



Insurance Authority's Board of Directors Decision No.(23) of 2019

Concerning Instructions Organizing Reinsurance Operations

Chairman of the Insurance Authority,

Having pursued:

- The Federal Law No. (6) of 2007, concerning the Establishment of the Insurance Authority and the Organization of Insurance Operations and its amendments; and its Executive Regulations.
- Federal Law No. (4) of 2000 on the Emirates Securities & Commodities Authority and Market and its amending laws;
- Federal Law No. (8) of 2004 concerning Financial Free Zones.
- Federal Law No. (1) of 2006 Concerning Electronic Transactions and Commerce.
- The Federal Law No. (2) of 2015 on Commercial Companies;
- The Federal Law No. (9) of 2016 Concerning Bankruptcy;
- The Federal Law No. (14) of 2016 concerning Administrative Violations & Sanctions in the Federal Government;
- The Cabinet Resolution No. (23) of 2009 Concerning Monitoring & Supervision Fees and Insurance Transactions;
- The Cabinet Resolution No. (42) of 2009 Concerning Insurance Company Minimum Capital Regulations;
- The Insurance Authority's Board of Directors' Resolution No (4) of 2010 Concerning the Takaful Insurance Regulations;
- The Insurance Authority Board Resolution No. (15) of 2014 Concerning the Information & Data Contained in the Register of Insurance Companies and Related Professions;
- The Insurance Authority's Board of Directors' Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies;
- The Insurance Authority's Board of Directors' Decision No. (26) of 2014 Pertinent to Financial Regulations for Takaful Insurance Companies;
- The Insurance Authority's Board of Directors' Decision No. (10) of 2016 concerning the separation between the insurance of persons and fund accumulation operations on the one hand and property and liability insurance operations on the other hand,
- The Insurance Authority Board Resolution No. (9) of 2017 Concerning Licensing Actuaries and Organizing their Operations;



And based on the recommendation of the Insurance Authority Director General and the approval of the Board of Directors thereof,

Has decided:

Article (1)

Definitions

1. The following terms and expressions shall have the meanings assigned to each of them unless the context indicates or the nature of the work requires otherwise:-

State: The United Arab Emirates.

Law: Federal Law No. (6) of 2007 concerning the Establishment of the Insurance Authority and Organization of its Operations and the amendments thereof.

Executive Regulations: The Executive Regulations of the Law.

Authority: The Insurance Authority established by virtue of the provisions of the Law.

Board: The Insurance Authority's Board of Directors.

Director General: The Director General of the Insurance Authority.

Reinsurance: ceding part of the liability for the risk or the entire liability taken by the direct insurer under the insurance contract to the reinsurer and the consequent rights and obligations.

Reinsurer: An insurance company, or a reinsurance company, or an insurance pool or reinsurance pool, or syndicates of underwriting insurance groups that accept cession.



Cession: ceding the liability arising from the insurance contract as a whole or in part by the insurer or the reinsurer to another reinsurer pursuant to a reinsurance contract or retrocession contract.

Retrocession: The reinsurer cedes to another reinsurer the liability of the risk or that he has accepted pursuant to the reinsurance contract.

Retention: The liability retained by the insurer or the reinsurer for his own account in the insurance or reinsurance contract or from a specific risk or event.

Reinsurance ceded by the insurance company: The process of reinsurance ceded by the direct insurer to the reinsurer.

Reinsurance accepted by the insurance company: the reinsurance process accepted by the direct insurer.

Facultative Reinsurance: the reinsurance related to a particular risk or risks, wherein both parties have the freedom to accept or reject in each case separately.

Treaty Reinsurance: the reinsurance of a group of insurance contracts in a particular class or classes of insurance where the ceding company has pre-covered business within the group or classes and within the terms and conditions of the reinsurance treaty.

Facultative Obligatory Reinsurance: the reinsurance of a group of insurance contracts or risks where the reinsurer is obliged to accept in advance while the insurer reserves the freedom to cede or not.

Actuary: The person who evaluates insurance contracts and documentation and assesses the accounts related to them.

Register: The Insurance Authority's Electronic Register or otherwise of the reinsurance companies and Takaful reinsurance companies.

Electronic Means: The electronic and smart services, or otherwise, adopted by the Authority.



