Annex A

In this Annex, underlining indicates new text and striking through indicates deleted text.

The DFSA SourcebookRulebook

Prudential Returns Module

(PRU)

Contents

The contents of this sourcebook~~module~~ are divided into the following chapters, sections and forms:

1 INTRODUCTION

1.1 Application

~~1.1.1 (1) Chapter 1 applies to a Person to whom PIB or PIN applies.~~

~~(2) Chapter 2 contains the forms referred to in PIB.~~

~~(3) Chapter 3 applies to an Insurer.~~

~~(4) Chapter 4 contains the forms referred to in PIN.~~

Guidance

1. This Sourcebook (PRU) is relevant to a Person to whom PIB or PIN applies.

2. Chapter 2 contains the forms referred to in PIB.

3. Chapter 3 contains instructional guidelines in respect of the forms in Chapter 4.

4. Chapter 4 contains the forms referred to in PIN.

1.2 Defined terms

~~1.2.1 Defined terms are identified throughout the forms by the capitalisation of the initial letter of a word or each word of a phrase and are defined in the Glossary module (GLO) of the DFSA's Rulebook. Unless the context otherwise requires, where capitalisation of the initial letter is not used, an expression has its natural meaning.~~

Guidance

Defined terms are identified throughout the forms by the capitalisation of the initial letter of a word or each word of a phrase and are defined in the Glossary module (GLO) of the DFSA's Rulebook. Unless the context otherwise requires, where capitalisation of the initial letter is not used, an expression has its natural meaning.

~~3 FORM AND CONTENT OF PIN FORMS~~

~~This chapter of PRU contains the following sections:~~

~~3 FORM AND CONTENT OF PIN FORMS~~

~~3.1 Purpose and general provisions~~

~~**3.1.1** This chapter applies to all Insurers.~~

~~**3.1.2** In this chapter, unless the term 'Annual Regulatory Return' or 'Quarterly Regulatory Return' is used, the term 'Return' includes both of those Returns.~~

~~**Guidance**~~

~~1. This chapter sets out the form and content of the Returns that all Insurers must submit to the DFSA. The form and content of the Returns differs according to the characteristics of the Insurer.~~

~~2. General requirements relating to the recognition and measurement of assets and liabilities are dealt with in PIN chapter 5. This chapter deals with matters relating to presentation of the information contained in the Returns.~~

~~3.2 Completion of forms for global, cell, fund and DIFC business reporting units~~

~~**Guidance**~~

~~Separate Returns are completed for Insurers' entire business, and for those parts of the business that are subject to separate capital adequacy requirements, namely Cells, Long Term Insurance Funds, and DIFC business. These parts, and the entire business, are described as 'reporting units' because a Return is required for each. An Insurer may therefore have to submit more than one set of Returns.~~

~~3.2.1~~ ~~A Return must be completed in respect of each of the reporting units set out in this section that applies to the Insurer.~~

~~3.2.2~~ ~~There are four types of reporting unit in respect of which an Insurer may be required to complete a Return. These are referred to in this chapter as the global reporting unit, the Cell reporting unit, the fund reporting unit and the DIFC business reporting unit. The Returns in respect these reporting units are referred to respectively in this chapter as the Global Return, the Cell Return, the Fund Return and the DIFC Business Return.~~

~~3.2.3~~ ~~Every Insurer that is required by PIN chapter 3 to complete a Return must complete a Global Return. A Global Return has the following characteristics:~~

~~(a)~~ ~~Subject to (b), a Global Return includes all of the assets, liabilities, equity, revenues and expenses of the Insurer, regardless of the residency status or location of the Insurer, of the customer or of any asset or liability.~~

~~(b)~~ ~~The Global Return of a Protected Cell Company does not include any assets, liabilities, equity, revenues or expenses that are attributable to a Cell.~~

~~3.2.4~~ ~~Except as provided otherwise in this Rule, an Insurer that is a Protected Cell Company must complete a Cell Return in respect of each Cell that it maintains. A Cell Return includes all of the assets, liabilities, equity, revenues and expenses attributable to the Cell, regardless of the residency status or location of the customer or of any asset or liability. An Insurer to which this Rule applies is not required to complete a Quarterly Regulatory Return in respect of any Cells maintained by it that are Captive Cells.~~

