Ensure proper implementation of investment policies, procedures, practices and controls approved by the Investment Committee are applied in the day-to-day management of its business in accordance with the established levels of risk appetite;

   c) Provide timely and regular reporting to the Investment Committee of the Company's investment activities;

d) Establish adequate internal controls to ensure that assets are managed in accordance with approved investment policies, and in compliance with legal, accounting and relevant risk management requirements. These controls shall ensure that investment procedures are documented and subject to effective oversight; and

e) Ensure adequate segregation of duties between execution, recording, authorization, reconciliation and related assurance activities.

4. The Company shall establish adequate internal controls to ensure that assets are managed in accordance with approved investment policies, and in compliance with legal, accounting and relevant risk management requirements. These controls shall ensure that investment procedures are documented and subject to effective oversight. There shall be in place adequate segregation of duties between execution, recording, authorization, reconciliation and related assurance.

5. The Company shall have in place audit procedures that include full coverage of the investment activities to ensure timely identification of internal control weaknesses and operating system deficiencies. If the audit is performed internally, it shall be independent and shall report to the Audit Committee, or its equivalent in the governance structure of Foreign Insurance Companies.

6. The Company shall consider the following, along with the supporting policies, procedures and infrastructure, when adopting internal controls:

a) Identification of personnel who are responsible and accountable for all transactions involving sales and purchase of assets;

b) Observations of restrictions on the empowerment of all parties to enter into any particular transaction. This will require close and regular communication with those responsible for compliance, legal and documentation issues in the Company;

c) Agreement from all parties of a given transaction with the terms of the deal. Procedures for sending, receiving and matching confirmations shall be independent from the issuance and marketing functions of the insurance policies;

d) Formal documentation is completed promptly;

e) Positions are properly settled and reported, and any late payments or late receipts are identified;

f) All transactions are carried out in conformity with prevailing market terms and conditions;

g) Authority limits are strictly enforced and all breaches are reported and remedial actions are taken promptly;

h) Independent checking of rates or prices and choice of rates shall not solely rely on dealers for rate/price information;

i) Set out the process for recommending, approving, and implementing decisions; and

j) Prescribe the frequency and format of reporting to relevant internal and external authorities.

7. Appropriate procedures shall be in place to enable the Company to monitor the interaction of its assets and liabilities to ensure that exposure to asset classes is contained within limits approved by the Company. The Company must define the exposure limits. The Company must ensure that the exposure limits are within the

limits defined in paragraph (1) of Article (3). Procedures shall include testing of sensitivity to realistic scenarios that are relevant to the circumstances of the Company.

8. Appropriate procedures shall be in place to enable the Company to monitor the location of its assets and liabilities, so as to ensure that risk of localization mismatch is contained within limits approved by the Company. Procedures shall include testing of sensitivity to realistic scenarios, including political risk scenarios that are relevant to the circumstances of the Company.

9. The Company shall consider asset and liability risks on an integrated basis. Systems shall not consider only risks taken in isolation, but shall consider how even when individual risks are addressed, combinations of circumstances may still expose the Company to loss. This is of particular relevance where a single outcome is exposed to more than one risk.

Addendum (3)

1. Liquidity Risk

   a) The Company shall have access to sufficient liquidity to meet all cash outflow commitments to policyholders (and other creditors) as and when they fall due.

   b) The risk management system for liquidity risk will normally include at least the following:

      1) Procedures to identify and control the level of mismatch between expected asset and liability cash flows under normal and stressed operating conditions (using realistic scenarios relevant to the circumstances of the Company);

      2) Procedures to monitor the liquidity of assets;

      3) Procedures to identify and monitor commitments to meet liabilities including Insurance liabilities;

      4) Procedures to monitor the uncertainty of incidence, timing and magnitude of Insurance liabilities;

      5) Procedures to identify and monitor the level of liquid assets held by the Company; and

      6) Procedures to identify and monitor other sources of funding including reinsurance, borrowing capacity, lines of credit and the availability of intra-group funding, and to identify the need for such sources to be made available.

   c) When assessing its liquidity requirements the Company shall also consider the currency in which the assets and liabilities are denominated, and the locations in which those assets and liabilities are situated or payable.

   d) For the purposes of determining the adequacy of its overall financial resources, the Company must carry out appropriate stress testing and scenario analysis, including taking reasonable steps to identify an appropriate range of realistic adverse circumstances and events in which liquidity risk might occur or crystallize.

   e) The choice of scenarios that the Company uses will depend on the nature of its activities. For the purposes of testing liquidity risk, however, the Company shall normally consider scenarios based on varying degrees of stress and both Company-specific and market-wide difficulties.

f) The Company shall review frequently the assumptions used in stress testing scenarios to gain assurance that they continue to be relevant.

2. Credit Risk

The Company faces Credit risk whenever it is exposed to loss if another party fails to perform its financial obligations to the Company, including failing to perform them in a timely manner. This also includes the impact on investments of credit rating downgrades and widening of credit spreads. Credit exposures can increase the risk profile of a Company and adversely affect financial viability. Credit exposure includes both on-balance sheet and off-balance sheet exposures (including guarantees, derivative financial instruments and performance related obligations) to single and related counterparties.

The risk management system for credit risk will normally include at least the following:

a) Credit Risk Limits (at the minimum as defined in Article (3) for credit exposures to:

    1) Single counterparties and groups of related counterparties;

    2) Entities to which the Company is related;

    3) Single industries; and

    4) Single geographic locations.

b) Processes to monitor and control credit exposures against pre-approved limits.

c) Processes for identifying breaches of limits and for ensuring that breaches of limits are brought within the pre-approved limits within a set timeframe.

d) Processes for reducing or cancelling limits to a particular counterparty where the counterparty is known to be experiencing problems.

e) Processes for approving requests for temporary increases in limits.

f) Processes to review credit risk exposures (at least annually but more frequently in cases where there is evidence of deterioration in credit quality).

g) A management information system that is capable of aggregating exposures to any one counterparty (or group of Related counterparties), asset class, industry or region in a timely manner.

h) A process for reporting to the Board of Directors and senior management:

    1) Significant breaches of limits; and

    2) Large exposures and other credit risk concentrations.

3. Market Risk

a) Market risk includes equity risk, foreign exchange (FX) risk, commodity risk and interest rate risk.

b) The risk management system for market risk will normally include at least the following:

    1) Procedures to document its policy for market risk, including its risk appetite and how it identifies, measures, monitors and controls that risk;

    2) Procedures to document its asset and liability recognition policy. Documentation shall describe the systems and controls that it intends to use to comply with the policy; and

3) Procedures to establish and maintain risk management systems to identify, measure, monitor and control market risk (in accordance with its market risk policy), and to take reasonable steps to establish systems adequate for that purpose.

Addendum (4)

1. Investment in derivatives must contribute to a reduction of investment risks or facilitate efficient portfolio management and such investments must be valued on a prudent basis, taking into account the underlying assets, and included in the valuation of the Company's assets. Investments in derivatives should be restricted to hedging purposes only. The Company must avoid excessive risk exposure to a single counterparty and to other derivative operations.

2. Prior to undertaking any derivative transactions, the Board of Directors of the Company is expected to ensure that:

   a) It understands the scope and nature of derivative activities to be undertaken;

   b) The derivative transactions are consistent with the investment and risk management policies of the Company;

   c) Approved policies, systems and procedures that are commensurate with the level and nature of derivative activities to be undertaken by the Company are in place and have been clearly communicated to all levels of staff concerned; and

   d) The Company has appropriate resources (e.g., competent, capable and qualified personnel), capacity and adequate infrastructure to effectively manage and monitor derivative positions.

3. The Company shall ensure that controls over derivatives and other investment instruments have been implemented and are adequate to ensure that risks are properly assessed, regularly reviewed in the light of changing market conditions and experience, and consistent with the overall investment strategy decided upon and approved by the Company.

4. The senior management of the Company shall put in place a written risk management policy, approved by the Board of Directors. In respect of derivative activities, the risk management policy shall cover the following primary components of risk management practices:

   a) The purpose for which derivatives may be used;

   b) The scope and types of permitted derivatives, including the risk tolerance level in respect of its derivative activities;

   c) Procedures for the proper authorization of any change in significant risk management policies or procedures;

   d) Procedures on authorization of new derivative products for use by the Company;

   e) Restrictions on counterparties with whom derivative transactions may be executed;

   f) Details on persons authorized to enter into derivative transactions and limits of authority;

   g) Clear lines of responsibility for the monitoring and management of the Company’s derivative positions;

h) Procedures for regular reporting to senior management and the Board of Directors on derivative activities; and

i) A provision for periodic review by the Board of Directors and senior management of the Company's risk management policy to gauge its effectiveness in managing risk exposures and to ensure that the policy remains consistent with the Company's corporate strategies and financial and management capabilities, particularly in the light of changing circumstances.

Addendum (5)

1. The Company must establish comprehensive policies and procedures to govern the strategic investment policy of any outsourced insurance funds, establish an effective risk management system to monitor and continuously assess material risks, and for the insurance funds to be segregated and not co-mingled with other funds managed by the outsourced entity. The Company must regularly monitor the performance of the outsourced entity, at least quarterly, and take appropriate actions if the investment performance of the outsourced entity would adversely affect the investment returns to policyholders or their reasonable expectations cannot be achieved.

2. For this purpose, the Company must ensure that adequate expertise and resources are retained in-house to support the monitoring function of the outsourced entity. The Company must ensure that, under the terms of the contract, they regularly receive sufficient information to evaluate the compliance of the outsourced entity with the investment mandate. The Board of Directors of the Company shall continue to be accountable to manage the risks arising from the outsourcing arrangements. The Company shall also remain responsible for the fiduciary duty and professional aspects of the outsourced activity.

Section 2

Regulations Pertinent to the Solvency Margin and Minimum Guarantee Fund

Section (2)

Regulations Pertinent to the Solvency Margin and Minimum Guarantee Fund

Article (1) – Minimum Capital Requirement

The Minimum Subscribed and Paid Up Capital of each Company should not be less than the following:

A. AED 100 million for an insurance Company.

B. AED 250 million for a reinsurance Company.

Article (2) – Minimum Guarantee Fund

1. The Minimum Guarantee Fund shall not be at any point in time less than (1/3) of the Solvency Capital Requirement.

2. The Minimum Guarantee Fund shall be calculated based on a minimum amount of funds required to support each type of business written by the Company. The minimum funds for each type of business shall include an absolute minimum and a percentage of net earned premium or similar measure, whichever is greater, as determined by the Authority.

Article (3) – Group Capital Adequacy

1. A Group consists of insurance or reinsurance companies and any other regulated entities where the Group owns 100% of the companies' shares or a controlling interest (as per IFRS) of the companies' shares.

2. The Group capital requirement is the sum of the capital requirements calculated on the consolidated insurance Companies/branches and capital requirements of other regulated entities.

Article (4) – Solvency Margin

1. The solvency template developed by the Authority shall be based on the following principles:

    a) The Solvency Capital Requirement shall be calculated on the presumption that the Company will pursue its business as a going concern.

    b) The Solvency Capital Requirement shall be calibrated so as to ensure that all quantifiable risks to which each Company is exposed are taken into account. It shall cover existing business, as well as the new business expected to be written over the following twelve (12) months. It shall correspond to the Value-at-Risk of the Basic Own Funds of a Company subject to a confidence level of 99.5% over a one year period.

c) The Solvency Capital Requirement should cover the following risks:

1) Underwriting risk;
2) Market and Liquidity (Investment) risk
3) Credit risk; and
4) Operational risk.

2. The Company is required to calculate their Solvency Margin based on the solvency template developed, and amended from time to time, by the Authority.

3. The Solvency Capital Requirement shall be calculated as follows:

a) At the UAE level only for branches of foreign insurance and reinsurance Companies;

b) At the group level for local insurance and reinsurance Companies having branches or subsidiaries outside the UAE; and

c) At the UAE level only for all other insurance and reinsurance Companies.

4. For the purpose of solvency reporting, the Authority may:

a) Determine the nature, scope and format of the information required for solvency, based on certain frequencies as follows:

1) On an annual basis;
2) On a quarterly basis;
3) Upon occurrence of predefined events; and
4) During enquiries regarding the situation of the Company.

b) Obtain any information regarding contracts which are held by intermediaries or regarding contracts which are entered into with third parties; and

c) Require information from external experts.

Article (5) – Risk Assessment and Evaluation of Solvency in Main Areas of Risk

1. When assessing risks and solvency, the Company needs to take into account mainly the following risks: Underwriting Risk, Market and Liquidity (Investment) Risk, Credit Risk and Operational Risk.

2. Further guidance on risk assessment and evaluation of solvency in main risk areas in Addendum (1) of the regulations herein shall be applied.

Article (6) – Risk Management System

1. The Company shall have in place a documented risk management framework and strategy, risk management policies and procedures, and allocated responsibilities and controls.

