

Insurance Authority Board of Directors Resolution No. (11) of 2016

Concerning the Revision of the Pricing Policy Applied by a Company in the Classes of Property and Liability Insurance

The Chairman of the Board of Directors of the Insurance Authority, having perused:

- The Federal Law No. (6) of 2007 concerning the Establishment of the Insurance Authority and Organization of its Operations, as amended and its Implementing Regulations;
- The Board of Directors Resolution No. (25) of 2014 concerning the Financial Regulations for Insurance Companies;
- And on the Board of Directors Resolution No. (26) of 2014 concerning the Financial Regulations for Takaful Insurance Companies;
- The Board of Directors Resolution No. (3) of 2010 concerning the Rules of Practice and Ethics to be followed by the insurance companies operating in the State; and
- Based on the recommendation of the Director General of the Authority, and the approval of the Board of Directors,

Has resolved:

Article (1)

Insurance companies that transact the business of property and liability insurance as detailed in Article (5) of the Implementing Regulations No. (2) of 2009 of the Federal Law No. (6) of 2007 concerning the Establishment of the Insurance Authority and Organization of its Operations shall comply with the following:

1. Revise the pricing policy applied by the company in the classes of insurance provided for in Article (5) of the Implementing Regulations, explain the principles and rules adopted in setting the prices, assess such policy and submit proposals for the amendment thereof, if necessary, by an Actuary licensed and registered with the Insurance Authority.
2. The company must review and assess its pricing policy twice in each fiscal year of the company. The first revision shall be made by the end of the first half of the year, and the second revision at the end of December.

Article (2)

The report of the Actuary on the revision and assessment of the pricing policy of the company shall include the following as a minimum:

1. Determine the adequacy of the risk factors taken into account when setting the prices.
2. Determine and examine the adequacy of the ratios of general and administrative expense, ratios of re-insurance expenses, expenses and other expenses of third party administrators taken into account within the prices.
3. Disclose the specific profit margin in the price.
4. Assess the process used in taking into account the claims' history when setting the prices and disclosing the expected inflation ratios, in addition to determining the process of establishing the provision for the incurred but not reported claims.
5. Assess the availability of the necessary controls in the pricing tools used.
6. Examine the adequacy of the prices of each insurance product separately.
7. Assess the impact of the pricing policy of the company on its financial position.
8. Assess the appropriateness of the pricing policy of the company to protect the rights of policyholders and pay off the due compensations.
9. Any other items which the Actuary deems necessary to perform his functions.

Article (3)

1. The Actuary must submit his report to both the Insurance Authority, the company's Board of Directors and management within 15 days from the date of its preparation.
2. The management of the company must provide the Insurance Authority and the company's Board of Directors with its views concerning the comments and suggestions contained in the Actuarial Report within 20 working days from the date of its submission.
3. The company's management shall provide the Insurance Authority with a copy of the company's Board of Directors decision concerning the Actuarial Report within five working days from the date of its issuance.

Article (4)

If required, the other provisions and requirements set forth in the Financial Instructions for Insurance Companies concerning the Actuarial Report shall be adhered to.

Article (5)

The Director General may require the company to take corrective measures to ensure the adequacy and fairness of price and their appropriateness to the risks covered and so as to maintain the integrity of the financial position of the company and protect the rights of policyholders from exposure to risk.

Article (6)

The Director General of the Authority shall issue the necessary decisions and circulars to implement the provisions of these Instructions.

Article (7)

This Resolution shall be published in the Official Gazette and shall be effective immediately upon issuance.

Engineer Sultan bin Saeed Al Mansouri

Minister of Economy & Chairman of the Board

Issued in Abu Dhabi on:/..../2016