~~3.2.5 Except as provided otherwise in this Rule, an Insurer that maintains a Long-Term Insurance Fund must complete a Fund Return in respect of each Long-Term Insurance Fund that it maintains. A Fund Return includes all of the assets, liabilities, revenues and expenses attributable to the Fund, regardless of the residency status or location of the customer or of any asset or liability. An Insurer to which this Rule applies is not required to complete a Fund Return in the following cases:~~

~~(a) where the Insurer is deemed to constitute a single, Long-Term Insurance Fund, such that the information contained in the Fund Return would be identical to that in the Global Return; and~~

~~(b) where a Cell of the Insurer is deemed to constitute a single, Long-Term Insurance Fund, such that the information contained in the Fund Return would be identical to that in the Cell Return.~~

~~**Guidance**~~

~~Rule 3.2.5 operates to prevent the preparation of duplicate Returns. However, where under this Rule an Insurer or a Cell is exempt from the requirement to prepare a Quarterly Regulatory Return because of its captive status, the Fund Quarterly Regulatory Return would not be identical and must still be prepared.~~

~~3.2.6 An Insurer that is not a DIFC Incorporated Insurer must complete a DIFC Business Return. A DIFC Business Return has the following characteristics:~~

~~(a) it includes only liabilities that are Insurance Liabilities of the Insurer in respect of its DIFC Insurance Business and assets that are associated with those Insurance Liabilities; and~~

~~(b) revenues and expenses must be included only to the extent that they are attributable to the Insurer's DIFC Insurance Business.~~

~~**Guidance**~~

~~The assets that are associated with Insurance Liabilities normally include only reinsurance and other recoveries in respect of claims, whether or not incurred, included in Insurance Liabilities. The DIFC Business Return does not include assets such as investments, fixed assets, or receivables other than reinsurance recoveries in respect of Insurance Liabilities.~~

~~3.3 Content of returns~~

~~3.3.1 The Annual Regulatory Return contains the following forms, together with the Supplementary Notes pertaining to those forms and the Statement of Directors referred to in section 3.14:~~

~~(a) Form 1: Statement of financial position;~~

~~(b) Form 3: Statement of financial performance;~~

~~(c) Form 4: Statement of premium revenue and reinsurance expense;~~

~~(d) Form 5: Statement of claims expense and recovery revenue;~~

~~(e) Form 6: Statement of movements in insurance provisions;~~

~~(f) Form 7: Statement of investment income;~~

~~(g) Form 8: Statement of acquisition expenses; and~~

~~(h) Form 9: Reconciliation to financial statements.~~

~~3.3.2 The Quarterly Regulatory Return contains the following forms, together with the Supplementary Notes pertaining to those forms and the Statement of Directors referred to in section 3.14:~~

~~(a) Form 1: Statement of financial position;~~

~~(b) Form 2: Statement of capital adequacy;~~

~~(c) Form 3: Statement of financial performance; and~~

~~(d) Form 10: Summary statement of operations~~

~~3.3.3 The forms referred to in Rules 3.3.1 and 3.3.2 must be prepared for each reporting unit for which an Insurer is required to complete an Annual Regulatory Return or a Quarterly Regulatory Return as applicable, except where:~~

~~(a) this chapter states that the form is not required for that reporting unit, 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.~~

~~3.3.4 The format of the forms contained in the Returns is set out in chapter 4 of this module.~~

~~3.3.5 Items must be disclosed on the forms in accordance with the descriptions set out on the face of the forms, subject to the effects of other provisions of this chapter.~~

~~3.3.6 Where an item is described on the face of a form as the result of a mathematical calculation, that mathematical calculation must be used to determine that item.~~

~~3.4 General provisions relating to the completion of forms~~

~~Guidance~~

~~Annual Regulatory Returns follow the cycle of the Insurer's normal statutory reporting, under the Companies Law 2004 in the DIFC and under equivalent legislation elsewhere. Quarterly Regulatory Returns are presented on a year to date basis at specified dates.~~