2. The Company shall establish a stress testing framework and policy.

3. Further guidance on the risk management system and framework in Addendum (2) of the regulations herein shall be applied.

Article (7) – Own Funds

1. Own Funds shall consist of the sum of Basic Own Funds and Ancillary Own Funds.
2. Basic Own Funds shall consist of the following items:
   a) The excess of Admissible Assets over liabilities (surplus), which shall be reduced by the amount of Treasury shares held by the Company.
   b) Subordinated liabilities (group level debt in a holding company with the prior approval of the Authority).
3. Ancillary Own Funds shall consist of items other than Basic Own Funds which can be called up to absorb losses, with the prior approval of the Authority. Ancillary Own Funds may comprise the following items to the extent that they are not Basic Own Funds items:
   a) Unpaid share capital or initial fund that has not been called up;
   b) Letters of credit and guarantees; and
   c) Any other legally binding commitments receivable by the Company.
4. In case of a Company with variable contributions, Ancillary Own Funds may also comprise any future claims which that Company may have against its members by way of a right to call for supplementary contribution, within the following twelve (12) months.
5. Where an Ancillary Own Funds item has been paid in or called up, it shall be treated as an asset and cease to form part of Ancillary Own Funds items.
6. At least 100% of the Minimum Capital Requirement should be met by the Basic Own Funds.
7. At least 100% of the Solvency Capital Requirement and Minimum Guarantee Fund should be met by the Own Funds, which is calculated as the Basic Own Funds plus only 50% of the Ancillary Own Funds.

Article (8) – Maintenance of Solvency Margin

1. The Company shall at all times comply with the requirements of the Solvency Margin, which means maintaining Own Funds as per Article (7) above for the largest of the following:
   a) Minimum Capital Requirement;
   b) Minimum Guarantee Fund; and
   c) Solvency Capital Requirement.
2. The Company shall immediately report to the Authority the event of non-compliance with maintaining the Minimum Capital Requirement or Solvency Capital Requirement. In this case, the Company shall submit a realistic recovery plan to re-establish the level of Own Funds covering the Minimum Capital Requirement or Solvency Capital Requirement for approval by the Authority within thirty (30) days from the date of submitting the report. The recovery plan must achieve compliance with the Minimum Capital Requirement or Solvency Capital Requirement within six (6) months of the date of observation of non-compliance with the Minimum Capital Requirement or Solvency Capital Requirement.

3. The Company shall immediately report to the Authority the event of non-compliance with maintaining the Minimum Guarantee Fund. In this case, the Company shall submit a realistic recovery plan to re-establish the level of Own Funds covering the Minimum Guarantee Fund for approval by the Authority within thirty (30) days from the date of submitting the report. The recovery plan must achieve compliance with the Minimum Guarantee Fund within three (3) months of the date of observation of non-compliance with the Minimum Guarantee Fund.
4. In the event of non-compliance with either the Minimum Guarantee Fund or Solvency Capital Requirement, the Company shall submit a progress report to the Authority every thirty (30) days following the approval of the recovery plan and until such time that the recovery plan has been realized.
5. In the event of non-compliance with the Minimum Capital Requirement, the Company shall submit progress reports based on the timing approved by the Authority until such time that the recovery plan has been realized.
6. In the event of exceptional circumstances, the Authority may extend the recovery period by three (3) months, if appropriate.
7. In the event that the Company is unable to re-establish the level of Own Funds or fails to show significant progress in re-establishing the level of Own Funds to meet the Solvency Margin within the period identified by the Authority, or in other exceptional circumstances at the discretion of the Authority, the Director General will raise the concern to the Board of the Authority to take the necessary actions in that regard as per the Law’s stipulations.

Article (9) – Reporting Requirements for Solvency

1. The Company shall submit to the Authority the solvency template and related information on an annual basis in relation to solvency, including the validation certification of the solvency template by the Actuary and the External Auditor and endorsed by the Chairman of the Board of Directors and submit it to the Authority within a period not exceeding (4) months from the fiscal year end. The report should arrive at the Authority no later than (30) days prior to the invitation to the General Assembly.
2. The Company shall submit to the Authority a report regarding the Solvency Capital Requirement certified by the Actuary on a quarterly basis, within a period of (45) days from the quarter end.

Article (10) – Reporting Requirements for Financial Condition Report

1. When required by the Authority, the Company shall submit to the Authority a Financial Condition Report (FCR) which is certified by the Actuary and endorsed by the Chairman of the Board of Directors. The requirements of the FCR should include, but is not limited to, the following which could be required separately or as a single complete report:

    a) An actuarial certification of the Technical Provisions as per Section (3), Article (5) (Regulations Pertinent to the Basis of Calculating the Technical Provisions);

b) A risk-based analysis of its investment portfolio, strategy and management process as per Section (1), Article (10) (Regulations Pertinent to the Basis of Investing the Rights of Policyholders);

c) An analysis of the Solvency Capital Requirement as per paragraph (1), Article (9) above;

d) Evaluation of its reinsurance structure and management process;

e) A risk-based analysis of the underwriting policies and procedures of the Company;

f) Evaluation of the pricing policies and procedures of the Company; and

g) Evaluation of the Enterprise Risk Management policies and procedures of the Company.

Article (11) – Limits for assets to be considered for Solvency

The Admissible Assets to be considered towards the calculation of solvency shall be valued as follows:

1. The admissible value of all the invested assets shall be restricted as per the limits defined in the Regulations Pertinent to the Basis of Investing the Rights of the Policyholders.
2. The admissible value of all other assets shall be as required by the Authority.

Article (12) – Addendums

The Addendums attached to these regulations are an integral part of the regulations and are to be read along with the regulations.

Addendums to Section 2

Solvency Margin and Minimum Guarantee Fund

Addendum (1)

Risk Assessment and Evaluation of Solvency in Main Areas of Risk

1. Underwriting Risk

   a) The Life underwriting risk module in the solvency template reflects the risk arising from life insurance and fund accumulation obligations, in relation to the perils covered and the processes used in the conduct of business. The module calculates the Solvency Capital Requirement for underwriting risks based on a factor of capital at risk and technical provisions adjusted for reinsurance.

   b) The Non-Life underwriting risk reflects the risk arising from property and liability insurance obligations, in relation to the perils covered and the processes used in the conduct of business. The module calculates the Solvency Capital Requirement in the template based on a higher factor of gross premium or technical provisions adjusted for reinsurance.

2. Market and Liquidity Risk (Investment) Risk

   The market risk shall reflect the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of the assets and liabilities of the Company. It shall properly reflect the structural mismatch between assets and liabilities, in particular with respect to the duration thereof. In the template, the Solvency Capital Requirement for this module is calculated as a combination of the capital requirements for the following sub-modules:

   a) The sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates (interest rate risk);

   b) The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities (equity risk);

   c) The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate (real estate risk);

   d) The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure (spread risk); and

   e) Additional risks to a Company, either stemming from lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (concentration risk).

3. Credit Risk

   The counterparty default risk module in the template reflects possible losses due to unexpected default, or deterioration in the credit standing of the counter-parties and debtors of the Company. The counterparty default risk covers reinsurance arrangements, securitizations and derivatives, cash at bank, cash equivalent, other deposits, unpaid but called up capital, guarantees, letter of credit and receivables from intermediaries and policyholder loans.

4. Operational Risk

   The capital requirement for operational risk shall reflect operational risks to the extent they are not already reflected in other risk components. That requirement shall be calibrated to ensure that all quantifiable risks to which a Company is exposed are taken into account. The template calculates the capital based on a higher factor of earned premium or technical provisions.

Addendum (2)

1. Risk Management is defined as the process of identification, evaluation and economically effective mitigation of past, present or future events or their impact that cause a Company to deviate from its stated objectives whether positively or negatively. These events can impact both the asset and liability side of the Company's balance sheet, the Company's profit and loss account, its cash flows, its earning capacity, profitability, ability to continue as a going concern, reputation and its intellectual and technological capital.
2. Risk management should be well integrated into the organizational structure and decision making processes and should include the following:
   a) A clear Risk Appetite set by the Board of Directors;
   b) An entity-wide assessment of risks across all risk types, including emerging risks; and
   c) Management information that is timely, consistent and accurate and used for internal and external reporting.
3. The nature and extent of the systems and controls which a Company needs to maintain will depend upon a variety of factors including:
   a) The nature, size and complexity of its business;
   b) The diversity of its operations, including geographical diversity;
   c) Past experience and historical performance;
   d) The volume and size of its transactions; and
   e) The degree of risk associated with each area of its operations.
4. The Company shall regularly review its management of risk in the context of relevant internal and external factors and changes in these factors.
5. The risk management strategy shall cover not only the identification, assessment, control and monitoring of risks but also contingency plans to deal with risks should they materialize, or adverse developments in important areas of risk. This will be augmented by stress and scenario testing tailored to the risk characteristics of the Company including:
   a) The Company shall have in place an effective risk management framework consisting of strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report the risks on a continuous basis, at an individual and at an aggregated level, to which they are or could be exposed, as well as their interdependencies. The risk management system shall be effective and well integrated into the organizational structure and in the decision-making processes of the Company with proper consideration of the persons who effectively run the Company or have other key functions.
   b) The risk management system shall cover the risks to be included in the calculation of the Solvency Capital Requirement, namely:
      1) Underwriting Risk;
      2) Market and Liquidity (Investment) Risk;
      3) Credit Risk; and

4) Operational Risk.

c) Moreover it shall cover the risks which are not or not fully included in the calculation thereof. The risk management system shall cover at least the following areas:

1) Underwriting and reserving;

2) Asset–liability management;

3) Investment, in particular derivatives and similar commitments;

4) Liquidity and concentration risk management;

5) Operational risk management; and

6) Reinsurance and other risk-mitigation techniques.

d) With regard to investment risk, the Company shall demonstrate that it complies with the “prudent person” principle in addition to adherence to Section (4) of these regulations (Determining the Company’s assets that meet the accrued insurance liabilities).

e) The Company shall establish a risk management function which shall be structured in such a way as to facilitate the implementation of the risk management system.

Section 3

Regulations Pertinent to the Basis of Calculating the Technical Provisions

Section (3)

Regulations Pertinent to the Basis of Calculating the Technical Provisions

Article (1) – Types of Technical Provisions

The Company shall establish the required technical provisions to meet its obligations towards policyholders and their beneficiaries, including:

1. Unearned Premium Reserves
2. Unexpired Risk Reserves
3. Outstanding Loss Reserves
4. Incurred But Not Reported Reserves
5. Allocated Loss Adjustment Expense and Unallocated Loss Adjustment Expense Reserves
6. Mathematical Reserves

Article (2) – Technical Provisions

With regard to Article (6) of Section (1) in these Regulations Pertinent to the Basis of Investing the Rights of the Policyholders, investments equivalent to the total technical provisions for all policies issued inside the UAE shall be maintained as follows:

1. Investments equivalent to the sub-total of the Technical Provisions in paragraphs (1), (2) and (6) of Article (1) above (excluding unit-linked funds' related technical provisions), gross of reinsurance, shall be maintained in the UAE.
2. Investments equivalent to the sub-total of the Technical Provisions in paragraphs (3), (4) and (5) of Article (1) above (excluding unit-linked funds' related technical provisions), net of reinsurance, shall be maintained in the UAE.

Article (3) – Calculation of Technical Provisions

1. Unearned Premium Reserve (UPR) / Unearned Risk Reserve (URR)
   a) The Unearned Premium Reserve (UPR) shall be calculated linearly (Pro rata basis calendar year from the date of risk inception). Taking into consideration the UPR for Marine Insurance (Cargo - Individual Shipment Only) to be calculated separately as per subparagraph (e) of this Article below.
   b) Where the pattern of the risk over the policy period is clearly non-uniform (e.g., in the case of Engineering Business where the risk usually increases with time) and where reflection of such un-uniformity in the Unearned Premium Reserve calculation would result in a larger reserve, then a larger reserve should be

provided. The Actuary should determine which Unearned Premium Reserve method to use in this instance, with reference to the risk profile of the business.

c) If a Company considers its UPR as inadequate to cover the future liabilities, it should create an Unexpired Risk Reserve (URR) at the line of business level to cover the shortfall in the unearned premium reserve in each line of business. The Unearned Premium Reserve is mandatory but any URR shall be created as needed by line of business. The calculation of the URR should include consideration of the cost of capital or other profit loadings.

d) In case of the date of initiation of a policy being different from the date of initiation of risk, the UPR should be calculated on a pro-rata basis from the date of initiation of risk.

e) The UPR is to be provided as a minimum of 25% of the total premium for the year for Marine Insurance (Cargo) (Individual Shipment only). However, should the Actuary be able to justify to the Authority that a lower percentage is more appropriate given the risk profile of the marine polices, then the lower percentage can be used supported by Authority approval.

f) Actuarial certification shall be required in case of UPR and URR on an annual basis at the minimum.