2. Except for the above, the words and expressions in these Regulations shall have the meanings ascribed to them in the Law, and the Executive Regulations and The Insurance Authority's Board of Directors' Resolution No (4) of 2010 Concerning the Takaful Insurance Regulations, with regards to the Takaful and Takaful reinsurance business.

Chapter one General Provisions Article (2)

1. The terms of an insurance company and reinsurance company, wherever stated in these regulations, shall include the Takaful Insurance Company and the Takaful Reinsurance Company. The terms of insurance and reinsurance operations wherever stated in these Regulations shall also include Takaful insurance and Takaful reinsurance unless a special provision is stipulated or unless the context indicates otherwise.

2. The provisions of these regulations shall apply to:

(A) Reinsurance companies established in the State;

(B) Branches of foreign reinsurance companies.

(C) Reinsurance business ceded by an insurance company licensed and registered with the Authority.

(D) Accepted Reinsurance business by a licensed insurance company registered with the Authority.

(E) An insurance or reinsurance pool in which an insurance or reinsurance company licensed and registered with the Authority participate or an underwriting syndicate.

3. Protection and Indemnity Clubs (P& I Clubs) are subject to the rules issued by the competent authorities applicable to them, and to the instructions and Regulations issued by the Insurance Authority.



Article (3)

The Reinsurance Company may practice reinsurance operations in the insurance of persons and funds accumulation on the one hand and the reinsurance operations in the insurance of property and liabilities on the other hand. The Takaful Reinsurance Company may also practice family Takaful Reinsurance and General Takaful Reinsurance, provided that:

1. The practice of these operations of both types shall be among the purposes set forth in its Articles of Association.
2. It shall comply with the provisions of The Insurance Authority's Board of Directors Resolution No (10) of 2016 concerning the separation between the insurance of persons and fund accumulation operations on the one hand and property and liability insurance operations on the other hand.

Article (4)

The reinsurance company may practice the Takaful reinsurance business provided that:

1. The practice of Takaful reinsurance in addition to the reinsurance operations shall be among the purposes set forth in its Articles of Association.
2. All its operations related to Takaful Reinsurance shall be compliant with the Islamic Shariah provisions.
3. It shall comply with the provisions of The Insurance Authority's Board of Directors Resolution No (4) of 2010 Concerning the Takaful Insurance Regulations issued by the Authority to the extent consistent with Takaful reinsurance business.
4. It shall adopt complete technical and financial separation between the reinsurance business and Takaful reinsurance business.



5. It shall comply with the provisions of Insurance Authority Board of Directors' Resolution No. (10) of 2016 concerning the complete separation between the two types of reinsurance.

Article (5)

The conventional insurance company licensed and registered by the Insurance Authority may practice the ceded and accepted reinsurance business, (treaty , facultative and facultative obligatory) within and outside the State pursuant to the provisions and terms contained in these Instructions, and in particularly the following:

1. Ceding reinsurance operations (treaty, facultative and facultative obligatory) to reinsurance Companies or conventional insurance companies.
2. Accepting Reinsurance businesses (Conventional & Takaful) treaty, facultative and facultative obligatory, provided that reinsurance operations shall be among the purposes set forth in its Articles of Association.
- 3 – The insurance company that wants to accept treaty Takaful reinsurance must comply with Article (39) of these Instructions, in addition to what is stipulated in the above sub-Article (2).

Article (6)

The Takaful Insurance Company licensed and registered with the Authority may practice the ceded and accepted Takaful reinsurance business, (treaty , facultative and facultative obligatory) within and outside the State pursuant to the provisions and terms contained in these Instructions, and in particularly the following:

1. Ceding reinsurance operations (treaty, facultative and facultative obligatory) to Takaful Insurance Companies or Takaful reinsurance companies or to Insurance Companies or Reinsurance Companies.



2. Accepting the Takaful Reinsurance businesses (treaty, facultative and facultative obligatory) provided that Takaful reinsurance operations shall be among the purposes set forth in its Articles of Association.

3 – The Takaful insurance company that wants to accept treaty Takaful reinsurance must comply with Article (39) of these Instructions, in addition to what is stipulated in the above sub-Article (2).