~~3.4.1 Supplementary Notes must be presented on separate pages, not included on the face of the forms to which they relate. Each Supplementary Note must identify the form to which it relates.~~

~~3.4.2 Returns must be presented in the English language.~~

~~3.4.3 A Return must be presented in United States currency, rounded to thousands of dollars, with no decimal place.~~

~~3.4.4 Where the format of a form requires the presentation of comparative information, the comparative information shall be presented according to the following principles:~~

~~(a) In the case of a form forming part of the Annual Regulatory Return, the comparative information shall be that presented in the Annual Regulatory Return for the previous reporting period.~~

~~(b) In the case of a form forming part of the Quarterly Regulatory Return, the comparative information shall be that presented in the Quarterly Regulatory Return for the corresponding quarter in the previous calendar year.~~

~~(c) Comparative information shall be presented unless:~~

~~(i) the Insurer did not exist at any time during the comparative period (whether or not it was an Insurer);~~

~~(ii) in the case of a Cell Return or a Fund Return, the Cell or Long-Term Insurance Fund to which the Return relates did not exist at any time during the comparative period; or~~

~~(iii) so far only as concerns the DIFC Business Return, in the case of an Insurer that is not a DIFC Incorporated Insurer, the Insurer was not at any time an Insurer during the comparative period.~~

~~(d) An Insurer that is required to present comparative information in a Return, and that was not required to prepare a Return in respect of the comparative period, must present comparative information that would have been presented in the Return covering the comparative period, if the Insurer had been required to prepare that Return.~~

~~(e) Comparative information shall not be changed from the time it was first presented, unless re-presentation is necessary for the interpretation of the Return. Where comparative information is changed, the Insurer must include in the Return a Supplementary Note showing the nature of the change and the reason for it.~~

~~**3.4.5** The Annual Regulatory Return, including the Statement by Directors, is subject to audit, except where this chapter states that a form is not subject to audit.~~

~~**3.4.6** Each page in a Return, including the Statement by Directors and any Supplementary Notes, must show:~~

(a) ~~the words 'Annual Regulatory Return' or 'Quarterly Regulatory Return', as applicable;~~

(b) ~~sufficient information to identify the form or other statement;~~

(c) ~~the Insurer's licence number;~~

(d) ~~the Insurer's name;~~

(e) ~~the reporting period to which the Return relates;~~

(f) ~~whether the Return is a Global, Cell, Fund or DIFC Business Return; and~~

(g) ~~where the return relates to a Cell or a Long-term Insurance Fund, sufficient information to identify the Cell or Long-term Insurance Fund in question.~~

~~3.4.7~~ ~~Where this chapter requires information to be presented for different Classes of Business or for different types of insurance contract (that is, direct insurance, facultative reinsurance, proportional reinsurance treaty and non-proportional reinsurance treaty), an Insurer required to complete the form must present the relevant information in respect of all Classes of Business and types of contract, except under the following circumstances:~~

(a) ~~Where an item of numerical information in respect of a Class of Business for a type of insurance contract is less than two per cent of the total such numerical information in respect of all Classes of Business for that type of insurance contract, the Insurer may aggregate that numerical information for that Class of Business for that type of insurance contract with the same item of information for the Class of Business for that type of contract in which that item of information is the largest.~~

(b) ~~Where an item of numerical information in respect of a type of insurance contract for a Class of Business is less than two per cent of the total such numerical information in respect of all types of insurance contract for that Class of Business, the Insurer may aggregate that numerical information for that type of insurance contract for that Class of Business with the same item of information for the type of insurance contract for that Class of Business in which that item of information is the largest.~~

~~**Guidance**~~

~~This Rule establishes de minimis limits for an Insurer in respect of detailed numerical information presented by Class of Business or by type of insurance contract. Amounts below the de minimis limits may be aggregated together with other items of information in the same line or column of a form. Insurers are not required to apply the sub-Rules in the order that they are set out. However, Insurers should ensure that the Returns continue to comply with both sub-Rules after applying either. It is possible that applying the second sub-Rule to be applied could affect compliance with the first.~~