2. The Outstanding Loss Reserve (OSLR or case reserves) shall be calculated for each claim reported but outstanding as on the reporting date by the Company. The Actuary shall assess the OSLR based on the overall portfolio by each Line of Business.

3. Incurred But Not Reported (IBNR)

a) IBNR shall be provided for all short term products (all Property and Liability insurance products and one year Insurance of person and Fund Accumulation products).

b) The Actuary shall certify the adequacy of the aggregate Outstanding Loss Reserve (OSLR) and IBNR. In doing so the Actuary shall consider the requirement of providing for any loss adjustment expenses as noted in paragraph (4) of this Article. Such certification shall be carried out on an annual basis at the minimum.

c) IBNR should be calculated according to the Addendum (1) of the herein regulations.

4. Allocated Loss Adjustment Expense (ALAE) & Unallocated Loss Adjustment Expense (ULAE) Reserves

a) ALAE shall be provided for Property and Liability insurance short term products as well as Insurance of Persons and Fund Accumulation short term products. The ALAE reserves can be grouped with the loss reserves (OSLR and IBNR) or accounted separately.

b) ULAE shall be provided for Property and Liability insurance short term products as well as Insurance of Persons and Fund Accumulation short term products. The ULAE reserves must accrue for all claims handling expenses not included in ALAE.

c) The Actuary shall certify the adequacy of the aggregate ALAE and ULAE as part of the certification of the overall technical provisions. Such certification shall be carried out on an annual basis at the minimum.

5. Mathematical Reserve

a) Mathematical Reserve shall be provided for all operations related to insurance of persons and Fund Accumulation. An actuarial certification on Mathematical Reserve is required at least annually to be submitted to the Authority.

b) Mathematical Reserve should be calculated according to the Addendum (2) of the herein regulations.

6. Appropriate credit for reinsurance should be computed for all the above reserves, so that the Technical Provisions are calculated both gross and net of all applicable reinsurance.

Article (4) – Actuarial Requirements for Technical Provisions

The following provisions apply to the actuarial requirements for technical provision:

1. The Board of Directors shall appoint an Actuary who is registered by the Authority. The Company should inform the Insurance Authority of the Actuary appointed and any subsequent change to the Actuary with reasons for change to be notified to the Authority.
2. The Actuary shall review and approve the Company’s Technical Provisions, both gross and net of reinsurance.
3. The Actuary shall assess the quality of the data which is used for the calculation of the Technical Provisions to ensure it is appropriate for the purpose of calculating the Technical Provisions. The responsibility for ensuring the accuracy of the data lies with the management of the Company.
4. The Actuary shall be professionally liable for the advice and technical services provided to the Company.
5. The Actuary shall provide the Insurance Authority with an annual report that presents the immediate or future risks facing the Company. The Actuary's report can cover any aspect, which in the Actuary's opinion constitutes a contravention of the insurer's ability or prejudices the insurer's ability to meet its liabilities and capital adequacy currently or in the future.
6. An External Auditor shall review the actuarial reports that present immediate or future risks facing the Company, and provide their opinion on the risks mentioned in the actuarial report to the Authority.

Article (5) – Reporting Requirements to the Authority

1. The Company shall report quarterly to the Authority the details of the Technical Provisions which is certified by the Actuary within a period of forty-five (45) days from the quarter end; and
2. The Company shall submit annually to the Authority a report on the details of the Technical Provisions which is certified by the Actuary, authenticated by the External Auditor and endorsed by the Chairman of the Board of Directors. The timeline for the annual submission of the Technical Provisions will be at the same time as the submission of the audited annual financial results.

Article (6) – Addendums

The Addendums attached to these regulations are an integral part of the regulations and are to be read along with the regulations.

Addendums to Section 3

Basis of Calculating the Technical Provisions

Addendum (1)

When calculating the Incurred But Not Reported (IBNR) provisions the following should be considered:

1. There shall be sufficient data available with the Company to facilitate the IBNR calculation. The Company's management shall be responsible to certify the completeness, appropriateness and accuracy of the insurance data to be used for the calculation of the IBNR.
2. The Company will use actuarial methods that are applicable depending on size, scale and complexity of business. The Actuary shall provide adequate explanation to the methods adopted and the methods should be consistent from year to year. In case the Actuary decides to change the methods previously adopted and this methodology change has a material impact on results, sufficient explanation on the reason and impact needs to be provided to the Authority. The Authority reserves the right to ask for additional explanation and information for the change in methods adopted.

Estimation of Incurred But Not Reported provisions (IBNR)

1. These instructions are relevant to determination of IBNR provisions for direct insurance and facultative reinsurance accepted business. Estimation of IBNR provisions on treaty accepted and Excess of Loss accepted business may require other methods more appropriate to the nature of the portfolio and its claims development pattern. Likewise, estimation of IBNR provisions for specialized business such as credit guarantee insurance may require other methods more appropriate to the nature of the business.
2. In these instructions, the term IBNR covers both provisions for claims not yet reported (Incurred But Not Yet Reported or IBNYR) as well as incomplete provisions for reported claims (Incurred But Not Enough Reported or IBNER). It is not necessary to establish separate provisions for IBNYR and for IBNER so long as the method(s) used will take into account both elements.
3. The method stated in these instructions is the "preferred method" and is generally suitable to estimate the IBNR provision. If the Actuary considers the method stated in these instructions to be not suitable, he should set out the reasons for such conclusion and provide justification for the alternative method(s) proposed to be used, being considered more appropriate. Where the method(s) used is not one of the well-known methods, the Actuary should also describe the method(s) and the underlying assumptions in that method(s).
4. All mathematical methods of estimation are based on a set of assumptions. So, the validity of the assumptions underlying the method proposed to be used should be fully set out and validated sufficiently to lend credibility to the exercise.
5. Calculation of the provision for IBNR should be done separately for each year of occurrence or year of underwriting and the figures should be aggregated to arrive at the total amount to be provided.
6. The calculation of the ALAE provision can be included with the loss provision, but when calculated separately the same level of detail in terms of method(s) used, validation of assumptions, estimation by year, etc. as described above for loss provisions should be done for the ALAE provisions. The calculation of the ULAE provision is generally done with simpler, yet actuarially sound, methods.

Examination and validation of basic data

1. The Actuary should apply such checks as practically possible to assess the quality and completeness of the data to improve the accuracy of the IBNR provision estimates.
2. Data should be examined separately for each of the classes set out in the instruction notes. If data of any class is aggregated with data for another class, care should be taken to see that the two classes are homogeneous in nature.
3. The Actuary should examine the changes in underwriting policy over the period of observation and in particular, the changes made in current underwriting policy. The impact of such changes on the claims development pattern and claims ratio should be estimated if appropriate.
4. The Actuary should examine the development of premium written over recent years. If the average level of deductible has undergone material change over the recent years, its impact on the claims development pattern should be taken into account.
5. The compilation of data on an underwriting period basis instead of a period of occurrence (accident period) basis may be proposed in some cases. Where this basis is followed the Actuary should support the reason for change of basis on objective reasons.

Claims handling

1. A detailed review of the claims handling practices should be conducted. Where material changes are identified, their impact on the claims development pattern should be taken into account.
2. Each claim is to be recognized upon occurrence of the insured event. The way this is implemented in practice may differ from one company to another, but it should include various claim transactions and reserves for the estimated liability on a case by case basis (case reserves). The impact of inadequate provision for claims on claims development can be significant and should be taken into account.
3. In addition to recognition of claims, which the Company follow to determine the provision to be made and the mechanism to review such provision, the Company has the responsibility toward having prompt and fair settlement related to the claims. The Company may sell or accept the collectable returns as a part of the settlement and include the practice of downsizing the claims provision in cases where there has been no movement in the claim over a certain period, which may be important factors in claims development.
4. The Company should consider that claim development patterns can be materially affected by the occurrence of unusual events over the period of observation such as:
   a) Individual large claims;
   b) Catastrophic events causing a large number of claims;
   c) Changes in Law affecting the incidence and size of claims;
   d) Impact of external factors on the average size of claims; and
   e) Judicial changes related to accrued compensation.
5. When estimating IBNR after adjustment for reinsurers' share, note should be taken of any changes in reinsurance protections and changes in size of retentions over recent years.

Claims cost trends

1. In order to make adequate adjustment for trends, the following aspects should be studied:
   a) Composition of portfolio;
   b) External factors such as economic environment, inflation, changes in legal, political or social conditions;
   c) The underwriting policy of the Company; and
   d) Changes in the Company's claim settlement practices.
2. A significant indicator of claims experience trends is the frequency of claims occurrence and the average size per claim paid and per claim outstanding. These should be studied and any variations observed should be looked into.

Test of credibility

1. To ensure completeness of IBNR provision estimation, tests of credibility for the results produced should be applied including, evaluating the frequency of claims occurrence, ultimate incurred loss ratios, average cost per claim paid and per claim outstanding, etc.
2. It is generally inappropriate to accept any negative values for the IBNR provision in total. To avoid such a situation, estimation of IBNR should be made separately for each year of occurrence. Negative values of IBNR for any year can be allowed where it is actuarially justified based on the nature of the risk, claims practices and historic development trends. The actuary must include a detailed description of the reasons for including negative IBNR in total for any type of business. While negative IBNR in total for a type of business may be appropriate if actuarially justified and documented, the negative IBNR shall not be an Admissible Asset.
3. An essential check on the credibility of the estimation exercise is to see how the claims developed during the preceding twelve months as compared to the projection and estimation made last year. The outstanding claims provision and provision for IBNR made at the last Balance Sheet date should be compared with the aggregate of claims paid during the year, claims outstanding and the provision for IBNR at the end of the current year, for the years of occurrence up to and including the date of the last Balance Sheet.
4. When estimation methods produce less reliable results for the most recent years, the results for the more recent years may need to be revised based on the Actuary's knowledge of the business and the Company's portfolio.

Addendum (2)

Calculation of the Mathematical Reserve

1. The Mathematical Reserve is to be determined separately for each insurance contract by a prospective method of valuation in accordance with the instructions below.
2. The valuation method shall take into account all prospective contingencies under which any premiums (by the policyholder) or benefits (to the policyholder/beneficiary) may be payable under the policy, as determined by the policy conditions. The level of benefits takes into account the reasonable expectations of policyholders (with regard to bonuses, including terminal bonuses, if any) and any established practices of the Company for payment of benefits.

3. The estimated amount of liability under each policy shall be determined based on prudent assumptions of all relevant parameters and in line with global actuarial standards. The value of each such parameter shall be based on the Company's expected experience and shall include an appropriate margin for adverse deviations that may result in an increase in the amount of the mathematical reserve.

4. In case of a negative reserve, the Actuary shall set the amount of such mathematical reserve at zero, or to the guaranteed surrender value in case of such guaranteed surrender value deficiency reserve, as the case may be. For unit-linked business, the mathematical reserve may be negative, but the Actuary shall set the mathematical reserve to a level so that the sum of the mathematical reserve and the unit reserve is at least as large as the guaranteed surrender value.

5. The Actuary shall not make allowance for any future lapse, surrender, making paid-up or revival of a contract where such an allowance would result in a decrease in the liability in respect of that contract.

6. The Actuary shall take into account vested, declared or allotted bonuses or other forms of participation to which policyholders are already either collectively or individually contractually entitled.

7. The Actuary shall take into account discretionary charges and deductions from Policy Benefits, in so far as they do not exceed the reasonable expectations of policyholders.

8. The Actuary shall take into account expenses, including commissions. The expenses shall take either implicit or explicit account of future increases considered likely in expenses for existing business based on prudent assumptions as to the future rates of changes in prices and earnings.

9. Consideration shall be given to the impact of selective withdrawals in the allowance for future expenses, particularly where the allowance is not assessed on a per policy basis.

10. Explicit allowance for future expenses is required for all contracts under which no future premiums are receivable where these are not provided by disclosed margins in the valuation rate of interest.

11. Proper provision must be made for claims handling expenses, directly or indirectly. This is particularly relevant to classes of business such as permanent health insurance where these expenses are likely to be significant.

12. Where a net premium method is used it is permissible to take credit for the difference between the gross premium and the valuation net premium in assessing the provision to be made for meeting the expenses likely to be incurred in the future in fulfilling the existing contracts, but only to the extent allowed by global actuarial standards.

13. The Actuary shall take into account any rights under contracts of reinsurance.

14. The Actuary shall take into account any other options that the policyholder has in respect of the policy, or by virtue of the contract, and that provision shall be made on prudent assumptions to cover any increase in liabilities caused by policyholders exercising options under their contracts. Treatment of options should be in line with global actuarial standards.

15. The provisions for unit-linked funds should be the unit value and depends on what the guarantees are in the product. So the provisions should be provided keeping in mind guaranteed return if any in addition to basing it on the future expected unit value.