Chapter Two Licensing and Registration of Reinsurance Company Submission of the license application Article (7)

1- The Founders' Committee of the reinsurance company shall submit the application for the license to the Director General through the Electronic Means or other means adopted by the Authority, enclosing the following data and documents:

- A. The Memorandum of Incorporation and Articles of Association of the reinsurance company stating the names of the founders, the number of Founders' shares allocated to them and the percentage of their respective participations.
- B. The economic feasibility study and the work plan for the first five years of the reinsurance company and the types and classes of reinsurance that will be carried out by the company and the local, regional or international markets where the company will practice its business;
- C. A certificate from an Actuary that includes the adequacy of the Technical Provisions and the prospects of the company's compliance with the Solvency Margin and the Minimum Capital Requirements ;
- D. A declaration by the founders' committee that none of the company founders has been convicted of a crime that violates honor or has been declared bankrupt;
- E. A declaration by the founders' committee that all the data and documents submitted to the Authority for obtaining the license are true.
- F. The amount of the proposed capital;



- G. The founders' decision to form the founders' committee;
- H. Complete information about the founders, the nature of their business, their experience and their shares in the insurance companies, reinsurance companies or the insurance related professions inside and outside the State;
- I. The Retrocession covers to be set by the Company to protect its liabilities and the name of the leading reinsurer nominated to deal with;
- J. The estimated budget for the first five years of the company's work;
- K. During the incorporation stage, the Founders shall appoint an Actuary, Legal consultant, Financial consultant and Auditor,
- L. Any other data or documents specified by the bylaws and regulations or deemed necessary by the Board to consider the application;
- M. A certificate from the Auditor and the Actuary indicating the ability of the company to provide the Solvency Margin and to allocate the Technical Provisions.

2. After reviewing the data and documents mentioned in sub-Article (1) of this Article, and studying them by the Authority and discussing them with the Founders Committee, the Director General shall submit the request to the Board of Directors together with his opinion on the feasibility of establishing the company.

3. The Board shall issue its decision concerning the initial approval or reject the application. In case of initial approval, the reinsurance company shall submit and enclose to the Authority the following through the Electronic Means or other means adopted by the Authority:

- a) A list of the proposed names for the position of the Director General and its senior officers, with a detailed description of their respective qualifications and experiences and attaching proof of these qualifications and experiences;
- b) Approvals and other licenses that must be obtained pursuant to the laws and regulations in force.

4. In case the application is rejected, the founders' committee shall be notified of the decision and its reasons, and they have the right to file an appeal before the Board within 30 (thirty) days from the date of their notification of the rejection.



5. If the Board endorses its previous decision, the decision shall be final.
6. The Federal Government, the Local Government and any company or entity fully owned by the Federal Government or Local Government may be a shareholder of a reinsurance company or incorporate by itself a Public shareholding company to practice reinsurance operations pursuant to the Federal Law concerning the Commercial Companies.

Licensing applications Register and Registration Procedures

Article (8)

1. The Authority shall prepare a record in which the applications for the license submitted to it shall be recorded in serial numbers according to the date of receipt of each. Each application shall contain a special file in which the data and documents submitted and action taken shall be placed.
2. After the verification of the validity and adequacy of the application and its attachments and payment of the prescribed fees, the pertinent department in the Authority shall register the application for licensing in the register Pursuant to the provisions of the Regulations.

Considering applications and completion of attached documents

Article (9)

The pertinent department in the Authority shall consider the application for the license and in case the application does not meet any of the required conditions, data or documents, it may request through the Electronic Means or other means adopted by the Authority the concerned parties to complete it within (60) sixty days from the date of application.



Acceptance/Rejection of Applications

Article (10)

1. In the event that the period stipulated in the preceding Article lapsed without completing the conditions, data or documents required by the applicant, the competent department shall refer the matter to the Director General.
2. The Director General shall consider the matter and issue his decision either by giving the applicant additional period of time or rejecting the application.
3. The applicant shall be entitled to submit a new application that meets the requirements after lapse of three months as of the Director General's decision to reject the application.
4. In the event that the new application satisfied the acceptable requisites, the competent department shall refer the application to the Director General.
5. The Director General shall refer the application to the Board to issue the decision whether by approval or rejection within sixty days from the referral date.
6. The decision to approve the license shall be published in the Official Gazette and shall be communicated to the competent authorities for the implementation of its context.
7. The competent department shall prepare a form for the licensing decision and shall be approved by the Director General.