~~**3.4.8** Where an Insurer arranges its affairs such that a Cell or Long-Term Insurance Fund maintained by it pays or receives income in the form of interest, dividends, rental, recharge of management expenses or other investment income, from another reporting unit of the Insurer, that income must be shown gross as an expense in the reporting unit bearing the expense, and as income in the reporting unit receiving the income. Where however the same reporting unit records the income and the expense, the two must be netted off.~~

~~**Guidance**~~

~~This Rule establishes accounting policy in respect of transactions between reporting units. Internal recharges within an Insurer should be shown as such where they are external to a reporting unit of that Insurer. However, where a reporting unit (for example, the Global Return of an Insurer that is not a Protected Cell Company, and that maintains one or more Long-Term Insurance Funds) includes both 'sides' of the internal transaction, the internal transaction must be eliminated by netting off the income and expense.~~

~~3.5 Form 1: Statement of financial position~~

~~**Guidance**~~

~~1. The 'Statement of Financial Position' provides the DFSA with the necessary information on assets, liabilities and capital to undertake an assessment of an Insurer's financial position and performance and facilitate in assessing compliance with the minimum capital requirements.~~

~~2. PIN section 5.3 deals with the recognition and measurement of assets and liabilities on this form.~~

~~3. The Rules in this section provide instructions as to the completion of specific lines on the form. Instructions that are provided in respect of a particular category of current assets or liabilities are normally applicable also (with the appropriate changes) to the corresponding category of non-current assets or liabilities, and vice versa.~~

~~4. The completion of this form requires Insurers to make estimates, for example in assigning assets and liabilities as current or non-current. As an example, the settlement date of outstanding claims, particularly IBNR, is often uncertain. An Insurer may make a reasonable estimate of the amount that is expected to be settled within twelve months, and record that amount as a current liability, with the balance being recorded as non-current. A similar approach would be acceptable for the assets representing reinsurance and other recoveries, that would not normally become due and receivable until the underling claim has been settled.~~

~~5. Insurers are required to disclose the amount included in certain totals that relates to parties Related to the Insurer. These disclosures exclude amounts due to or from the Insurer under Contracts of Insurance.~~

~~**3.5.1** This form is required for each reporting unit in respect of which the Insurer must prepare a Return, except for a DIFC Business Return.~~

~~**3.5.2** Assets and liabilities must be reported as current or non-current. Current assets and liabilities are those expected to mature or be realised within a twelve-month period from the date as at which the return is drawn up. Where an asset or a liability includes elements that are current as well as elements that are non-current, the asset or liability must be separated into the current and non-current components, if necessary by means of an estimate.~~

~~**3.5.3** Item 1 on the form includes only cash and liquid assets. Insurers must have regard to the following principles:~~

~~(a) Item 1.2 includes only deposits available within 24 hours that are used by the Insurer for daily purposes of liquidity and operations. Deposits that~~

~~form part of the Insurer's investments are reported at item 3 or item 7; and~~

~~(b) Bank overdrafts must be reported at item 21.3, not netted against item 1 unless there is a legal right of offset.~~

~~**3.5.4** Item 2 on the form includes only receivables. In completing this item, Insurers must have regard to the following principles:~~

~~(a) Receivables must be stated net of any provision for doubtful debt or impairment of asset;~~

~~(b) Item 2.2 includes items such as subrogation or salvage recoveries in respect of claims that have been paid;~~

~~(c) Item 2.3 includes instalment premiums on General Insurance contracts that are not yet due for payment. It also includes premiums on General Insurance contracts that have been entered into but not yet recorded. It does not include premiums on Long-term Insurance contracts that are not yet due for payment;~~

~~(d) Item 2.4 includes amounts due and receivable under reinsurance contracts, including premiums due from cedants and deposits retained by cedants, as well as amounts due from reinsurers in respect of recoveries against claims that have been paid. Where there is a legal right of set-off, an Insurer may report the working balance on an account with a cedant or reinsurer as a net receivable or payable amount. However if there is no legal right of set-off, amounts must be recorded gross as receivables and payables;~~

