Appendix 5

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

The DFSA Rulebook

Prudential – Insurance Business Module

(PIN)

1.1 Application

1.1.1 (1) ~~Subject to Rule 1.1.2, this~~ This module (PIN) applies, subject to (2), to every Insurer except to the extent that a provision specifies a narrower application.

~~**Guidance**~~

~~1. An Insurer is defined in the GLO as an Authorised Firm which is authorised under its Licence to carry on in or from the DIFC, one or more of the Financial Services constituting Insurance Business.~~

~~2. The Rules in PIN apply in relation to all activities of an Insurer, whether carried on within the DIFC or elsewhere.~~

~~**1.1.2**~~ (2) Chapters 2, 3, 4, 6, 7 and 9 do not apply to an Insurer that is an Authorised ISPV, unless expressly provided otherwise.

Guidance

1. The Rules in PIN apply in relation to all activities of an Insurer, whether carried on within the DIFC or elsewhere.

2. An Insurer that is a Domestic Firm (with the exception of a Captive Insurer, a PCC or an Authorised ISPV) should be familiar with its obligations under chapter 6 of SUP to establish and maintain an Internal Risk Assessment Process (IRAP) and an Internal Capital Adequacy Assessment Process (ICAAP), and to provide documented assessments to the DFSA.

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4.3 Minimum capital requirement for insurers that are not protected cell companies

4.3.1 This section applies only to Insurers that are not Protected Cell Companies.

4.3.2 An Insurer ~~that is not a Protected Cell Company~~ must always have Adjusted Capital Resources equal to or ~~higher than~~ in excess of:

(a) the amount of its Minimum Capital Requirement; or

(b) the amount of its ICR,

whichever is the higher.

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4.5 Imposition of an ICR

4.5.1 (1) The DFSA may at any time by written notice impose an Individual Capital Requirement (ICR) on an Insurer in (2) in circumstances where the DFSA has formed the view that the Insurer's Minimum Capital Requirement is insufficient to address adequately all the risks.

(2) For the purposes of (1), an Insurer that is a Domestic Firm and not a Captive Insurer, PCC or Authorised ISPV, may be the subject of an ICR.

(3) An Insurer has a right to appeal to the Regulatory Appeals Committee in regard to any decision by the DFSA to impose an ICR on the firm.

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8.3 Financial group capital requirements and financial group capital resources

8.3.3 An Insurer must ensure at all times that its Financial Group Capital Resources, as calculated in Rule 8.3.5, are equal to or in excess of:

(a) its Financial Group Capital Requirement as calculated in Rule 8.3.4 ~~.~~ ; or

(b) a Financial Group ICR imposed by the DFSA,

whichever is the higher.

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8.6 Imposition of a financial group ICR

8.6.1 (1) The DFSA may at any time by written notice impose a Financial Group ICR on an Insurer in (2) in circumstances where the DFSA has formed the view that the Insurer's Financial Group Capital Requirement is insufficient to address adequately all the risks.

(2) For the purposes of (1), an Insurer where it is a member of a Financial Group and is a Domestic Firm and not a Captive Insurer, PCC or Authorised ISPV, may be the subject of an Financial Group ICR.

(3) An Insurer has a right to appeal to the Regulatory Appeals Committee in regard to any decision by the DFSA to impose a Financial Group ICR on the firm.

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11 DISCLOSURE REQUIREMENTS

11.1 Application

11.1.1 The disclosure requirements set out in this chapter apply only to an Insurer that is a Domestic Firm and not a Captive Insurer, PCC or an Authorised ISPV.

11.1.2 Where an Insurer is a member of a Financial Group and subject to Rule 11.2.1, it must ensure that the disclosures specified in App11 are made at Financial Group level.

11.1.3 An Insurer which is a subsidiary of:

(a) a Regulated Financial Institution; or

(b) a Holding Company,

which is already subject to equivalent disclosure requirements, does not need to comply with these requirements.

11.2 Disclosure policy

11.2.1 An Insurer must establish and maintain a formal disclosure policy that:

(a) sets out the Insurer's approach for determining which of the disclosures set out in App11 it will make;

(b) details the processes and procedures and its internal controls in relation to such disclosure; and

(c) is approved by the Governing Body of the firm.

11.2.2 An Insurer must ensure that appropriate verification, whether internal or external, is performed in relation to all disclosures and take all reasonable steps to ensure their accuracy and correctness.

11.2.3 To the extent that any required disclosure is substantially similar to a disclosure required of the Insurer under applicable accounting standards, a disclosure under such standards shall be taken to meet the requirement for disclosure under this chapter.

11.2.4 The disclosures set out in this chapter must be made by an Insurer as at the end of its financial year.

11.2.5 An Insurer must make these disclosures either in its annual financial statements or another appropriate medium, provided that the annual financial statements contain clear references to the location of such disclosures.

Guidance

An Insurer has discretion to determine the form of the disclosures required, and may choose to use graphical and other representations where appropriate.

Omissions

11.2.6 An Insurer may omit certain disclosures if:

(a) the omitted item is not material, in accordance with the concept of materiality under the applicable accounting standards; or

(b) the omitted item is proprietary or confidential in nature and would seriously prejudice the position of the Insurer.