Article (11)

1. The company is not authorized to carry out its business unless the final approval, licensing and registration in the register accomplished.
2. The company established in the State to practice reinsurance operations should be of the type of public shareholding pursuant to the provisions of The Law and the Executive Regulations and the Federal Law Concerning the Commercial Companies; provided that its primary purpose is to practice reinsurance as a specialization.



Article 12

Capital of the Reinsurance Company

1. The subscribed and paid up capital of the reinsurance company shall not be less than AED 250,000,000 (only two hundred and fifty million dirhams).
2. The Authority may determine a minimum capital for the Company greater than that stipulated in the aforementioned sub-Article (1), if the Feasibility Study indicates that the Company will be involved in a short term from its incorporation in the reinsurance business at the regional and international level.
3. At least 51% (one-fifty percent) of the capital of the reinsurance company incorporated in the State shall be owned by natural persons who are UAE Nationals or GCC Nationals or by legal persons fully owned by UAE nationals or GCC Nationals.

Article (13)

The work Plan that must be submitted for the approval of the incorporation of the reinsurance company shall include the following:

1. Types and classes of reinsurance that the company will focus on at the commencement of its incorporation.
2. Geographical distribution of the accepted businesses locally, regionally and internationally.
3. Direct acceptance policy or through reinsurance brokers.
4. The Company's retention limits of risks in each class of reinsurance.
- 5 - Reinsurance covers that will be arranged by the company to protect its liabilities and covers for accumulation and catastrophes.
6. Names and addresses of the retrocessionaires who will be dealing with the company and their rating.



7. The Financial Principals of the reinsurance that will be applied by the company.
8. Report on the financial position of the Company, the adequacy of the general and technical reserves to be taken, and the rules of the Company's accounting system.
- 9 - The investment policy that will be adopted by the company.
10. Details of the company's organization structure.
11. The Future approaches for the development of the company's business qualitatively and geographically.

Article (14)

- 1- The registration period shall be for one year ending at the end of December. In case of obtaining the registration during the year, the first registration period shall commence from the date of the registration and ends at the end of the same year.
2. The registration shall be renewed annually thirty days prior to its expiry through the Electronic Means or other means adopted by the Authority, enclosing the following:
 - A - A list including the names of the Chairman, the members of the Board of Directors ,the Director General and his deputies and the senior officers of the company.
 - B- The company's branches inside and outside the State in accordance with the conditions stipulated in Article (15).
 - C) The names of the actuaries, financial auditors and legal consultants appointed by the company or contracted with it and reinsurance brokers with whom the company deals.
 - D- The projected financial statement for the next fiscal year.



Application to open the branch

Article (15)

Should a reinsurance company established in the State intend to open a branch inside or outside the State, the company shall submit an application to the Authority through the Electronic Means or other means adopted by the Authority.

Article (16)

1. The following documents shall be attached to the application for opening a branch of the reinsurance company established in the State:
 - A. The Board of Directors' decision to open the branch.
 - B. The economic feasibility study to open the branch and work plan of the branch.
 - C. The organizational structure of the branch and name list of the branch manager and senior officers therein; provided that the list includes the names of those persons authorized to sign on behalf of the branch.
 - D. The Emiratization percentage in the company shouldn't be less than the percentage determined by the pertinent official authorities.
 - E. An undertaking by the company to render specialized training programs in the field of reinsurance for the UAE Nationals working therewith.
 - F. Any other documents as determined by the Authority.
2. The Director General may approve or reject the application and shall state the reasons behind rejection. In the latter case, the Company shall have the right to submit an appeal to the Board of Directors of the Authority and the decision of the Board shall be final.



Chapter Three

Branches of Foreign Reinsurance companies

Article (17)

- 1- A foreign company specialized and licensed in its country may open branches in the State to practice reinsurance business after obtaining the necessary license and registration from the Authority.
2. A foreign company specialized in reinsurance shall not be permitted to operate within the State through an agency, taking into consideration the special case of the underwriting Syndicates and P & I Clubs..
3. The capital of the parent company in its home country shouldn't be less than the percentage determined in sub Article (1) of Article (12) of these instructions.
- (4) The Board may exclude the company requesting the opening of a branch or branches thereof in the country from the provisions of item (3) above if the total of its free reserves plus its paid capital is not less than the amount mentioned in item (1) of Article (12) For local, regional or international reasons.

