

## Appendix 7

In this appendix underlining indicates proposed new text and striking through indicates deleted text.



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# The DFSA Rulebook

Prudential – Insurance Business Module

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## 2 MANAGEMENT AND CONTROL OF RISK

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### 2.5 Insurers that undertake surety insurance business

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- 2.5.5** (1) An Insurer intending to undertake Insurance Business in Class 7(b) must:
- (a) notify the DFSA in writing of its proposal to undertake such business; and
  - (b) give to the DFSA a business plan for the business intended to be undertaken.
- (2) The DFSA may object to a proposal made by an Insurer under (1).
- (3) The procedures in Schedule 3 to the Regulatory Law apply to a decision of the DFSA under (2).
- (4) If the DFSA decides to exercise its power under (2), the Insurer may refer the matter to the FMT for review.
- ~~(5)~~(2) An Insurer must not effect any contract of insurance in Class 7(b) if the DFSA has objected to a proposal it has made under (1).

#### Guidance

1. If all the information required is provided to the DFSA relating to the proposal to effect Contracts of Insurance in Class 7(b), generally, it will take about 45 ~~calendar~~ days for the DFSA to be able to determine whether an Insurer should be allowed to conduct this type of business. ~~If the DFSA decides to object to the proposal, it will notify the Insurer of its decision and the reasons for that decision before imposing a restriction to that effect on the Insurer's licence. An Insurer may make commence a reference to the FMT an appeal to the DFSA's Regulatory Appeals Committee relating in relation to such a decision of the DFSA to object to a proposal.~~
  2. The current requirements relating to Class 7(b) do not cater to monoline specialist financial guarantee insurers. However, if such an Insurer wishes to operate in the DIFC, the DFSA will consider what requirements should apply to it. In doing so, the DFSA will consider capital adequacy and other requirements that are generally applied to such specialist Insurers in other jurisdictions.
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### 3 LONG-TERM INSURANCE BUSINESS

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#### 3.6 Other requirements

- 3.6.1** (1) Except as permitted in this Rule, a DIFC Incorporated Insurer must not effect any Direct Long-Term Insurance contract the terms of which include any of the following:
- (a) investment components of Policy Benefits, that are wholly or partly guaranteed;
  - (b) options to receive Policy Benefits on expiry, maturity or surrender as annuities, where annuity rates are wholly or partly guaranteed at the inception of the contract;
  - (c) bonuses on participating contracts where those bonuses become vested Policy Benefits or guaranteed by the Insurer at a date prior to expiry, maturity or surrender; or
  - (d) other options or discretionary Policy Benefits that expose the Insurer to investment, expense or other risk that is not readily definable at the inception of the contract.
- (2) An Insurer may request the permission of the DFSA to effect Direct Long-Term Insurance contracts with features of the kind referred to in (1). A request must be made in writing and must include:
- (a) details of the terms of the proposed contracts;
  - (b) an explanation of how the Insurer intends to price such contracts, and to value them for the purposes of its capital adequacy calculations; and
  - (c) an explanation of how the Insurer intends to quantify, monitor and manage the risks to its capital adequacy represented by such features of contracts.
- (3) The DFSA may give an Insurer permission to effect Direct Long-Term Insurance contracts having one or more features of the kind referred to in (1). Permission shall be given in writing and shall be subject to such terms or conditions as the DFSA may specify in its notice giving permission. Where any terms and conditions are imposed on the Insurer, the Insurer shall comply with such terms and conditions.

- (4) The DFSA may on its own initiative at any time vary or revoke permission given under (3) above. Variation or revocation shall be communicated to the Insurer in writing.
- (5) The procedures in Schedule 3 to the Regulatory Law apply to a decision of the DFSA under this Rule not to give permission or to impose conditions or restrictions or to vary or revoke permission.
- (6) If the DFSA decides to exercise its power under this Rule not to give permission or to impose conditions or restrictions or to vary or revoke permission, the Insurer may refer the matter to the FMT for review.