16. The Actuary shall use one of the common methods which would be suitable for the size, nature and complexity of the business. Common methods like Gross Premium Method of valuation or retrospective method may be used if demonstrated to be at least as prudent. The Actuary shall give an explanation for the method adopted and the method shall be consistent from year to year. In case the Actuary decides to change the method being used from previous years, sufficient explanation to the same needs to be provided.

17. The method of calculation of the amount of liabilities and the assumptions for the valuation parameters shall not be subject to arbitrary discontinuities from one year to the next. The calculation of the net present value of payments is to be based on a portfolio of (AAA) rated sovereign risk securities with a similar expected payment profile to the liability being measured. In case the market yields for longer term durations are not available within UAE, in such a case US$ market yield of a (AAA) rated sovereign risk securities should be considered as a measure for AED longer term durations.

18. The determination of the amount of mathematical reserve shall take into account the nature and term of the assets representing those liabilities and the value placed upon them and shall include prudent provision against the effects of possible future changes in the value of assets on the ability of the Company to meet its obligations arising under policies as they arise.

19. Technical Provisions (including Mathematical Reserves) considered for Solvency purposes should not include unit-linked funds' reserves to the extent that it does not include the guaranteed portion of the insurance policies with the unit-linked funds.

20. Mortality Rates used must be conservative. The Actuary should provide reinsurance rates or refer to any published mortality table that is justifiable.

21. Sensitivity to assumptions used should be provided.

22. Persistency – Lapse analysis should be provided where applicable.

23. In the event of lack of clarity on specific assumptions not defined above for calculating the Mathematical Reserves, the Actuary can apply actuarial best practices but must provide justification and quote relevant actuarial standards in the valuation report.

Addendum (3)

Report of the Actuary on the Estimation of Reserves

The report of the Actuary should contain the following elements at a minimum. Some elements will be at an overall company level, and the others should be at the line of business or coverage level to document the analysis of the Actuary.

Name of Company:

Name of Actuary:

Insurance activity practiced by the company:

Section 1 – The Company and its business:

1. The premium scale of the Company and the classes of business it writes. Has the growth of premium income been steady and reasonable? Fluctuations in growth rates or high or low growth rates may be indicative of a change in the composition of business or changes in underwriting policy.

2. What is the underwriting policy of the Company in respect of:
   a) Selection of risks;
   b) Rates and deductibles; and
   c) Delegation of underwriting authority.
3. Has the underwriting policy remained stable over the past three years? Note any changes in key underwriting personnel and the impact on the underwriting policy of the Company
4. What is the claims processing and settlement policy of the Company in the matter of:
   a) First recognition of claim;
   b) Provision for claims where no information or inadequate information on facts are available;
   c) Periodicity of review of the provision for a claim;
   d) Negotiation of bodily injury claims relating to motor accidents;
   e) Processing and settlement of claims; and
   f) Pursuit of recovery or sale of salvage.
5. Has the claims processing and settlement policy remained the same over the past three years? Note any changes in key claims personnel and the impact on the claims settlement practice of the Company.
6. Has the Company experienced any cash flow or financial problems over the observation period? Note any effects on the Company's underwriting or claims settlement practices as a result of these problems.
7. Has the claims data been affected by catastrophic events such as earthquake, flood, windstorm, individual large claims, etc. or any significant changes in the business environment such as a severe economic recession that would have affected the business experience and impacted the claims figures?
8. Any changes in the general business and insurance industry conditions in matters such as legislative environment, competition, consumerism, levels of court awards, etc.? Note the impact of these changes.

Section 2 – The data

1. The data should be compiled separately for each class of insurance business as required by the insurance regulations. If not, comment on the reasons for variation.
2. Comment on the source of data and steps taken to ensure that the data is consistent, reliable, complete and in agreement with the financials.
3. Comment on the observed trends in the growth of premiums, frequency of loss occurrence, average cost per claim paid and per claim outstanding, speed of emergence of claims and speed of settlement. Also state how these have been taken into account in the selection process of assumptions used in the estimation of provisions.
4. Note any individually large claims that affect the claims development figures and how the estimation process was adapted as a result of these claims.
5. The estimation of provisions should be done pre- and post-adjusting for the reinsurance share (gross and net of reinsurance). A description of the process followed to determine the provisions post-adjusting for reinsurance share should be provided. Any material change in the reinsurance program, along with how the

estimation process was adapted to adjust for the change should be provided. If data on a net of reinsurance basis is not readily available, it is up to the Actuary to work on the provision estimates on a gross basis and work on the estimate of provisions for the share of reinsurance ceded, if that is more easily possible.

Section 3 – The methods

1. Describe the methods used for estimation of provisions. If the methods used now are different from the methods used previously, state the reason(s) for change.
2. Document the assumptions underlying the methods and discuss to what extent the validity of the assumptions was verified.
3. Where the method(s) used is not commonly understood, explain the methodology and provide adequate working sheets to understand the calculations and results.
4. The review and the examination of the results should be executed using another method.

Section 4 – Evaluation of the results

1. Compare the prior estimated claim provisions (that were pending at the end of the previous year's estimate), with the paid claims in the subsequent year for each claim in order to test the accuracy of the prior estimates.
2. The difference between the claim reserves booked by the Company and the claim reserves estimated by the Actuary must be disclosed. If the Company estimates are lower than the estimates by the Actuary, then additional tests that were conducted to assess the accuracy of the estimates should be disclosed.

Section 5 – Overall results

Comment on calculated incurred claim ratios for the Company over the years. In particular, comment whether the claim ratios for the more recent years are logical and state how the estimation process was modified to achieve more credible results.

Section 6 – Attachments

The data collected from the database of the Company, the compiled cumulative figures, the calculation sheets and the final results should be attached to the report.

Section 7 – Certification

1. The Actuary should not put forward or certify any figures, which lack credibility, with serious reservations.
2. The Actuary should certify that he has checked the data to the best of his ability and is satisfied that they are consistent, reliable and complete and that the assumptions underlying the methods used for estimation of provisions are reasonable.
3. The report should be signed with date by the Actuary.

Section 4

Regulations Pertinent to Determining the Company's Assets that Meet the Accrued Insurance Liabilities

Section (4)

Regulations Pertinent to Determining the Company’s Assets that Meet the Accrued Insurance Liabilities

Article (1) – General Rules for Asset Valuation

The Company shall apply the following rules in the valuation of its assets:

1. The Company shall invest all their assets in accordance with the “prudent person principle.
2. With respect to the whole portfolio of assets, the Company shall only invest in assets and instruments, whose risks can be adequately identified, measured, monitored, managed, controlled and reported, and appropriately take into account in the assessment of their overall solvency needs by the Company.
3. All assets, in particular those covering the Minimum Capital Requirement, Minimum Guarantee Fund and the Solvency Capital Requirement, shall be invested in such a manner to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition the localization of those assets shall be such as to ensure their availability.
4. Without prejudice to paragraph (2) above, and with respect to assets held in respect of Life insurance contracts where the investment risk is borne by the policyholders, the following shall apply:
   a) Where the benefits provided by a contract are directly linked to the value of unit-linked funds, or to the value of assets contained in an internal fund held by the Company, usually divided into units, the technical provisions with respect to those benefits must be represented as closely as possible by those units or, in the case where units are not established, by those assets.
   b) Where the benefits provided by a contract are directly linked to a share index or some other reference value other than those referred to in subparagraph (a) above, the technical provisions with respect to those benefits must be represented as closely as possible either by the units deemed to represent the reference value or, in the case where units are not established, by assets of appropriate security and marketability which correspond as closely as possible with those on which the particular reference value is based.
   c) Where the benefits referred to above include a guarantee of investment performance or some other guaranteed benefit, the assets held to cover the corresponding additional technical provisions shall be subject to paragraph (3) of this Article.
5. With consideration to paragraph (2) and with respect to assets, Regulations Pertinent to the Basis of Investing the Rights of the Policyholders shall apply.

6. Companies must comply with the detailed provisions regarding the general rules for asset valuation as prescribed in the Addendum of this Article attached to these regulations.

Article (2) – Limits for assets to be considered for Solvency

The Admissible Assets to be considered towards the calculation of solvency shall be valued as follows:

1. The value of all the invested assets shall be restricted as per the limits defined in the Regulations Pertinent to the Basis of Investing the Rights of the Policyholders.
2. All other assets shall be valued as required by the Authority.

Article (3) – Addendum

The Addendum attached to these regulations is an integral part of the regulations and is to be read along with the regulations.

Addendum to Section 4

Determining the Company's Assets that Meet the Accrued Insurance Liabilities

Addendum

Measurement of Assets for the purpose of calculation of the solvency margin shall be as detailed below:

1. Investments in Non-Insurance Subsidiaries and Associates

a) Valuation of investments in Subsidiaries and Associates that are listed securities must be on the closing market quotation or the latest available market quotation (whichever is lower).

b) Valuation of investments in Subsidiaries and Associates that are not listed securities must be at economic or market value. A suitable valuation may be used to arrive at this value, but undertakings shall also consider the risks that arise from holding a balance sheet item, using assumptions that market participants would use in valuing the asset or liability.

c) The International Accounting Standards Board's (IASBs) International Financial Reporting Standards (IFRS) related to "Fair Value Measurement" accounting is considered a suitable measure for true economic value. This proposes a 'mark-to-market' approach or, if not possible, a 'mark-to-model' approach for all participations, listed and unlisted, taking into account the guidance given by the IASB related to "The valuation of assets and liabilities for solvency assessment purposes". Where the holding is not material however, a Net Asset Value (NAV) approach may be used.

2. Real Estate Investments

a) For Admissible Asset purposes, real estate assets such as land and buildings must be valued at market value as assessed by an independent qualified expert. The Company may elect to use book value where that value is less than market value, however where no proper valuation exists the Authority is to appoint an authorized independent real estate firm at the Company's expense and use the results of the valuation.

b) The admissibility test is to be applied in total to both land and building in instances where the realizable value of the asset is dependent on both the land and the building.

c) For solvency margin calculation purposes, real estate assets such as land and buildings must be valued on a 'cash flow' basis.

3. Debt / Government Securities

a) Government securities/bonds (both fixed and variable interest securities) must be valued at:

   1) In the case of listed securities, the closing market quotation or the latest available market quotation (whichever is lower);

   2) In the case of securities which are not transferable, the amount payable on surrender or redemption of such securities as at the date the security is being valued; and

   3) In any other case, the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof.

b) Debt securities (both fixed and variable interest securities) not covered in subparagraph (a) above must be valued at:

   1) In the case of listed securities, the closing market quotation;

2) In the case of securities which are not transferable, the amount payable on surrender or redemption of such securities as at the date the security is being valued; and

3) In any other case, the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof.

4. Equity Shares

a) Valuation of equity shares that are listed securities is based on the closing market quotation or the latest available market quotation (whichever is lower).

b) Valuation of equity shares that are not listed securities must be valued at economic or market value. A suitable valuation may be used to arrive at this value, but undertakings shall also consider the risks that arise from holding such a balance sheet item, using assumptions that market participants would use in valuing the asset or liability.

c) The IFRS related to "Fair Value Measurement" accounting is considered a suitable measure for true economic value. This proposes a ‘mark-to-market’ or, if not possible, a ‘mark-to-model’ approach for all participations, listed and unlisted, taking into account the guidance given by the IASB related to "The valuation of assets and liabilities for solvency assessment purposes". Where the holding is not material however, a Net Asset Value (NAV) approach may be used.

5. Traded Derivative Contract

A traded derivative contract that is a listed security, for a share or a debenture must be valued at the closing market quotation, and otherwise at the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof.

6. Loans Secured by Insurance Policies Issued by the Company

Valuation of a loan secured by an insurance policy issued by the Company must be as the amount of the loan but not exceeding the amount payable on a surrender of the policy as at the date the policy is being valued.

7. Other Assets

a) Valuation of deposits and current account balances with approved financial institutions must be at their carrying value. The admissible value of these assets is their carrying value.

b) The admissible value of any cash holding is its carrying value.

c) Amounts due under contracts of insurance and reinsurance, including salvage and subrogation rights, must be valued at the amounts that can be expected to be recovered. The exceptions being:

1) Advance commission paid to intermediaries which must be valued at nil, except in case of long term life insurance contracts, where advance commission paid should be valued at carrying value in its first year; and

2) Amounts that pertain to a subsidiary or associate of the Company must be valued in accordance with subparagraph (1) above.

3) Any debt should be valued depending on the exact nature of the debt and its recoverability. In any event and for all debtors, International Financial Reporting Standards related to the “impairment of assets” should be considered.

d) For investments that are not specifically covered above, if the investment is due, or will become due, within twelve months from the date at which the investment is being valued (or would become so due if the company exercised some right), valuation should be based on the amount which can reasonably be expected to be recovered in respect of the investment, taking due account of any security held in respect thereof.