Article (18)

1- A foreign company wishing to open a branch inside the State to practice reinsurance business should have the following classification:

- A- The company should have a classification not less than the minimum classification specified in the table below or the equivalent classification ratings of other international classification bodies recognized by the Authority, according to the latest classification issued by the accredited body:

Standard & Poors	Moody's	AM Best	Fitch Ratings
BBB	Baa	B+	BBB

In case there is any inconsistency between this translation and the Arabic version of these regulations, then the Arabic version shall prevail.



B) The foreign company shall maintain its classification during the period of its license.

C) The classification must be granted on the basis of complete internal information .The classification granted based only on published information shall not be accepted.

(D) The foreign company should not be incorporated in a State having lower classification than that stipulated in clause (a) of the term herein.

2. The Board may grant the company requesting the license an exception from the provisions of paragraph (1) above for local, regional or international considerations or for considerations relating to the company itself.

3. Any additional conditions or requirements determined by the Authority.

Article (19)

To obtain the license from the Authority and to be registered in the Authority's register, it is necessary to obtain the preliminary approval of the Board and then complete the legal proceedings with the other official bodies and obtain the final approval from the Director General.

Article (20)

In order to obtain the initial approval of the Board:

1. The following documents and information must be submitted:

A. A certified copy of the company registration certificate in its country of origin.

B. A copy of the license to practice the reinsurance business in the state which the parent company is holding its nationality issued by a regulatory and supervisory governmental body and duly authenticated and attested and



including the approved types and classes of reinsurance the company is licensed to undertake.

C. A certified certificate showing the legal form of the company and whether it is an independent company or a subsidiary company.

D. A decision by the administrative board of the parent company to open the branch.

E. A certified copy of the Company's Memorandum of Incorporation and Articles of Association.

F. A copy of the balance sheet and financial statements of the parent company for the three years preceding the submission of the application, audited by a licensed auditing office.

G. Report on the Parent Company's reinsurance activity.

H. A statement clarifying the nature of the company's relation with the branch and the powers endowed therewith.

I. A written approval by the regulatory and supervisory governmental body in the country of origin to open a branch of the company in the State.

J. The rules adopted by the company for Compliance, Anti- Money Laundering and combating the financing of terrorism.

K. List of names of the Chairman and members of the Board of Directors.

L. Submitting the feasibility study.

M. The work plan for the first three years of the company branch and the types and classes of reinsurance to be transacted and whether the acceptances will be locally, regionally or internationally.

N. A certificate by an actuary that includes the adequacy of the Technical Provisions and prospects of the company's compliance with the Solvency Margin and the Minimum Guarantee Fund.

O. Approvals and other licenses to be obtained in accordance with the bylaws, laws and regulations in force.



- P. Copies of the specimens of treaties that the company will conclude in the future with insurance services providers, including reinsurance brokers.
- R. The sum of funds to be entered into the State and kept in it to meet the obligations of the company and the administrative cost of the business.
- S. Name of appointed person for the management of the branch, the senior officers and their qualifications and their practical experience in the field of insurance and reinsurance.
- T. Any other data or documents determined by the bylaws and regulations issued by virtue of law or determined by the Board which are deemed necessary for considering the application.
2. The Director General shall submit the application to the Board of Directors along with his opinion, where the Board shall decide whether to accept or reject the application.

Article (21)

1. In case the board issued the initial approval, the Company shall be notified thereof and shall be requested to take the following actions:
- a) Appointing a branch manager and senior officers who meet the required conditions and the powers granted to them.
 - b) Having an office of the company in the state.
 - c) Appointing or contracting with an actuary and a legal consultant and contracting with an external auditor.
2. After fulfilling the requirements and submitting the required documents and data, the Board shall issue its decision with the final approval and licensing the Company and shall register it in the register as a branch of a foreign company.
3. In case the Board rejects the request, the Director General shall inform the company applying for the license of the decision of the Board. The company



shall be entitled to appeal the decision with the Board within (30) thirty days from its notification of the decision, and Board's decision shall be final.

Article (22)

1- The registration period is one year and ends at the end of December. In case the registration is effective during the year, the first registration period shall commence from the date of the registration and end at the end of the same year.