~~(e) Item 2.5 includes amounts in respect of reinsurance and other recoveries in respect of claims that have been incurred but not paid, up to the date to which the return is drawn up. This includes reinsurance and other recoveries in respect of IBNR. Because of the uncertainty of the outcome of outstanding claims and IBNR, it is necessary to estimate at least a part of this balance. The basis on which the estimate is made must be consistent with the basis of estimation of the related liability, reported at item 18;~~

~~(f) Reinsurance and other recoveries in respect of claims that have not yet been incurred are reported at item 2.6. It is necessary to estimate this balance. The basis on which the estimate is made must be consistent~~

~~with the basis of estimation of the related liability, reported at item 19; and~~

~~(g) Where, in determining the amounts to be reported at item 2.4 or 2.5, an Insurer has made or considered making a provision for doubtful debt in respect of recoveries due or potentially due from a reinsurer, the Insurer must take into account the potential need to make a provision when determining any estimate to be included at item 2.5 or 2.6.~~

~~Guidance~~

~~It is common practice for Insurers to account for their exposures on General Insurance contracts in force by means of an unearned premium provision, an asset representing deferred reinsurance expense and (where necessary) a premium deficiency reserve. Insurers are referred to the Guidance to item 19. An insurer that uses an unearned premium provision and premium deficiency reserve as a proxy for Premium Liabilities may record its deferred reinsurance expense at item 2.6 (for the current portion) and item 7.6 (for the non-current portion).~~

~~3.5.5 An Insurer's current investments are reported at item 3. This item does not include derivatives used to hedge investments reported here. Hedging derivatives are included in item 5. Insurers must have regard to the following principles when completing item 3:~~

~~(a) Investments that are strategic in nature must be assumed to be non-current, and must be reported at item 8 or item 9; and~~

~~(b) Deposits that are of the nature of security deposits, or retentions under contracts, are not reported at item 3.1 but are reported as receivables.~~

~~Guidance~~

~~Investments that take the form of mudaraba or musharaka contracts must be reported in accordance with their nature. A contract that takes the form of a collective investment, where the Insurer is one of several investors providing capital to a mudarib who then provides the capital to the entrepreneur, should be reported as a collective investment (where it does not fall to be reported as a Profit Sharing Investment Account). Where however, a contract of mudaraba or musharaka is entered into by an Insurer as an investment directly with an entrepreneur, or through a mudarib with the Insurer as sole rab ul mal, the investment should be reported as a contract of mudaraba or musharaka as appropriate.~~

~~3.5.6 Deferred tax assets that are current assets are reported at item 4. Insurers must have regard to the following principles when completing item 4:~~

~~(a) Netting off of deferred tax assets and liabilities is permitted only where both the asset and the liability relate to the same tax to which the Insurer is subject, and are expected to crystallise in the same taxation period; and~~

~~(b) Amounts that represent refunds due from taxation authorities, that are not contingent on earning future taxable income, are not deferred tax assets but are receivables.~~

~~3.5.7 Item 5 includes current assets that do not fall to be reported under other items. In completing this item, insurers must have regard to the following principles:~~

~~(a) Acquisition costs in respect of General Insurance business must not be deferred, as the basis on which the premium liability is determined requires immediate expensing of acquisition costs; and~~

~~(b) Item 5.2 does not include deferred reinsurance expense, as item 2.6 stands in place of this asset.~~

~~3.5.8 Item 6.1 reports the total of amounts due from, balances with or investments in Related parties that form a part of the total of current assets. This amount excludes amounts due under insurance contracts.~~

~~3.5.9 In completing items 7 (non-current receivables) and 8 (non-current investments) Insurers should have regard to the principles set out in this section for the equivalent categories of current assets.~~

~~3.5.10 In item 9, investments in Related parties must be recognised and measured in accordance with the principles of chapter 5. Section 5.7 requires an Insurer to make allowance for any minimum capital requirement or equivalent to which a Subsidiary or Associate is subject in the jurisdiction in which it is incorporated.~~