8. Total Invested Assets

a) For the purposes of asset valuation regulations, 'Total Invested Assets' is defined as the sum of the assets in the categories listed in paragraph (1) of Article (3) of the Basis of Investing the Rights of the Policyholders in Section (1) of this regulation.

b) The Total Invested Assets for the Property and Liability insurance business shall be segregated and maintained separately from the Total Invested Assets held for the Insurance of Persons and Fund Accumulation operations.

Section 5

Regulations Pertinent to the Records which the Company shall be obligated to Organize and Maintain as well as the Data and Documents that shall be made Available to the Authority

Section (5)

Regulations Pertinent to the Records which the Company shall be obligated to Organize and Maintain as well as the Data and Documents that shall be made Available to the Authority

Article (1) – General Requirements for Records

1. The Company must maintain complete transaction records for all local and international operations for as long as they are deemed relevant for the purposes for which they were made. Records of completed transactions may be retained in either hard copy and/or electronic format, but must be kept in their original form. Completed transaction records for business booked in the UAE must be maintained in the UAE and be easily accessible to the Authority.
2. Any Company that is licensed for both Insurance of Persons & Fund Accumulation operations and Property and Liability insurance operations, must maintain separate records in respect of both types of insurance operations. The transactions relating to each kind of business must be maintained separately. The Company must maintain such accounting and other records as necessary to identify all assets and liabilities in respect of each kind of business.
3. The Company shall maintain backup for all records. The backup shall be maintained in a separate location from the original records.
4. Regardless of any information mentioned in other regulations, the electronic information or information generated from the computer system, fax and e-mail are considered adequate and valid if the authoritative controls were adhered to.

Article (2) – Period of Retention for Records

1. The retention period of the records and backups along with any other related documents and data, should be for ten (10) years or more, as of the end date of the activity or the working relation with insured.
2. The Company will maintain records beyond the normal statute of limitation periods as stipulated in paragraph (1) above, when the records are subject to ongoing investigations or prosecution in court. In such cases, the retention period shall be two years from the date of final verdict or the resolution issuance.

Article (3) – Types of Records

1. The Company must maintain adequate records for all lines of business and shall include:
    a) Underwriting, Policy Issuance and Policy Servicing records;
    b) Claim transaction records;
    c) Complaints records;
    d) Technical Provisions records;
    e) Financial Solvency records;
    f) Product related records;
    g) Reinsurance contracts and related records;
    h) Investment records;
    i) Records of Company's transactions with its subsidiaries and affiliates;
    j) Records for the policyholders' funds under management;
    k) Records for shareholders funds;
    l) Major agreements of the Company;
    m) Policies and Procedures for all the processes within the Company including Risk Management Policy and Procedures;
    n) Records of actuarial reports;
    o) Records for professionals related to insurance; and
    p) Any other records that the Authority may require.
2. Further guidance on types of records in Addendum (1) of the regulations herein shall be applied.

Article (4) – Examination of Records

1. The Authority examiners or any person assigned by it shall have the right to conduct office and field examinations of all accounts, records, documents, and transactions related to the insurance affairs of the Company and the Insurance and Reinsurance Services Provider. The Company employees shall provide all information, particulars and documents required by the examiners.
2. When appointing an Actuary, the Company shall waive any duty of confidentiality on the part of the Actuary, such that the Actuary may report to the Authority any concerns held regarding material failures by the Company to comply with Authority requirements.
3. The Authority may from time to time inspect under conditions of secrecy the records of the Company and of any of its branch offices.
4. The Authority has the right to submit a formal letter to any Company employee for the following reasons:
    a) Provide the Authority with any information; or
    b) Appear before the Authority to discuss any topic that the Authority may request.

5. An examiner authorized by the Authority shall examine, without any prior notice, the documents related to:
   a) The Company, or its agent, inside or outside the UAE; or
   b) The Company in liquidation or an insurance company whose license has been suspended.
6. The examiner may examine the Company or a person whom he believes to be acquainted with the facts and circumstances of the case, including the External Auditor or the Actuary of the Company, the Company or the person shall give such document or information as the examiner may require within such time as he may specify.
7. An External Auditor or an Actuary shall not be liable for breach of a contract relating to, or duty of, confidentiality for giving a document or information to the examiner.
8. In case it becomes evident to the Authority that the actuarial report does not reflect the correct financial status of the Company, the Authority may order a re-examination by an Actuary appointed by Authority and the expenses to be borne by the Company for re-examination ordered by the Authority.
9. In the case of any material discrepancies in the data or the records provided by the Company, the Authority may request to amend them within a specified period.
10. The Company should submit any documents or information requested by the Authority or any Company that has an ownership relationship with the Company, pertaining to the Company's records and within the time period set by the Authority.

Article (5) – Records for Agents

1. The agent shall keep records for all the data, information and documents related to the insurance agency business he is practicing on behalf of the Company or any of its branches, as the case may be, including the following:
   a) Name and address of the Company or any of its branches he is practicing the insurance business for;
   b) A copy of the agency agreement concluded between him and the Company;
   c) Memos and correspondences related to his business;
   d) The proposals received on behalf of the Company or any of its branches;
   e) Name of the proposer of insurance, the insured and the beneficiary, as well as the date of issuance and the premium collected in respect thereof;
   f) Where the agent is entitled to underwrite and issue policies on behalf of the Company, the agent shall document insurance policies and their endorsements concluded by him on behalf of the Company or any of its branches;
   g) A copy of insurance policies that the policyholder concludes with the Company;
   h) Records with serial numbers related to collecting, paying, recording, settling claims and any financial transactions regarding the insurance agency business practiced; and
   i) Bank records regarding the insurance agency business practiced.
2. The records referred to above shall be in the form of originals, or in any other form of electronic archiving systems.

3. The agent shall keep the records along with the backups for a period of not less than those stated in the insurance agent's regulations.
4. The agent shall maintain records beyond the normal statute of limitation periods as stipulated in the insurance agent's regulations, when the records are subject to ongoing investigations or prosecution in court, until such records are no longer needed.
5. The Authority may assign an employee(s) or appoint an external party to inspect, at appropriate times, the records of the agent. The agent shall have all his records available and cooperate with the employee(s) or the external party so that they can fully perform their duties. The agent shall bear all the expenses for the external party as decided by the Authority, unless the Authority deems otherwise.

Article (6) – Records for Brokers

Brokers shall maintain records in accordance with terms and provisions identified in the insurance brokerage regulations in force, and decisions issued pursuant thereto.

Article (7) – Addendum

The Addendum attached to these regulations is an integral part of the regulations and is to be read along with the regulations.

Addendum to Section 5

Records which the Company shall be obligated to Organize and Maintain as well as the Data and Documents that shall be made Available to the Authority

Addendum

1. The Company shall maintain the following as a minimum for Policy Issuance, Underwriting and Policy Servicing records:

    a) Insurance application and proposal;

    b) Insurance policy;

    c) Agreement on any terms of reinsurance cover;

    d) Reinsurance contracts;

    e) The insured and beneficiary's proof of identification;

    f) Underwriting policy and procedures;

    g) The technical basis of the insurance policies and premium ratios;

    h) List of insured personnel for group policies;

    h) Medical declaration for Insurance of Persons;

    i) Policyholders register;

    j) Re-insurance registers for assumptions and cessions showing details of underwriting information by treaty, subscriptions, losses, commissions, etc., balances due to/from re-insurance companies, and supporting source documents; and

    k) Customer Complaints register.

2. The Company shall maintain claim records pertaining to policyholders' claims and classify them into paid, unpaid, and rejected claims. Each record shall include the following:

    a) Insurance application and proposal, if available;

    b) Copy of the insurance policy and procedures;

    c) Claims policy and procedures;

    d) Policyholder's claim information;

    e) Claims register;

    f) Adjusters and assessor's report and any other documents pertaining to the claim and the direct reason leading to the covered loss;

    g) Proportional share of any other insurance and re-insurance policies in effect;

    h) Action taken by the Company and the status of the claim;

    i) A power-of-attorney from the insured to the Company to subrogate it in the following cases;

        1) Third party liability for the loss; and

        2) Defending the insured in disputed liability or in determining the indemnity amount.

    j) Signed settlement agreement by a person for a paid claim except in the cases of electronic medical claims where the signed settlement agreement is waived.

3. The Company shall maintain the following records in relation to the calculations of Technical Provisions:

a) The methods and assumptions used in establishing the Company's reserves, including the margins for adverse deviation, and the reasons for their use;

b) The nature of, reasons for, and effect of, any change in approach, including the amount by which the change in approach increases or decreases its reserves;

c) Stress testing and scenario analysis prepared as required;

d) Reserve calculations performed for each period; and

e) Claims developments within the preceding five (5) years to show the variances in building the technical provisions.

4. The Company shall maintain records related to investment operations such as investment statements, summary of investment income, details of derivatives and pledged assets, supporting documentation including securities registers (including information regarding securities held by the Company outside the UAE).

5. In support of the investment operations, the Company shall maintain the following records:

a) Working papers, with properly referenced audit trails, to support the financial statements/ regulatory data required to be submitted to the Authority;

b) Bank statements, cheque registers, monthly banks reconciliations, vouchers and receipts pertaining to the operations in the UAE, and adequate documentation to confirm that amounts due in respect of the insurance business of the Company flow to the bank accounts in the UAE;

c) Records supporting amounts due to or from the head office and affiliated entities (if any);

d) Policy movement reports and reserve amounts;

e) Premium registers detailing premiums written, earned, and unearned;

f) Listing of policy loans amounts on deposit by policy, related income or expense, and originals or copies of policy loan applications;

g) A description of the accounting system;

h) All agreements, including outsourcing agreements with third party and affiliates;

i) All signed contracts, which are material to the Company, that relate to the administrative operation of the Company;

j) Policies and practices governing the Company’s operations in the UAE;

k) Risk management policies and procedures;

l) Details of Board of Directors minutes and other committee minutes;

m) Details of any current litigation matters; and

n) Actuarial reports, including valuation reports, external review reports, experience studies, etc., and supporting documentation.

Section 6

Regulations Pertinent to the Principles of Organizing Accounting Books and Records of Each of the Companies, Agents and Brokers and Determining Data to be maintained in these Books and Records

Section (6)

Regulations Pertinent to the Principles of Organizing Accounting Books and Records of Each of the Companies, Agents and Brokers and Determining Data to be maintained in these Books and Records

Article (1) – Types of Accounting Books

1. Following types of accounting books shall be maintained at minimum:
   a) Accounting Books including Technical accounting books;
   b) Ledgers and sub-ledgers;
   c) Journals;
   d) Adequate accounting and other books to identify and support the contracts and the assets, liabilities, revenues and expenses attributable to its operations; and
   e) Any other books as required by the Authority.
2. The Company which is carrying on both Insurance of Persons & Fund Accumulation operations and Property and Liability insurance operations must maintain separate books in respect of both operations. Transactions relating to each business operation must be maintained separately. The Company must maintain accounting and technical books needed to identify all assets and liabilities relating to the business operations.
3. The Authority may from time to time inspect under conditions of secrecy the books, accounts and transactions of any Company and of any of its branch offices.
4. The Company should submit any documents or information requested by the Authority on any Company that has an ownership relationship with the Company, pertaining to the Company's books and within the time period that is set by the Authority.
5. The Company shall maintain backup for all records. The backup shall be maintained in a separate location from the original records.
6. Regardless of any information mentioned in other instructions, the electronic information or information generated from the computer system, telefax, fax and e-mail are considered adequate and valid if the authoritative controls were adhered to.
7. The books referred to above shall be in the form of originals, or in any other form of electronic archiving systems.
8. The Authority may assign an employee(s) from their end or appoint an external party to inspect, at appropriate times, the books of the Company. The Company shall have all its books available and cooperate with the employee(s) or the external party so

that they can fully perform their duties. The Company shall bear all the expenses for the external party as decided by the Authority, unless the Authority deems otherwise.

9. For inspection purposes, the Company shall allow the Authority access to its books, accounts and documents and shall give such information and facilities as may be required to conduct the inspection.
10. The retention period of the books and backups along with any other related documents and data, should be for ten (10) years or more, as of the end of the financial year or as of the end date of the activity or the working relation with the insured.
11. The Company will maintain books beyond the normal statute of limitation periods as in paragraph (10), when the books are subject to ongoing investigations or prosecution in court, until such books are no longer needed.

Article (2) – Records for Agents

1. Every insurance agent shall prepare for every accounting year the following:
   a) A financial position as at the end of each accounting period;
   b) An income statement for that period;
   c) A cash flow statement;
   d) A change in equity statement; and
   e) Additional statements and notes to accounts as may be required by the Authority.
2. Every insurance agent shall maintain separate ledger accounts for each of its clients.
3. The retention period for records identified in this Article and their backup copies shall be in line with the applicable insurance agent’s regulations.
4. The agent shall maintain records beyond the normal statute of limitation periods as stipulated in the applicable insurance agent’s regulations, when the records are subject to ongoing investigations or prosecution in court, until such records are no longer needed.
5. The Authority may assign an employee(s) from their end or appoint an external party to inspect, at appropriate times, the records of the agent. The agent shall have all his records available and cooperate with the employee(s) or the external party so that they can fully perform their duties. The agent shall bear all the expenses for the external party as decided by the Authority, unless the Authority deems otherwise.