### Guidance

- 1. The features described in Rule 3.6.1(1) have the potential to expose an Insurer to risks that are not adequately provided for in the capital adequacy framework set out in this Rulebook. The DFSA retains the power to prohibit or limit the inclusion of such features in a Long-Term Insurance contract where it is of the view that the inclusion of such features may have a materially adverse impact upon the long term viability of the Insurer. It is natural for Insurers to seek to stimulate a market by offering features such as guarantees or options. However, the solvency of Insurers could be threatened if they have not adequately valued, stress-tested and set aside adequate capital to service such features. Therefore, the DFSA will expect Insurers seeking permission to write contracts with such features to demonstrate that these steps have been undertaken, and that their procedures provide adequately for ongoing monitoring of the associated risks. Permission to undertake such business may be subject to conditions, for example, a requirement to maintain additional capital, or to restrict business of this nature by reference to total business. The DFSA may also as a condition of granting permission require additional information relating to the business in question to be reported to the DFSA in the Insurer's periodic regulatory returns, or in the Actuary's report referred to in Rule 7.3.4.
- 2. If all the information required is provided to the DFSA relating to a request for permission under Rule 3.6.2, generally, it will take about 45 ~~calendar~~ days for the DFSA to be able to determine whether an Insurer should be permitted to effect Direct Long-Term Insurance contracts with features of the kind referred to in that Rule. ~~If the DFSA decides to object to the proposal, grant conditional permission or vary or revoke a permission already granted, it will notify the Insurer of its decision and the reasons for that decision. An Insurer may make an appeal to the DFSA's Regulatory Appeals Committee relating to such a decision.~~

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## 6 FINANCIAL AND OTHER REPORTING BY INSURERS

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### 6.5 Submission of Returns to the DFSA

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**6.5.7** Subject to Rule 6.5.8, an Authorised Firm must, submit its Quarterly Regulatory Return in writing to the DFSA within one ~~two~~ months of the end of each period in respect of which the Insurer is required to prepare a Quarterly Regulatory Return to:

Supervision Division  
DFSA  
Level 13, The Gate  
PO Box 75850  
Dubai, United Arab Emirates

**6.5.8** An Authorised Firm must, prepare and submit its Quarterly Regulatory Return in the following manner:

- (a) the Quarterly Regulatory Return, excepting the parts of the Quarterly Regulatory Return referred to in (b) and (c), must be submitted to the DFSA using the DFSA's electronic prudential reporting system:
  - (i) in accordance with any instructions set out in the notice and any instructions provided through such a system or specified in App10 and PRU; and
  - (ii) within one ~~two~~ months of the Insurer's reporting date;
- (b) the Statement by Directors must be signed and a copy maintained in accordance with Rules 6.5.9 and 6.5.10; and
- (c) the Global Return for a Branch must be submitted in the manner provided in Rule 6.5.7.

#### **Guidance**

The Returns and instructional guidelines are provided in App10, PRU and the DFSA's electronic prudential reporting system.

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## **6.6 Reporting of group capital adequacy**

**6.6.1** An Insurer must, at the end of each reporting period and at the mid-point of each reporting period, prepare a report on the Financial Group capital adequacy of any Financial Group of which it is a member and in respect of which it is required by Chapter 8 to calculate Financial Group Capital Requirements and Financial Group Capital Resources. This Report shall be known as the Financial Group Capital Adequacy Report.

**6.6.2** (1) The Financial Group Capital Adequacy Report must be filed in writing by the Insurer with the DFSA:

- (a) within four months of the Insurer's reporting date in the case of a report at the end of a reporting period; or
- (b) within one ~~two~~ months of the Insurer's mid-year date in the case of a report at the mid-point of a reporting period.

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## APP10 REPORTING TO THE DFSA

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### A10.3 Content of Returns

**A10.3.1** (1) The Annual Regulatory Return and Quarterly Regulatory Return comprises the following forms in Table 1 to this Rule, together with the Supplementary Notes pertaining to those forms and the Statement by Directors referred to in Rule Section A10.5:

(2) In Table 1:

(a) the column headed 'DIFC Incorporated Insurer' indicates the relevant forms that must be prepared and submitted by an Insurer that is a DIFC Incorporated Insurer; and

(b) the column headed 'Branch' indicates the relevant forms that must be prepared and submitted by an Insurer that carries on its business through a Branch.

(3) In Table 1, in the columns headed 'Return':

(a) the letter Q indicates that the relevant form must be prepared and submitted with the Quarterly Regulatory Return;

(b) the letter A indicates that the relevant form must be prepared and submitted with the Annual Regulatory Return;

(c) the letters A and Q together indicate that the relevant form must be prepared and submitted with the Annual Regulatory Return and the Quarterly Regulatory Return; and

(d) the letters N/A indicate that the form is not applicable to the Insurer.