2. The registration shall be renewed annually through Electronic Means or other means adopted by the Authority, after submission of the following information and documents:

- a) Changes in the Company's underwriting policy in the following year.
- b) Any fundamental changes in the parent company's status during the past year.
- c) Any changes made to the branch manager or senior officers and their powers.
- d) Any changes for the company's auditor, actuary or legal consultant.
- e) Submitting a copy of the estimated budget for the subsequent financial year.

Article (23)

A foreign reinsurance company licensed by the Authority and registered in the Authority's register as a branch of a foreign company may open other branches within the State after obtaining the approval of the Director General.



Chapter Four

Reinsurance business ceded by an insurance company established in the State

Article (24)

The company shouldn't cede its reinsurance business to another insurance company unless the other company is licensed by the competent regulatory and supervisory authority to practice the type and class of insurance entrusted to it to reinsure.

Article (25)

The reinsurance relationship between a local insurance company and a reinsurer may not be a (FINITE Reinsurance) type, where the relationship between the ceding company and the reinsurer is similar to that of a lender and borrower.

Article (26)

1. The reinsurers with whom the insurance company established in the State is dealing shall be classified according to the classification stipulated in Article (18) above, taking into consideration the exceptions contained in the Article.
2. A foreign insurance company operating in the State through a branch shall annually submit a certified certificate from its head office in the home country in which it supports that the insurance business subscribed within the State and which exceeds its retention is covered by reinsurance covers with reinsurers who have the classification stipulated in Article (18) of these Regulations, taking into consideration the exceptions contained in the Article.
3. The following entities shall not be subject to the classification requirement stipulated in the preceding two paragraphs.



- a. Insurance companies incorporated in the State and licensed by the Authority, when acting as reinsurers.
- B. Insurance or reinsurance pools and insurance underwriting Syndicates.
- C. Reinsurers exempted from Sub-Article (1) of this Article, by the Director General for technical, regional or International purposes.

Article (27)

1. The Company shall prepare a three-year plan and submit it to the Board of Directors for approval concerning the Retention and Reinsurance for each type and class of insurance types and classes that company carries out, based on the nature of the underwritten risks, the number of companies and their accumulation and based on available statistical data on loss ratios in each class of insurance and its trends and future projections affecting those potentials.
2. The plan shall be reviewed annually during the three months prior to the commencement of each year in order to amend whatever is required to be amended in light of the experience achieved during the previous period.
3. The Plan (and the amendments made to it at the time of review) shall be submitted to the Board of Directors of the company for approval.
4. The plan shall include at least the following main lines:
 - a) Retention and Reinsurance treaties limits and the ceded Facultative Reinsurance operations.



- b) The type of reinsurance treaties (proportional: quota-share or surplus, non- proportional: Excess of loss or stop loss) or a program combining the aforementioned types.
 - c) Facultative reinsurance ceded locally and abroad and facultative obligatory reinsurance covers.
 - d) The leading reinsurer and follower reinsurers, their credit rating and monitoring the accumulation cases.
 - e) The Reinsurance brokers to be contracted with the Company and the reasons for their selection.
 - f) How to protect the company's retention in cases of accumulation or catastrophes and in cases of unknown accumulation.
 - g) The Commissions payable to the Company and whether they are flat or variable according to the loss ratios and profit commissions and rules of their calculation.
5. In the case of unforeseen events that require amendment of the plan during the year, the company's management shall take and implement the necessary procedures, provided that those procedures and their causes and results shall be presented to the company's board of directors at the first subsequent meeting.

Article (28)

The Company shall include a condition in its reinsurance treaty with the reinsurer that binds the reinsurer to maintain the provisions of its unearned premiums for reinsurance premiums ceded by it.

Article (29)

In case the liability of the Company in a particular class of direct insurance is unlimited, the reinsurance treaty that the Company will conclude to protect its liability should also be unlimited.



Article (30)

The company may cede to the insurance or reinsurance pool after obtaining the prior approval of the Director General. It may also cede the reinsurance business to the insurance underwriting syndicates without the need for a prior approval.