Article (3) – Records for Brokers

Insurance brokers shall maintain accounting and technical books and prepare the financial statements in accordance with the terms and provisions identified in the insurance brokerage regulations and decisions issued pursuant thereto.

Article (4) – Auditing of Accounting Books

1. The Company shall appoint one or more qualified and experienced External Auditors for its accounts for every financial year.

2. If a Company fails to appoint an External Auditor within four months from the beginning of the financial year, the Authority shall appoint such External Auditor at the Company's expense.

3. The External Auditor shall review actuarial reports that represent immediate or future risks facing the Company, and the Authority shall be provided with copies of these reports in a timely manner.

4. The Actuary shall, in the presence of immediate or future risks facing the Company that would hinder the Company from fulfilling its short term and long term liabilities, submit a report on a timely basis directly to the Company's Board of Directors. The Board of Directors shall examine the report and recommend corrective actions, and forward all related information to the Authority, including the Board of Director's recommendations related to the report.

5. The Company's Board of Directors shall form an Audit Committee consisting of at least three members from non-executive managers (a Chairman and two other members), of whom a member shall be an expert in financial and accounting affairs. The Board of Directors shall select the committee members among its members other than the members of the executive management or any of the committees established by the Board of Directors. One or more members from outside the Company may be appointed in case the number of non-executive Board of Directors members is not sufficient. The Audit Committee shall meet at least once every three months, or whenever necessary.

6. The Company shall:

   a) Establish an Internal Audit department, which shall report directly to the Audit Committee. The Internal Audit Head in charge of this department must be a holder of a professional certificate in the related discipline and have relevant and adequate experience.

   b) Appoint a regulatory compliance officer. This officer shall verify compliance with all rules, regulations and instructions. This officer shall directly report to the Chief Executive Officer and shall contact the Authority directly and provide it with information according to the procedures that it specifies.

7. The Company shall submit to the Authority the management letter issued by the External Auditor, on an annual basis, before publication of the financial statements.

8. Further guidance on auditing of accounting books and other related guidelines in Addendums (1) and (2) of the regulations herein shall be applied.

Article (5) – Addendums

The Addendums attached to these regulations are an integral part of the regulations and are to be read along with the regulations.

Addendums to Section 6

Principles of Organizing Accounting Books and Records of Each of the Companies, Agents and Brokers and Determining Data to be maintained in these Books and Records

Addendum (1)

1. Additional Tasks for the External Auditor:

   a) The Authority may request additional duties from the External Auditor, including:

      1) Submission of such additional information relating to the audited accounts as the Authority may specify;

      2) Enlarging the scope of the audit;

      3) Notifying the Authority of any financial violations discovered during the course of the audit;

      4) Notifying the Authority of any reservations regarding the accounts or the reserves of the Company;

      5) Notifying the Authority of any discrepancy in the financial systems, controls, and of any material inaccuracies or inconsistency in the Company's financial statements; and

      6) Preparing such financial reports and statements as required by the Authority. External Auditor's fees for such additional tasks shall be borne by the Company.

   b) While carrying out such additional duties, listed in paragraph (a), as requested by the Authority, the External Auditor shall not be in breach of any duties towards the Company, the Authority, the shareholders or any third parties.

2. The External Auditor shall be independent and shall not be the Chairman or a director in the Company's Board of Directors or a managing director, agent, representative or taking up any administrative work therein, or supervising its accounts, or a next of kin to someone who is responsible for the administration or accounts of the Company, or having an extraordinary interest in the Company or any of its competitors.

3. If any of the circumstances referred to in the paragraph (2) occurs after the appointment of the External Auditor, the Company must appoint another External Auditor.

4. The Company shall provide the External Auditor with all information and assistance necessary for carrying out his duties.

5. The duties of the External Auditor shall include the preparation of a report on the final and interim accounts. The report shall contain a statement on whether the Company's accounts are fairly stated and reflect materially, the actual state of affairs of the Company and whether the Company has provided the External Auditor with all required information and clarifications.

6. If the Company is a foreign Company, its final audited accounts together with the External Auditor's report shall be sent to its main office abroad and a copy shall be sent to the Authority.

7. External Auditor Access to Relevant Information: Outsourcing agreements must ensure that the Company's Internal and External Auditors have timely access to any relevant information they may require to fulfill their responsibilities.

Addendum (2)

1. Major Roles and Responsibilities of the Internal Auditor:

   a) Evaluates and provides reasonable assurance that risk management, control, and governance are functioning as intended for all required systems, processes and/or risks enabling the Company to meet its objectives and goals;

   b) Reports risk management issues and internal control deficiencies identified directly to the Audit Committee, or equivalent group-level governance structure for Foreign Companies, and provides recommendations for improving the Company's operations, in terms of both efficient and effective performance;

   c) Evaluating the risk exposures relating to the achievement of the Company's objectives;

   d) Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information;

   e) Evaluating the information security and probabilities of exposure to its related risks;

   f) Evaluates regulatory compliance program with consultation from legal counsel;

   g) Evaluates the Company's readiness in case of business interruption; and

   h) Teams with other internal and external resources as appropriate.

2. The Company shall have an annual audit plan and a risk assessment performed annually and aligned to the annual audit master plan

Section 7

Regulations Pertinent to Accounting policies to be adopted and the necessary forms needed to prepare and present reports and financial statements

Section (7)

Regulations Pertinent to Accounting policies to be adopted and the necessary forms needed to prepare and present reports and financial statements

Article (1) – Preparation of Financial Statements

1. The Company shall prepare its financial statements in accordance with the International Financial Reporting Standards and the Authority accounting policies and forms stipulated herein, and shall provide the Authority with a detailed financial report in accordance with the applicable requirements of the Authority.
2. The Company that is providing Insurance of Persons and Funds Accumulation operations in addition to Property and Liability insurance operations must generate separate financial statements for each type of business and consolidated financial statements according to the attached forms in Appendix (1).
3. The Company shall submit its annual financial and closing statements including their notes to the Authority in both languages; Arabic and English.
4. The Company shall submit its quarterly financial statements including notes to the Authority in Arabic. Submission in English is optional.
5. Further guidance on preparation of financial reports in Addendum (1) of the regulations herein shall be applied.

Article (2) – Amendments to Financial Statements

The Authority shall have the right to add any items to the forms required for the financial reports and statements, amend or cancel such forms, or to add any other forms.

Article (3) – Reporting Requirements

1. The Company shall provide the Authority with the financial statements attached in Appendix (1) herein according to a deadline set by the Law for the Operations of the Company in the UAE, its foreign branches and other related companies if applicable.
2. In case of errors noted in the submitted financial statements, the Authority will request the Company to rectify the identified mistakes and revert to the Authority within the period set by the Authority.

3. The Company should provide the Authority with a copy of the financial statement as per the below instructions:

   a) Quarterly financial statements:

   The Company should provide the Authority with quarterly financial statements signed by the Company's General Manager and reviewed by the External Auditor. A limited review by the External Auditor is deemed to be sufficient for purposes of quarterly reporting. A forty-five (45) day period after the end of the quarter is the submission deadline.

   b) Annual financial statements:

   The Company should provide the Authority with annual financial statements audited by the External Auditor and signed by the Chairman of the Board of Directors and the General Manager. The submission date is determined based on the law governing the submission. The Annual report to be submitted to the Authority shall include the following:

   1) The External Auditor report for the Company on audited financial statements and Disclosures based on Appendix (1) of this regulation.
   2) The notes to the Financial Statements;
   3) The Report of the Board of Directors;
   4) The Report of the Actuary of the Company;
   5) A description of the roles of the Actuary and the External Auditor in the preparation and audit of the annual financial statements; and
   6) The Management Report (not applicable to branches of Foreign Insurance Companies).

4. Further guidance on reporting requirements in Addendum (2) of the regulations herein shall be applied.

Article (4) – Addendums & Appendix

The Addendums and Appendix attached to these regulations are an integral part of the regulations and are to be read along with the regulations. The format of the reports in Appendix (1) are shown as a general guideline, but are intended to follow the International Financial Reporting Standards which are expected to be updated periodically.

Addendums to Section 7

Accounting policies to be adopted and the necessary forms needed to prepare and present reports and financial statements

Addendum (1)

1. Any item required to be shown in a Company's financial statement may be shown in a greater detail than required by the Appendix or in the actual forms specified by the Authority.
2. In the event that any item is added to the forms, adequate justification must be given in the notes regarding the reasons for the item being disclosed separately.
3. The Company must not include a heading or sub-heading corresponding to an item in the financial statement format used if there is no amount to be shown for that item for the financial year to which the financial statement relates. Where an amount can be shown for the item in question for the immediately preceding financial year that amount must be shown under the heading or sub-heading required by the format for that item.
4. For every item shown in the financial statement the corresponding amount for the immediately preceding financial year must also be shown.
5. Where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the financial statement relates, the former amount shall be adjusted, and particulars of the non-comparability and of any adjustment must be disclosed in a note to the accounts.

Addendum (2)

The Management Report shall contain the following:

1. Confirmation regarding the continued validity of the registration granted by the Authority;
2. Certification that all the dues payable to the statutory authorities have been duly paid/accrued;
3. Confirmation to the effect that the shareholding structure and any transfer of shares during the year are in accordance with the statutory or regulatory requirements;
4. Confirmation that the required solvency margin has been maintained in compliance with the Regulations Pertinent to the Solvency Margin and Minimum Guarantee Fund issued by the Authority as per Section (2) herein;
5. Confirmation that the assets have been valued in compliance with the Regulations Pertinent to Determining the Company's Assets that Meet the Accrued Insurance Liabilities issued by the Authority as per Section (4) herein;
6. Confirmation to the effect that no part of the various funds maintained by the Company have been directly or indirectly applied in contravention of the Regulations Pertinent to the Basis of Investing the Rights of the Policyholders issued by the Authority as per Section (1) herein;
7. The Company's risk management strategies and practices must include the following:
    a) A summary of the significant internal and external risks facing the Company;
    b) A summary of the Company's risk management policies (including, but not limited to, underwriting, credit, investment, reserving, legal, operational and group risks); and

c) A summary of the Company's risk monitoring organization and processes, including details on the Company's risk management and internal audit functions; the use of reinsurance; and controls on underwriting, credit and investment risk.

8. Operations in other countries, if any, with a separate statement providing management's estimate of country risk, exposure risk and the hedging strategy adopted by country;

9. Aging of claims indicating the trends in average claim settlement time and amount during the preceding five years;

10. Review of asset quality and performance of investment portfolios relevant to real estate, loans, investments, etc.

11. A responsibility statement from the management indicating therein that:

a) In the preparation of financial statements, IFRS have been followed along with proper explanations relating to material departures, if any;

b) The management has adopted accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating profit or loss and of the profit or loss of the Company for the year;

c) The management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Authority, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) The management has prepared the financial statements on a going concern basis; and

e) The management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.

12. Details of any shares in the company held by its Directors and Chief Executive Officer/General Manager shall be disclosed.

13. The following information relating to corporate governance shall be included:

a) Information on the corporate governance (including IT Governance) rules and framework adopted within the Company;

b) Information about the Board of Directors and Board of Directors' Committees (if any). This must include details of Board of Directors membership (including a summary of each Board of Directors member's professional experience, qualifications, date of appointment, remuneration paid and other Directorships held); details of the membership and mandates of any Board of Directors' Committees; and the number of Board of Directors meetings and any Board of Directors' committee meetings held during the financial year in question;

c) Information on the composition and role of various other Board of Directors and Management Committees;

d) Information about the managerial structure. This must include a summary of the Chief Executive Officer's/General Manager's professional experience, qualifications and date of appointment; a summary of any management committees, their mandates and membership; and a summary of the senior management structure and reporting lines; and

e) Information about the Company's basic organizational structure, including a clear description of the lines of business and legal entity structures.