(a) ~~Form IN 10 (Statement of financial position);~~

(b) ~~Form IN 20 (Statement of capital adequacy);~~

(c) ~~Form IN 30 (Statement of financial performance);~~

(d) ~~Form IN 40 (Statement of premium revenue and reinsurance expense);~~

- ~~(e) Form IN 50 (Statement of claims expense and recovery revenue);~~
- ~~(f) Form IN 60 (Statement of movements in insurance provisions);~~
- ~~(g) Form IN 70 (Statement of investment income);~~
- ~~(h) Form IN 80 (Statement of acquisition expenses);~~
- ~~(i) Form IN 90 (Reconciliation to financial statements);~~
- ~~(j) Form IN 100 (Summary statement of operations);~~
- ~~(k) Form IN 110 (Reconciliation of direct to total long-term insurance business);~~
- ~~(l) Form IN 120 (Statement of direct long-term insurance business);~~
- ~~(m) Form PIN 130 (Statement of direct long-term insurance liabilities);~~
- ~~(n) Form IN 140 (Statement of assets covering direct linked long-term insurance liabilities);~~
- ~~(o) Form IN 150 (Statement of assets covering direct non-linked long-term insurance liabilities and minimum capital requirements); and~~
- ~~(p) Form IN 160 (Calculation of direct long-term insurance element of long-term insurance risk component).~~

**A10.3.2** ~~The Quarterly Regulatory Return comprises the following forms, together with the Supplementary Notes pertaining to those forms and the Statement by Directors referred to in Rule A10.5:~~

- ~~(a) Form IN 10 (Statement of financial position);~~
- ~~(b) Form IN 20 (Statement of capital adequacy);~~
- ~~(c) Form IN 30 (Statement of financial performance); and~~
- ~~(d) Form IN 100 (Summary statement of operations).~~

**Table 1 - Insurer Return Matrix**

<b><u>Number</u></b>	<b><u>Name</u></b>	<b><u>DIFC Incorporated Insurer</u></b>	<b><u>Branch</u></b>
		<b><u>Return</u></b>	<b><u>Return</u></b>
IN10	<u>Statement of Financial Position</u>	A/Q	N/A
IN20	<u>Statement of Calculation of Capital Adequacy</u>	A/Q	N/A
IN30	<u>Statement of Financial Performance</u>	A/Q	N/A
IN40	<u>Statement of Premiums and Reinsurance Expense</u>	A/Q	A/Q
IN50	<u>Statement of Claims and Reinsurance and Other Recoveries</u>	A/Q	A/Q
IN60	<u>Statement of Movement in Insurance Provisions</u>	A/Q	A/Q
IN70	<u>Statement of Investment Income</u>	A/Q	N/A
IN80	<u>Statement of Acquisition Expenses</u>	A/Q	N/A
IN90	<u>Reconciliation to Financial Statements</u>	A/Q	N/A
IN100	<u>Summary Statement of Operations</u>	A/Q	A/Q
IN110	<u>Reconciliation of Direct to Total Long-Term Insurance Business</u>	A/Q	N/A
IN120	<u>Statement of Direct Long-Term Insurance Business</u>	A/Q	N/A
IN130	<u>Statement of Direct Long-Term Insurance Liabilities</u>	A/Q	N/A
IN140	<u>Statement of Assets Covering Direct Linked Long-Term Insurance Liabilities</u>	A/Q	N/A
IN150	<u>Statement of Assets Covering Non-Linked Long-Term Insurance Liabilities and Minimum Capital Requirement</u>	A/Q	N/A
IN160	<u>Calculation of Direct Long-Term Insurance Element of Long-Term Insurance Component</u>	A/Q	N/A
IN180	<u>Statement of Claims Development</u>	A/Q	A/Q
IN190	<u>Employment Statistics</u>	A	A
IN200	<u>Statement of Underwriting Performance</u>	A/Q	A/Q



<u>Number</u>	<u>Name</u>	<u>DIFC Incorporated Insurer</u>	<u>Branch</u>
		<u>Return</u>	<u>Return</u>
<u>IN210</u>	<u>Statement of Revenue by Jurisdiction</u>	<u>A</u>	<u>A</u>

**A10.3.23** The forms referred to in Rule A10.3.1 and ~~Rule A10.3.2~~ must be prepared for each reporting unit for which an Insurer is required to submit an Annual Regulatory Return or a Quarterly Regulatory Return as applicable, except where:

- (a) this appendix, the instructional guidelines to the form set out in PRU or the DFSA's electronic prudential reporting system states that the form is not required for that reporting unit, or for that Insurer; or
- (b) the form would contain no information, in which case the Insurer may omit the form and present a Supplementary Note stating that the form has not been prepared for that reason.

**A10.3.34** The forms comprising the Returns are set out in PRU and the DFSA's electronic prudential reporting system.

**A10.3.45** Items must be disclosed in the Returns in accordance with the instructional guidelines set out in PRU and the DFSA's electronic prudential reporting system, subject to the effects of other provisions of this appendix.

**A10.3.56** Where an item is described in a Return as the result of a mathematical calculation, that mathematical calculation must be used to determine that item except where these Rules or the relevant instructional guidelines require otherwise.

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