Article (31)

The company shall obtain approval before submitting its offer from a leading reinsurer that meets the conditions stipulated in Article (18) of these regulations, in case of its participation in tenders to obtain insurance covers, and in case the insurance cover of the tender is one which the company does not have a reinsurance treaty that covers the surplus liabilities of its retention or the company can not cede to its reinsurance treaties because of its special conditions, provided that the company completes the cover of its liabilities before the effective date of the insurance coverage in case of winning the tender.

Article (32)

The Takaful Insurance Company, when ceding its business to a reinsurer, that practices both reinsurance and Takaful reinsurance, shall request that reinsurer to provide provision which has to be Islamic Sharia compliant in all parts of its funds to meet the payments that may be required to pay to the Company.

Article (33)

1. The management of the insurance company shall immediately inform its board of directors and the Authority if there is a probability of a problem in reinsurance arrangements which may affect its capability to meet its obligations with the necessary clarifications and procedures to remedy the situation. The Director General shall hold a meeting with the company management to discuss the matter and ways to find a suitable solution, especially in the following cases:



- a) The Company's inability to complete the coverage of its reinsurance treaties before the date of renewal;
- b) Having the information that indicates that one of the reinsurers is unable to meet its obligations;
- c) The reinsurer's failure to pay what he owes to the company despite of submitting claims.
- d) The discovery of a liability that the Company has taken exceeding its capacity of retention and has not been covered by reinsurance;
- e) Exhaustion of reinsurance covers capacity due to excess of losses and amounts as stipulated in the reinsurance treaty;
- f) The reinsurer's classification rating becomes lower than the acceptable minimum.

2. The Director General shall direct the Company to cease dealing with a particular reinsurer in case the Authority has a confirmed information concerning the reinsurer default financial position or its failure to pay its obligations, provided that the cease time from dealing with the company is determined by a deliberation with the company management.

3. The Director General may request that no renewal shall be made with any reinsurer who has lost the conditions stipulated in these regulations and that no new business shall be ceded to it.

Article (34)

1. The insurance company incorporated in the State and licensed by the Insurance Authority shall bind in the preparation of its annual financial statements and its final accounts to allocate an amount equals to 0.5% (five per thousand) of the total reinsurance premiums ceded by them in all classes in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the company or default in its financial position. These provisions shall be accumulated year after year and may not be disposed of without the written approval of the Director General.



2. The Director General may agree to cease these allocations when the accumulated amount reaches an acceptable limit.

Article (35)

1. The Company shall inform the Authority of the name of the responsible officer for the reinsurance business, its qualifications and practical experience. This officer should not be assigned to any other duties in the Company.
2. In the case the Company is practicing two types of insurance (property and liabilities on the one hand and the insurance of persons and funds accumulation on the other hand) then it is permissible to have a single reinsurance officer; provided that the records are separated.
3. The reinsurance department shall prepare quarterly reports on the results of reinsurance treaties, reinsurance covers and facultative reinsurance operations and the reports shall be submitted to the company's Board of Directors.

Article (36)

The Company shall provide the Authority through Electronic Means or other means adopted by the Authority within 30 days from the commencement of each underwriting year with the information relating to the following ceded reinsurance businesses:-

- 1- The name of the leading reinsurer of the company's reinsurance treaties or the name of the reinsurer who holds the largest share thereof.
2. A statement indicating that it has completed the coverage of its liabilities pursuant to the reinsurance policy adopted by the company and in the case of remaining uncovered shares, explaining the reasons for this and the actions taken by the company to complete coverage and protect its interests.



3. The Classification of reinsurers mentioned in paragraph (1) of this Article.

**Chapter Five:
The Reinsurance businesses accepted by insurance companies
established in the State**

Article (37)

- 1- The Company may accept the reinsurance business from insurance companies operating in the State or from abroad in accordance with the conditions stipulated in this chapter.
2. The accepted businesses shall be of the types and classes of insurance which it is licensed to practice in direct insurance.
3. The premiums of treaty and facultative reinsurance accepted by the insurance company inside and outside the State shall not exceed 49% (forty-nine percent) of the total underwritten premiums by the Company.
4. Exception from Sub-Article (3) of this Article, the Director General may issue a decision to allow exceeding the percentage stated in the said Sub-Article, according to the following conditions:
 - A. The extent of technical balance to the Company's portfolio.
 - B. Assessing the soundness of the Company's financial position.
 - C. The extent of the Company meeting its obligations in terms of insurance and reinsurance.
5. The foreign insurance companies licensed and registered to operate in the state, which transact the reinsurance business, are subject to this article.