Appendix 1

Financial Statement Forms

Appendix (1)

Insurance Company Financial Statement Forms (with Disclosures)

Consolidated Financial Position for Insurance Company as of (Day/Month/Year)

	Notes	20XX AED	20YY AED
Assets			
Property, machinery, and equipment			
Investments in associates			
Intangible assets			
Investments at amortized cost			
Investments carried at fair value through other comprehensive income			
Derivative financial instruments			
Investments carried at fair value through profit and loss			
Investment in Properties			
Insurance balances receivable			
Statutory deposits			
Loans guaranteed by life insurance policies			
Premiums and insurance balances receivable			
Reinsurers' share of outstanding claims			
Other receivables and prepayments			
Deposits			
Cash and cash equivalents			
Total Assets			
Shareholders' Equity and Liabilities			
Shareholder Equity attributable to shareholders of the Parent			
Treasury shares			
Additional paid-in capital			
Retained earnings/loss			
Minority Interest			
Foreign currency translation reserve			
Total Shareholders' Equity			
Issued and paid up share capital			
Share premium			
Treasury reserve			
Employees Share option reserve			
Revaluation reserves			
Statutory reserve			
General reserve			
Cumulative change in Fair Value through other comprehensive income			
Total Reserves			
Total Shareholders' Equity			
Liabilities			
Borrowings			
Retirement benefit obligation			
Derivative financial instruments			
Accounts Payable			

Insurance Liabilities

Insurance contract liabilities

Premium collected in advance

Technical Provisions

Unearned premium reserve

Unexpired Risk Reserve

Claims under settlement reserve

Incurred but not reported reserve

Allocated loss adjustment expense reserve

Unallocated loss adjustment expense reserve

Mathematical reserve

Total technical provisions

Total Liabilities
Total Shareholders' Equity and Liabilities

Consolidated refers to a group of companies running Insurance of Persons and Fund Accumulation Operations on one hand, and Property and Liability Insurance on another.
The cash flow and change in shareholders' equity format under consolidated financial statements is applicable to individual financial statements to be prepared for Insurance of Persons, Fund Accumulation Operations, Property and Liability Insurance.

Consolidated Income Statement for Insurance Company for the period ended (Day/Month/Year)

	Notes	20XX	20YY
		AED	**AED**
Gross Premiums			
Reinsurance Share of Gross Premiums			
Reinsurance Share of Ceded Business Premiums			
Net Premium			
Net Transfer to Unearned Premium Reserve			
Net Premium Earned			
Commissions Earned			
Commissions Paid			
Others			
Gross Underwriting Income			
Gross Claims Paid			
Commissions and deductions			
Reinsurance Share of Insurance Claims and loss adjustment expenses recovered from reinsurers			
Reinsurance Share of Ceded Business Claims			
Net Claims Paid			
Provisions for Outstanding Claims			
Reinsurance Share of Outstanding Claims			
Increase/ (Decrease) in Unearned Premium Reserves & URR			
Increase/ (Decrease) in Incurred but Not Reported Claims Reserves			
Increase/ (Decrease) in Allocated & Unallocated Loss Adjustment Expense Reserve			
Increase/ (Decrease) in Mathematical Reserves			
Net Claims Incurred			
Net Underwriting Income			
Income from Investments			
Income from Investment Properties			
Foreign Currency Exchange Fluctuation (Gain/Loss)			
Other Gain/Loss			
Total Income			
General and Administrative Expenses			
Bonuses and Rebates (Net of Reinsurance)			
Other Operating Expenses			
Net Profit/Loss for the Year			
Net loss on revaluation of available-for-sale investments			
Reclassification adjustment relating to available-for-sale investment impaired during the year			
Transfer to profit or loss on investments for sale/ amortization/ provision/ impairment loss on financial assets carried at amortized cost			
Board of Directors’ remuneration			
Total Comprehensive Profit/Loss for the Year			
Earnings per share:			
Basic			
Diluted			

Comprehensive Income Statement for Insurance Company for the period ended (Day/Month/Year)

	Notes	20XX	20YY
		AED	AED
Net Profit for the Year			
Other Comprehensive Income			
Other comprehensive income reclassified to profit and loss at later stages:			
Share of other comprehensive income of associates			
Net unrealized gain/(loss) from investments through other comprehensive income			
Net realized (gain)/loss transferred to profit and loss from the sale of investments through other comprehensive income			
Transferred to profit and loss from impairment of investments through other comprehensive income			
Foreign currency adjustments from translation of foreign operations			
Other Comprehensive Income for the Year			
Total Comprehensive Income for the Year			
Attributable to:			
Shareholders of the parent company			
Non-controlling interests			

Consolidated Cash Flow for Insurance Company for the period ended (Day/Month/Year)

	20XX AED	20YY AED
Income (Profit/Loss) for the Year		
Adjustments:		
Depreciation		
Unrealized Gain /Loss on Investment Properties		
Unrealized Gain /Loss on Derivative Financial Instruments		
Unrealized Gain /Loss Foreign Currency Exchange Fluctuation		
Unrealized Gain /Loss on Investment		
Other Gain/Loss		
Cash Flows from Operating Activities		
Increase /(Decrease) in Insurance Receivables		
(Increase) /Decrease in Other Receivables and Prepayments		
(Decrease) /Increase in Accounts Payable		
(Decrease) /Increase in Insurance Contract Liabilities		
Retirement Benefit Obligations		
Net Cash from Operating Activities		
Cash Flows from Investing Activities		
Purchase of Property, machinery, and equipment		
Proceeds from Sale of Property, machinery, and equipment		
Investments		
Net Cash from Investing Activities		
Cash flows from Financing Activities		
Purchase of Treasury Shares		
Dividends Paid to Company’s Shareholders		
Proceeds from Borrowings		
Proceeds from Issuance of shares		
Net Cash from Financing Activities		
(Decrease) /Increase in cash and cash equivalents		
Cash and Cash Equivalents at the End of the Year		

Consolidated Statement of Change in Equity for Insurance Company as of (Day/Month/Year)

		Attributable to Equity Holders of the Parent															
		Other Reserves (AED)															
	Notes	Treasury share	Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Issued and paid up share capital	Share premium	Treasury shares reserve	Employees share option reserve	Revaluation reserve	Statutory reserve	General reserve	Cumulative changes in reserve on investments through other comprehensive income	Total ordinary shareholders' equity	Other equity instruments	Minority interests	Total equity
Balance at December 31, 20XX																	
Profit/Loss for the year																	
Other comprehensive income/loss for the year																	
Total comprehensive loss for the year																	
Dividends																	
Issue of bonus shares																	
Balance at December 31, 20YY																	
Profit/Loss for the year																	
Other comprehensive income/loss for the year																	
Total comprehensive loss for the year																	
Dividends																	
Issue of bonus shares																	
Balance at December 31, 20ZZ																	

Financial Position for Insurance of Persons and Fund Accumulation Operations for Insurance Company as of (Day/Month/Year)

	Notes	20XX AED	20YY AED
Assets			
Property, machinery, and equipment			
Investments in associates			
Goodwill			
Financial Instruments			
Investment in Properties			
Investments in financial securities			
Investments at amortized cost			
Investments through other comprehensive income			
Derivative financial instruments			
Investments carried at fair value through other comprehensive income			
Available for sale Real Estate investments			
Insurance balances receivable			
Statutory deposits			
Loans guaranteed by life insurance policies			
Premiums and insurance balances receivable			
Reinsurers share of outstanding claims			
Other receivables and prepayments			
Deposits			
Cash and cash equivalents			
Total Assets			
Shareholders' Equity and Liabilities			
Shareholder Equity attributable to shareholders of the Parent			
Treasury shares			
Additional paid-in capital			
Retained earnings/loss			
Minority Interest			
Foreign currency translation adjustments			
Shareholders' Equity			
Issued and paid up share capital			
Treasury reserve			
Employees share option reserve			
Revaluation reserves			
Statutory reserve			
General reserve			
Cumulative change in available for sale investments			
Total Reserves			
Total Shareholders' Equity			
Liabilities			
Borrowings			
Retirement benefit obligation			
Derivative financial instruments			

Payables

Insurance Liabilities

Insurance contract liabilities

Premiums received in advance

Technical provisions

Unearned Premium Reserve

Claims under settlement reserve

Claims Incurred but Not Reported

Allocated loss adjustment expenses

Unallocated loss adjustment expenses

Mathematical Reserve

Total Technical provisions

Total Liabilities

Total Shareholders' Equity and Liabilities

Income Statement for Insurance of Persons and Fund Accumulation Operations for Insurance Company as of Month, 20XX

	Notes	20XX	20YY
		AED	AED
Gross Premium			
Reinsurance Share of Gross Premiums			
Reinsurance Share of Ceded Business Premiums			
Net Premium			
Net Transfer to Unearned Premium Reserve			
Net Transfer to Mathematical Reserve for Life Insurance Operations			
Net Premium Earned			
Commissions Earned			
Commissions Paid			
Net earnings from Life Insurance Investments			
Others			
Gross Underwriting Income			
Gross Claims Paid			
Reinsurance Share of Insurance Claims and loss adjustment expenses recovered from reinsurers			
Reinsurance Share of Ceded Business Claims			
Net Claims Paid			
Provisions for Outstanding Claims			
Reinsurance Share of Outstanding Claims			
Earnings and Cancellations of Life Insurance Policies			
Increase/ (Decrease) in Incurred But Not Reported Reserves (short-term products only)			
Increase/ (Decrease) in Allocated Adjustment Expense Reserve			
Increase/ (Decrease) Unallocated Loss Adjustment Expense Reserve			
Increase/ (Decrease) in Mathematical Reserves			
Net Claims Incurred			
Net Underwriting Income			
Income from Investments			
Income from Investments in Properties			
Foreign Currency Exchange Fluctuation (Gain/Loss)			
Other Gain/Loss			
Total Income			
General and Administrative Expenses			
Bonuses and Rebates (Net of Reinsurance)			

Other Operating Expenses

Net Profit/Loss for the Year

Net loss on revaluation of investments through other comprehensive income

Reclassification adjustment relating to investment through other comprehensive income impaired during the year

Transfer to profit or loss on investments for sale/ amortization/ provision/ impairment loss on financial assets carried at amortized cost

Board of Directors' remuneration

Total Comprehensive Profit/Loss for the Year

Earnings per share:

Basic

Diluted

Financial Position for Property and Liability Insurance Company as of (Day/Month/Year)

	Notes	20XX AED	20YY AED
Assets			
Property, machinery, and equipment			
Investments in associates			
Goodwill			
Financial Instruments			
Investments in Properties			
Investments in financial securities			
Investments at amortized cost			
Investments designated at fair value through the other comprehensive income			
Derivative financial instruments			
Investments classified as fair value through income statement			
Investments in properties			
Insurance receivables			
Statutory deposits			
Premiums and insurance balances receivable			
Reinsurers' share of outstanding claims			
Other receivables and prepayments			
Deposits			
Cash and cash equivalents			
Total Assets			
Shareholders' Equity and Liabilities			
Shareholders' Equity attributable to Shareholders of the Parent:			
Treasury shares			
Additional paid-in capital			
Retained earnings/loss			
Minority Interest			
Foreign currency translation adjustments			
Issued share capital			
Share premium			
Treasury reserve			
Employees share option reserve			
Revaluation reserves			
Statutory reserve			
General reserve			
Cumulative Fair Value through other comprehensive income			
Total Reserves			
Total Shareholders' Equity			
Liabilities			
Borrowings			
Retirement benefit obligation			
Derivative financial instruments			
Accounts Payables			

Insurance Liabilities
Insurance contract liabilities
Premiums received in advance
Technical provisions
Unearned Premium Reserve

Claims under settlement reserve
Incurred but Not Reported reserve
Allocated loss adjustment expense reserve
Unallocated loss adjustment expense reserve
Total Technical Reserves
Total Liabilities
Total Shareholders' Equity and Liabilities

Income Statement for Property and Liability Insurance Company for the period ended (Day/Month/Year)

	Notes	20XX	20YY
		AED	AED
Gross Premium			
Reinsurance Share of Gross Premiums			
Reinsurance Share of Ceded Business Premiums			
Net Premium			
Net Transfer to Unearned Premium Reserve			
Net Premium Earned			
Commissions Earned			
Commissions Paid			
Others			
Gross Underwriting Income			
Gross Claims Paid			
Reinsurance Share of Insurance Claims and loss adjustment expenses recovered from reinsurers			
Reinsurance Share of Ceded Business Claims			
Net Claims Paid			
Provisions for Outstanding Claims			
Reinsurance Share of Outstanding Claims			
Increase/ (Decrease) in Incurred but Not Reported Claims Reserves			
Increase/ (Decrease) in Allocated & Unallocated Loss Adjustment Expense Reserves			
Net Claims Incurred			
Net Underwriting Income			
Income from Investments			
Income from Investments in Properties			
Foreign Currency Exchange Fluctuation (Gain/Loss)			
Other Gain/Loss			
Total Income			
General and Administrative Expenses			
Bonuses and Rebates (Net of Reinsurance)			
Other Operating Expenses			
Net Profit/Loss for the Year			
Net loss on revaluation of investments through other comprehensive income			
Reclassification adjustment relating to investment through other comprehensive income impaired during the year			

Transfer to profit or loss on investments for sale/ amortization/
provision/ impairment loss on financial assets carried at amortized cost

Board of Directors' remuneration

Total Comprehensive Profit/Loss for the Year

Earnings per share:

Basic

Diluted

Notes to the Financial Statements

1. Disclosure over the financial statements is made in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and its interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and according to the templates identified by the Authority.