~~3.5.11 In item 10, an Insurer must exclude any properties of the Insurer, whether or not~~

~~occupied. Properties must be reported at item 3.6 or 8.6 as appropriate.~~

~~3.5.12~~ ~~In item 11, an Insurer must report intangible assets after deducting any amortisation or impairment charge in respect of those assets.~~

~~3.5.13~~ ~~In completing items 12 (non-current deferred tax assets) and 13 (other non-current assets) Insurers should have regard to the principles set out in this section for the equivalent categories of current assets.~~

~~3.5.14~~ ~~Item 14.1 reports the total of amounts due from, balances with or investments in related parties that form a part of the total of current assets. This amount excludes amounts due under insurance contracts.~~

~~3.5.15~~ ~~Amounts due under reinsurance contracts at item 17 must include premiums payable but not yet due for payment under the terms of reinsurance contracts, and deposits withheld from reinsurers. Other items attributable to reinsurance contracts such as the reinsurer's portion of recoveries and salvage and commissions due to reinsurers must also be included under this item.~~

~~3.5.16~~ ~~Item 18 reports the current portion of the Insurer's provision for outstanding claims. This item must be completed having regard to the following principles:~~

~~(a)~~ ~~The liability must represent the estimated cost to the insurer of settling claims which it has incurred at the reporting date but which have not been finalised. The liability is in respect of both direct business and inward reinsurance business and must take into account unpaid claims, unreported claims, adjustments for claims development and the direct and indirect claims settlement costs that the Insurer expects to incur in settling its outstanding claims;~~

~~(b)~~ ~~In the case of Long-Term Insurance Business, this item must include all claims liabilities in respect of Contracts of Insurance that are no longer included in the calculation of the net policy benefits at item 20;~~

~~(c)~~ ~~The liability must be stated without deducting reinsurance and other recoveries (these are disclosed as an asset as reinsurance receivables);~~

~~(d) The requirements for recognition and measurement of this liability are set out in PIN sections 5.4 and 5.6; and~~

~~(e) The liability does not include any amounts for catastrophe reserve, equalisation reserve or similar provisions that an Insurer may be required to maintain to satisfy regulatory requirements in a jurisdiction other than the DIFC.~~

~~3.5.17 Item 19, Premium Liability, represents the current portion of the cost of providing Insurance service over the unexpired period of general insurance contracts in force at the balance date. This item must be completed having regard to the following principles:~~

~~(a) The Premium Liability reported is required to cover the value of future claims payments and associated direct and indirect settlement costs arising during the unexpired portion of the contracts in question.~~

~~(b) Item 19 must be recorded without deducting reinsurance and other recoveries (these are disclosed as an asset as reinsurance receivables); and~~

~~(c) The requirements for recognition and measurement of this liability are set out in PIN section 5.4.~~

~~**Guidance**~~

~~As stated in the Guidance to PIN Rule 5.4.7, it is common practice for Insurers to account for their exposures on General Insurance contracts in force by means of an unearned premium provision and (where necessary) a premium deficiency reserve. Where the aggregate of the unearned premium provision and the premium deficiency reserve (both gross of reinsurance) can be shown to be not less than the amount of Premium Liability determined in accordance with section 5.4, an Insurer may use that aggregate as a proxy for Premium Liability for the purposes of recording items 19 and 29 on this form.~~

~~3.5.18 Item 20 represents the net value of future Policy Benefits under Long-Term Insurance contracts that are in force as at the date to which the return is made up. The amount reported here must be determined in accordance with PIN section 5.6.~~

~~3.5.19 Item 23, provisions, must be completed having regard to the following principles:~~

~~(a) A provision must be made at item 23.1 in respect of dividends payable out of past and current year profit, to the extent that profit has been recognised;~~

~~(b) Employee entitlements at item 23.2 include annual leave, gratuity, accrued allowances, staff housing and loan benefits, healthcare, pension and other employee entitlements; and~~