Article (38)

The following are conditional upon acceptance of the facultative reinsurance business:

1. The Accepted liabilities shall be either within the Company's retention or exceeding it. In the latter case, the Company must have a reinsurance treaty that protects the surplus liability and the treaty shall contain a provision that allows the company to accept the facultative reinsurance operations within the determined limits.
2. If the Company intends to cover the surplus liability in whole or in part with the facultative reinsurance with another reinsurer, in this case it shall obtain the prior approval of the ceding company.

Article (39)

1. In order to accept the treaty reinsurance business, the insurance company established in the State is required to obtain approval from the Director General. In order to attain the approval, the company shall satisfy the following requisites:
 - A. The company's Articles of Association should contain a condition authorizing the company to accept Reinsurance operations.
 - B. The minimum subscribed and paid up capital of the Company should not be less than 350,000,000 (three hundred and fifty million dirhams).
 - C. The company shall submit to the Authority through Electronic Means or other means adopted by the Authority an endorsement request (addition of practicing the activity of accepting treaty reinsurance business) and issuance of the Director General's decision to approve the request after submitting the following documents and information:
 1. A certificate supports that the company will practice this activity in the same types and classes of insurance it is licensed to practice.



2. Feasibility study.
3. A business plan relating to its policy of accepting treaty reinsurance operations that deals with the matters stipulated in terms from (1) to (7) and Sub-Article (11) of Article (13) of the Instructions herein.
4. A study on the financial position of the company and the volumes of its free reserves and whether these reserves qualify it to subscribe in the treaty reinsurance operations locally, regionally or internationally, accompanied by an actuary report indicating the company's adequacy of the technical provisions, the financial solvency, the minimum capital, and the extent of the company compliance in implementing the financial instructions issued by the Authority.
5. The existence of a specific classification of the company pursuant to the provisions of Article (18) of these regulations.
6. A report on how the Company will protect its accepted liabilities, including the Retrocession program.
7. The company shall have the technical and legal staff specializing in reinsurance at the local, regional and international levels.

2. The branch of the foreign insurance company licensed and registered with the Authority may accept the treaty reinsurance operations both inside and outside the State within the terms and conditions contained in these regulations and in particular the terms and conditions stipulated in this chapter.

Chapter Six

Participating in insurance or reinsurance pools and dealing with them.

Article (40)

1- The company may participate in establishing and dealing with insurance or reinsurance pools established inside or outside the State.

2 - Before participating in the establishment or dealing with these pools, the company shall obtain the prior approval of the Director General and provide the Authority with the following information:

- a) Insurance and / or reinsurance classes that will be carried out by the pool;
- b) A copy of the pool's Articles of Association.

In case there is any inconsistency between this translation and the Arabic version of these regulations, then the Arabic version shall prevail.



- c) Copies of the treaties concluded by the pools with the participant and ceding companies.
- d) The classification rate obtained by the pool in case it has a classification.
- e) Names, addresses and specializations of other companies participating in the pool.
- f) Copies of the audited financial statements of the pool for the previous three years.

Chapter Seven Final Provisions Article (41)

Reinsurance companies established in the State and branches of foreign reinsurance companies licensed and registered with the Authority shall be subject to the insurance transaction fees stipulated in the Cabinet's Resolution No. (23) of 2009 concerning Fees for Supervision, Control and Insurance Transactions.

Article (42)

All the provisions of the legislation governing the direct insurance business shall be applied to the reinsurance companies as far as they are consistent with the nature of the reinsurance business, including the Financial Instructions of the Insurance Companies and the Financial Instructions of the Takaful Insurance Companies.

Article (43)

Insurance and reinsurance companies must reconcile their positions with the provisions stipulated in these Instructions within eighteen months from the date they come into effect.



Article (44)

The Director General shall issue the required decisions to facilitate the enforcement of the provisions of these Regulations.

Article (45)

The regulations herein shall be published in the Official Gazette and shall come into force as of the day following the day of its publication.

Eng. Sultan bin Saeed Al Mansoori
Minister of Economy
Chairman of the Board of Directors of the Insurance Authority

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