2. Notes to financial statements include the following:

2.1 General information.

2.2 Adoption of new and revised International Financial Reporting Standards (IFRSs).

2.3 Summary of significant Accounting Policies which include:

a. Statement of compliance.

b. Basis of preparation.

c. Basis of consolidation.

d. Business combinations.

e. Goodwill.

f. Insurance contracts.

g. Revenue recognition.

h. General and administrative expenses.

i. Foreign currencies.

j. Property, machinery and equipment.

k. Investment properties.

l. Impairment of non-financial assets.

m. Provisions.

n. Financial instruments.

o. Financial assets.

p. Financial liabilities.

q. Dividend distribution.

r. Others.

2.4 Accounting assumptions and key sources of estimation of uncertainty.

2.5 Property, machinery and equipment.

2.6 Investment properties.

2.7 Financial investments.

2.8 Statutory deposits.

2.9 Insurance contract liabilities and reinsurance contract assets.

2.10 Insurance receivables.

2.11 Bank balances and cash.

2.12 Share Capital.

2.13 Reserves.

2.14 Bank borrowings.

2.15 Insurance payables and others.

2.16 Net investment income / loss.

2.17 Related party transactions.

2.18 Segment information.

2.19 Contingent liabilities.

2.20 Commitments.

2.21 Insurance risk.

2.22 Capital risk management.

2.23 Financial instruments.

2.24 Dividends.

2.25 Approval of financial statements.

2.26 Others.

3. In addition to the above, the Company should disclose the following:

3.1 Gross Premium

This item is to comprise all amounts due during the financial year in respect of insurance contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year, and must include the following:

a. Premiums yet to be determined, where the premium calculation can be done only at the end of the year;

b. Single premiums, including annuity premiums, and, in long-term business, single premiums resulting from bonus and rebate provisions in so far as they must be considered as premiums under the terms of the contract;

c. Additional premiums in the case of half-yearly, quarterly or monthly payments and additional payments from policyholders for expenses borne by the Company;

d. In the case of co-insurance, the Company's portion of total premiums;

e. Reinsurance premiums due from ceding and retroceding insurance undertakings, including portfolio entries, after deduction of cancellations and portfolio withdrawals credited to ceding and retroceding insurance undertakings.

3.2 Statutory Deposit

In accordance with Federal Law No. (6) of 2007, the Company shall place a deposit at a Bank in the State as guarantee of fulfilling its liabilities and amounting to AED 4 million for Insurance of Persons and Fund Accumulation Operations, and AED 2 million per line of business for Property and Liability Insurance, not to exceed AED 6 million.

3.3 Insurance Receivables

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Due from Policyholders		
Less: Allowance for Doubtful Debts		
Due from insurance/ reinsurance companies		
Due from brokers/ agents		
Less: Allowance for Doubtful Debts		
Insurance Receivable - Net		

Inside UAE:

	December 31,	
	20XX	20YY
	AED	AED
Due from Policyholders		
Less: Allowance for Doubtful Debts		

Due from insurance/ reinsurance companies		
Due from brokers/ agents		
Less: Allowance for Doubtful Debts		
Insurance Receivable - Net		

Note: The receivables ageing details to be disclosed separately for policyholders, reinsurance inward, reinsurance outward, brokers and agents in the below format:

Inside UAE

Less than 30 days		
30 – 90 days		
91 – 180 days		
181 – 270 days		
271 – 360 days		
More than 360 days		
Total		

Outside UAE

Less than 30 days		
30 – 90 days		
91 – 180 days		
181 – 270 days		
271 – 360 days		
More than 360 days		
Total		

Movement on the provision for doubtful debts during the year was as follows:

	20XX	20YY
	AED	AED
Balance at the beginning of the year		
Additions		
Balance at year end		

3.4 Other Receivables and Prepayments

	December 31,	
	20XX	20YY
	AED	AED
Receivable from Employees		
Refundable Deposits		
Prepayments		
Others		
Other Receivables and Prepayments		

3.5 Issued Share Capital

Subscribed and paid – up capital amounted to AED XX distributed over XX shares, the par value of each is AED 1 as of December 31, 20XX (against AED XX million shares of AED 1 each as of December 31, 20YY).

3.6 Payables

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Payables – Inside UAE		
Payables – Outside UAE		
Other payables		
Total		

Inside UAE:

	December 31,	
	20XX	20YY
	AED	AED
Accounts Payable –		
Insurance Companies Receivable		
Reinsurance Companies Receivable		
Accounts Payable –		
Receivable from Agents		
Receivable from Brokers		
Receivable from Employees		
Other payables		
Total		

Outside UAE:

	December 31,	
	20XX	20YY
	AED	AED
Accounts Payable – Article (1):		
Insurance Companies Receivable		
Reinsurance Companies Receivable		
Accounts Payable – Article (2):		
Receivable from Agents		
Receivable from Brokers		
Receivable from Employees		
Other payables		
Total		

3.7 Technical Provisions

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Insurance of Persons and Fund Accumulation:		
Unearned Premium Reserve		

Incurred but Not Reported Reserve (Short-term life and Fund Accumulation products of one year)

Mathematical Reserve

Allocated Loss Adjustment Expense Reserve

Unallocated Loss Adjustment Expense Reserve

Total Insurance of Person and Fund Accumulation Operations

Note: Technical provisions details in the above format to be provided for each class of insurance as defined by the Authority.

Property and Liability Insurance:

Unearned Premium Reserve

Incurred but Not Reported Reserve

Unallocated Loss Adjustment Expense Reserve

Total Property and Liability insurance Technical Provisions

Total Technical Provisions

Note: Technical provisions details in the above format to be provided for each class of insurance as defined by the Authority.

Adequate explanation for the method adopted should be given and the method should be consistent from year to year for technical provisions. In case the Actuary decides to change the method being used from previous years, sufficient explanation to the same needs should be provided.

3.8 Summary of the Actuary's report on the Technical Provisions

3.9 Net Premium

a) Gross premiums	December 31,	
	20XX	20YY
	AED	AED
Insurance of Persons and Funds Accumulation Operations		
Total Gross Premiums Insurance of Persons and Fund Accumulation operations		
Property and Liability insurance		
Total Gross Premiums for Property and Liability insurance		
Change in unearned premiums reserves		
Total Gross Premiums		

Note: Gross Premium details in the above format to be provided for each class of insurance as defined by the Authority.

b) Premiums ceded to reinsurers	December 31,	
	20XX	20YY
	AED	AED
Insurance of Persons and Funds Accumulation Operations:		

Total Insurance of Persons and Fund Accumulation operations Insurance Premiums Ceded to Reinsurers:

Property and Liability insurance:

Total Property and Liability insurance Premiums Ceded to Reinsurers

Change in unearned premiums reserves

Total Premiums Ceded to Reinsurers

Note: Premium ceded to reinsurers details in the above format to be provided for each class of insurance as defined by the Authority.

c) Reinsurance share of accepted business premiums

	20XX	20YY
	AED	AED
Insurance of Persons and Funds Accumulation Operations		
Total Insurance of Persons and Fund Accumulation operations Insurance Premiums for accepted share of reinsurance business		
Property and Liability insurance		
Total Property and Liability insurance Premiums for accepted share of reinsurance business		
Change in unearned premiums reserves		
Total Premiums for accepted share of reinsurance business		

Note: Reinsurance share of accepted business premium details in the above format to be provided for each class of insurance as defined by the Authority.

	20XX	20YY
Total Net Premium (a-b+c)	AED	AED

3.10 Net Claims Paid

a) Gross claims paid

	20XX	20YY
	AED	AED
Total Gross Claims Insurance of Persons and Fund Accumulation operations		
Total Gross Claims for Property and Liability insurance		
Total Gross Claims		

Note: Gross Claims Paid details in the above format to be provided for each class of insurance as defined by the Authority.

b) Reinsurance share of claims

	31,December	
	20XX	20YY
	AED	AED

Total Insurance of Persons and Fund Accumulation operations Insurance Claims Ceded to Reinsurers

Total Property and Liability insurance Claims Ceded to Reinsurers

Total Claims Ceded to Reinsurers

Note: Claims ceded to reinsurers details in the above format to be provided for each class of insurance as defined by the Authority.

c) Reinsurance share of accepted business claims

	20XX	20YY
	AED	AED
Insurance of Persons and Funds Accumulation Operations		
Total Insurance of Persons and Fund Accumulation operations Insurance Claims for accepted share of reinsurance business		
Property and Liability insurance		
Total Property and Liability insurance Claims for accepted share of reinsurance business		
Total Claims for accepted share of reinsurance business		

Note: Reinsurance share of accepted business claims details in the above format to be provided for each class of insurance as defined by the Authority.

Total Net Claims (a – b + c)	20XX	20YY
	AED	AED

3.11 Capital risk management

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the year. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

	December 31,	
	20XX	20YY
	AED	AED
Minimum Capital Requirement (MCR)		
Solvency Capital Requirement (SCR)		
Minimum Guarantee Fund (MGF)		
Own Funds		
Basic Own Funds		
Ancillary Own Funds		
MCR Solvency Margin - Minimum Capital Requirement (Surplus/Deficit)		
MCR Solvency Margin Solvency Capital Requirement (Surplus/Deficit)		

MCR Solvency Margin Minimum Guarantee Fund
(Surplus/Deficit)

3.12 Risk management

The listed risks should be disclosed in detailed, as a minimum:

a) Underwriting Risk.

b) Market and Liquidity (Investment) Risk.

c) Credit Risk.

d) Operational Risk.

3.13 Claims development schedule

Part Two: General Provisions

Fifth Article – Penalties

The Company not abiding with the instructions in this regulation will be penalized as per the penalties stipulated in the laws and as the case requires.

Sixth Article – Issuing Decrees

The Director General of the Authority issues the required decrees and forms to enforce the instructions of these regulations.

Seventh Article – Aligning Operations

A. The Company shall align their operations to the covenants of the regulations herein according to the timeframes below:

1. With regards to Section (1) Regulations Pertinent to the Basis of Investing the Rights of the Policyholders, the alignment period will be as follows:
    a) Any Company that exceeds the concentration and asset allocation limits mentioned in paragraph (1) of Article (3) are to regularize their positions within a period not exceeding three (3) years as of the next day subsequent to the issuance of these regulations in the Official Gazette.
    b) The regularization period is two (2) years for any Company that exceeds the concentration and allocation limits other than real estate mentioned in paragraph (1) of Article (3), as of the next day subsequent to the issuance of these regulations in the Official Gazette.
    c) The regularization period is two (2) years for provisions of this regulation other than the asset limits and allocations identified in paragraph (1) of Article (3), as of the next day subsequent to the issuance of these regulations in the Official Gazette.
2. With regards to Section (2) Regulations Pertinent to the Solvency Margin and Minimum Guarantee Fund, the alignment period will be three (3) years as of the next day subsequent to the issuance of these regulations in the Official Gazette.
3. With regards to Section (3) Regulations Pertinent to the Basis of Calculating the Technical Provisions, the alignment period will be two (2) years as of the next day subsequent to the issuance of these regulations in the Official Gazette.
4. With regards to Section (4) Regulations Pertinent to Determining the Company's Assets that Meet the Accrued Insurance Liabilities, the alignment period will be three (3) years as of the next day subsequent to the issuance of these regulations in the Official Gazette.
5. With regards to Section (5) Regulations Pertinent the Records which the Company shall be obligated to Organize and Maintain as well as the Data and Documents that shall be made Available to the Authority, the alignment period will be one (1) year as of the next day subsequent to the issuance of these regulations in the Official Gazette.

6. With regards to Section (6) Regulations Pertinent the Principles of Organizing Accounting Books and Records of Each of the Companies, Agents and Brokers and Determine Data to be maintained in these Books and Records, the alignment period will be one (1) year as of the next day subsequent to the issuance of these regulations in the Official Gazette.
7. With regards to Section (7) Regulations Pertinent to Accounting policies to be adopted and the necessary forms needed to prepare and present reports and financial statements, the alignment period will be one (1) year as of the next day subsequent to the issuance of these regulations in the Official Gazette.

B. During the alignment periods of this regulation the Company shall provide the Authority with the financial reports, solvency templates and reports as required by the Authority that demonstrate progress in aligning its operations according to the requirements and regulations herein. These reports shall be provided within the same period as the interim and annual audited financial statements.

Eighth Article – Publishing the Regulations and Acting on Them

These regulations shall be published in the Official Gazette and are acted upon the next day from the publishing date.

Engineer Sultan Bin Saeed Al Mansouri
The Minister of Economy
Chairman of the Board of the Insurance Authority

Issued in Abu Dhabi

Date: 6 / Rabee' Al Awal / 1436 Hijri

Corresponding to: 28 / December / 2014 AD