~~(c) A provision must be made at item 23.3 in respect of any costs that the Insurer expects to incur as a result of restructuring, including severance, termination and redundancy payments, and integration costs.~~

~~3.5.20 Item 25.1 reports the amount of current liabilities representing amounts due to Related parties, other than amounts due under insurance contracts.~~

~~3.5.21 In completing items 26 to 34, Insurers should have regard to the principles set out in this section for the equivalent categories of current liabilities.~~

~~3.5.22 Item 35 includes all loan capital and hybrid securities that have been issued by the Insurer and have a residual term to maturity of more than one year. Any loan capital or hybrid securities that have a residual term to maturity of less than one year should be reported as borrowings, at item 21.~~

~~3.5.23 Item 36.1 reports the amount of non-current liabilities representing amounts due to Related parties, other than amounts due under insurance contracts and amounts reported at line 35.~~

~~3.5.24 Item 36.2 reports the amount reported at item 35 representing interests of~~

~~Related parties in loan capital or hybrid securities issued by the Insurer.~~

~~3.5.25 In completing item 39, Equity, Insurers must have regard to the following principles:~~

~~(a) Item 39.6 must be equal to item 38;~~

~~(b) Hybrid securities and loan capital are reported at item 35, not item 39;~~

~~(c) Item 39.1 is not used in a Fund Return;~~

~~(d) Item 39.3 is used only in a Fund Return, to record amounts of capital transferred into the Long-Term Insurance Fund; and~~

~~(e) Where an Insurer makes use of item 39.6, the Insurer must state in a Supplementary Note the nature of the amount recorded at this item.~~

~~3.5.26 Insurers must record at item 39.8 the amount included at item 39.1 meeting the following descriptions:~~

~~(a) in the case of a Global Return of an Insurer that is not a Protected Cell Company, the amount of ordinary share capital meeting the description at PIN Rule A3.5.1(d);~~

~~(b) in the case of a Global Return of an Insurer that is a Protected Cell Company, the amount of ordinary share capital meeting the description at PIN Rule A5.5.1(e); and~~

~~(c) in the case of a Cell Return, the amount of ordinary share capital meeting the description at PIN Rule A5.10.1(d).~~

~~3.5.27 No amount must be recorded at item 39.8 in the case of a Fund Return.~~

~~3.5.28 An Insurer must provide the following information in a Supplementary Note to this form:~~

~~(a) any amount included in item 39.7 that is not available to meet the Insurance Liabilities of the Insurer;~~

~~(b) the amount and details of any guarantees (apart from guarantees arising under Contracts of Insurance) given by the Insurer;~~

~~(c) the amount and details of any contingent liabilities existing as at the date to which the return is made up; and~~

~~(d) where the amount of item 39.4 is not equal to the sum of items 39.4 and 39.5 for the comparative reporting period, a reconciliation of the differences. This applies only when the form forms a part of the Annual Regulatory Return.~~

~~3.6 Form 2: Statement of capital adequacy~~

~~Guidance~~

~~1. This form summarises the capital adequacy position of the Insurer so far as concerns the reporting unit for which it is prepared (Global, Cell, or Fund).~~

~~2. The same form is used for all types of Return, although in the calculation of the capital requirements applicable to different Insurers and to their Cells and Long-Term Insurance Funds, different terminology is used. The terms on the face of the form need to be replaced with the specific equivalent terms from the relevant section (as set out in section 3.16), depending on the nature of the Insurer and the type of Return. This section contains the necessary Rules to give legal effect to this concept.~~

~~3. This form lists a number of adjustments to arrive at the figure to be compared to the minimum capital requirement applicable to the reporting unit. The purpose of these adjustments is to remove significant anomalies that may arise due to the flexibility available to Insurers in selecting their accounting bases. Therefore, not all of these adjustments will be applicable to all Insurers. An item must not be added to the base capital figure if it is already included in the base capital figure because of the accounting basis adopted.~~