11.2.7 Where in reliance upon Rule 11.2.6(b) an Authorised Firm omits an item that is marked as a quantitative disclosure in App11, it must disclose general qualitative information about the subject matter of that particular requirement, together with the reasons for the omission.

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APP11 DISCLOSURES

A11.1 Disclosure Requirements

A11.1.1 Pursuant to the Rules in chapter 11, an Insurer is required to make, where relevant, disclosures relating to its business, capital and risk exposures.

A11.2 General disclosure

General qualitative disclosure requirements

A11.2.1 (1) An Insurer must disclose its profile covering the nature of the business and the external environment in which the Insurer operates.

(2) For each separate risk area, including insurance, operational, business or market risk, an Insurer must describe its risk management objectives and policies, including:

(a) strategies and processes;

(b) risk governance;

(c) the scope and nature of risk reporting or measurement systems;

(d) risk management for balance sheet protection; and

(e) policies for mitigating risk and strategies and processes for monitoring the continuing effectiveness of mitigants.

Investment and market disclosure

A11.2.2 (1) In relation to its investment and market disclosures, an Insurer must disclose sufficient and comprehensive information which is relevant to market participants on its investment activity, risks and performance.

(2) The qualitative disclosures that the Insurer makes must include the following information:

(a) general investment strategy and objectives;

(b) performance management;

(c) use of derivatives or collateralisation;

(d) asset and liability matching; and

(e) material changes in investment management.

(3) The quantitative disclosures that the Insurer makes must provide sufficient information to enable market participants to assess specific risks to which the Insurer is exposed, and include the following:

(a) asset class segregation;

(b) breakdown by credit rating for debt securities;

(c) information on loans; and

(d) breakdown of asset type and geographical location in which the assets are domiciled.

Group Disclosure

A11.2.3 In making its Financial Group disclosures, an Insurer must at a minimum provide:

(a) the name of the Parent of the Financial Group to which chapter 11 applies;

(b) an outline of method of consolidation of the Financial Group accounts; and

(c) information on the differences in the basis of consolidation for accounting and regulatory purposes, if any, with a brief description of the entities within the Financial Group.

A11.3 Capital disclosure

Capital structure

A11.3.1 (1) An Insurer must make the following qualitative disclosures in relation to its capital structure:

(a) summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments; and

(b) the amount of capital, with separate disclosures of:

(i) paid-up share capital or common stock;

(ii) reserves;

(iii) minority interests in the equity of subsidiaries;

(iv) innovative instruments;

(v) other capital instruments;

(vi) surplus capital from other subsidiaries;

(vii) regulatory calculation differences; and

(viii) other amounts deducted from paid up share capital, including goodwill and investments.

(2) The quantitative disclosures that the Insurer is required to make in relation to its capital structure must include information on the Adjusted Capital Resources, calculated in accordance with the applicable PIN Rules.

Capital Adequacy

A11.3.2 (1) In relation to its disclosures on capital adequacy, an Insurer must provide information on objectives, policies and processes for managing its capital and information on the capital available to cover its Minimum Capital Requirement.

(2) The qualitative disclosures that the Insurer is required to make in relation to its capital adequacy must include a summary discussion of the Insurer's approach to assessing the adequacy of its capital to support current and future activities.

(3) An Insurer must make the following quantitative disclosures in relation to its capital adequacy either on a solo or consolidated basis:

(a) calculation of Adjusted Capital Resources; and

(b) calculation of its Financial Group Capital Requirement and Financial Group Capital Resources in accordance with the provisions under section 8.3.

A11.4 Risk disclosure

Operational risk

A11.4.1 An Insurer must provide a qualitative statement as to how the Insurer manages its operational risk including a brief description of control mechanisms that are put in place.

Credit risk

A11.4.2 (1) An Insurer must make qualitative disclosures in respect of its credit risk, including the following:

(a) the policy and measurements on credit risk management; and

(b) treatment of off-balance sheet liabilities.

(2) An Insurer must make quantitative disclosures in respect of its total gross credit risk exposures, including the following:

(a) aged debtor analysis;

(b) counterparty exposures including major retrocession arrangements; and

(c) doubtful debts including reinsurance recoverables and premiums inwards.

Insurance Risk

A11.4.3 (1) An Insurer must provide qualitative and quantitative description of the types of risk concentrations to which an Insurer is exposed. Further, the Insurer should also disclose the main trends and factors that contributed positively or negatively to the development, performance and position of the firm.

(2) An Insurer must make qualitative disclosures in respect of its insurance risk, including the following:

(a) claims development and reserving practices;

(b) reinsurance strategy;

(c) reserving strategy and methodology;

(d) where applicable, discounting strategy; and

(e) where applicable, rationale for the choice of mortality tables and disability rates.

(3) An Insurer must make qualitative disclosures in respect of its insurance risk, including the following:

(a) class of business;

(b) loss ratio;

(c) expense ratio;

(d) combined operating ratio;

(e) geographical breakdown of premium;

(f) large catastrophe exposures; and

(g) where applicable, lapse rates on life insurance business.

A11.5 Disclosure for Insurers undertaking Islamic Financial Business

Guidance

Where an Insurer conducts Islamic Financial Business it should consider the AAOIFI or IFSB standards as appropriate, to ascertain whether there are any relevant disclosures that could be made in respect of such business. An example of such disclosure would be in respect of information on the treatment of zakat.