~~4. The effect of the Rules on the Return of a Takaful Insurer is to exclude from equity any element of equity that is not available to participate in the surpluses or deficits of the Insurance Business of the Takaful Insurer, either directly or by loan to the Insurance Fund. Loans that have been made from the Owners' Equity to the Insurance Fund are included in base capital without restriction, while amounts that are available for loan are treated as hybrid capital.~~

~~**3.6.1** This form is required for each reporting unit in respect of which the Insurer must prepare a Return, except for a DIFC Business Return.~~

~~**3.6.2** Insurers must follow the requirements of PIN chapter 4 when preparing this form.~~

~~**3.6.3** On this form, terms used to describe items to be recorded must be interpreted in accordance with section 3.16.~~

~~**3.6.4** Item 1, Base capital, represents the starting-point for the calculation of the capital resources of the Insurer to be compared to the minimum capital requirement applicable to the Insurer. This item must be completed having regard to the following principles:~~

~~(a) Item 1.1, Equity, must be equal to total equity reported at item 39.6 on form 1, less debt-financed equity reported at line 39.7 on form 1;~~

~~(b) Item 1.2, Owners' Equity, must be equal to the amount of Owners' Equity in a Takaful Insurer that is available for loan to the Insurance Fund. It does not include any amount of loans made from Owners' Equity to the Insurance Fund and not repaid. This item applies only to Takaful Insurers;~~

~~(c) Any amount recorded at item 1.3.1 must not exceed the amount recorded at item 35.1 on form 1;~~

~~(d) (d) Any amount recorded at item 1.3.2 must not exceed the amount recorded at item 35.2 on form 1;~~

~~(e) Item 1.3.3 may only be used by a Takaful Insurer. This item must equal item 1.2; and~~

~~(f) Item 1.3.4 may not exceed the amount of item 39.7 on form 1.~~

~~**3.6.5** Item 2, Adjustments to base capital in accordance with PIN, must be completed having regard to the following principles:~~

~~(a) Amounts referred to in item 2.1 must not be reported if those amounts are included at item 1.7;~~

~~(b) Amounts referred to in item 2.2 must not be reported if those amounts are excluded from item 1.7;~~

~~(c) Item 2.1.1, minority interests in subsidiaries, applies only where an Insurer excludes from its equity an amount representing minority interests in a controlled entity that is not accounted for as an investment;~~

~~(d) Item 2.1.2, liability for dividends to be paid in the form of shares, applies only where an Insurer has recorded as a liability a provision for dividends that are to be paid by issuing shares. This item does not apply to a Fund Return;~~

~~(e) Item 2.2.1 applies to the liability referred to in PIN Rule A3.4.3(a) and equivalent provisions in PIN Rules A5.4.3(a), A5.8.3(a) and A7.4.2(a). This item does not apply to a Fund Return;~~

~~(f) Item 2.2.2 applies only to a Return of a Takaful Insurer. This item represents amounts of Owners' Equity that are not available for loan to the Insurance Fund or to participate in surpluses or deficits of the Insurance Fund;~~

~~(g) Item 2.2.3 represents investments of the Insurer or by any Subsidiary of the Insurer in the base capital of the Insurer recorded at item 1.4;~~

~~(h) Item 2.2.4 represents the amount of any tax on capital gains, that was not recognised as a liability on form 1, and that would be incurred by the Insurer if the investments reported on form were realised at the values shown on that form;~~

~~(i) Item 2.2.5 must be equal to the amount of any deferred acquisition costs included on form 1, whether as a separate asset or as a reduction from liabilities;~~

~~(j) Item 2.2.6 must be equal to the sum of items 4.3 and 12.3 on form 1;~~

~~(k) Item 2.2.7 must be equal to the sum of any asset recorded on form 1 and representing the value of in-force Long-Term Insurance Business;~~

~~(l) (l) Item 2.2.8 must be equal to the sum of item 11.3 on form 1, and any other intangible assets recorded on form 1 and not otherwise excluded from base capital;~~

~~(m) Item 2.2.9 applies only to a Return of a Takaful Insurer. This item represents any amount of Zakah or charity fund of a Takaful Insurer that is not otherwise excluded from base capital;~~

~~(n) Item 2.2.10 represents the amount of an Insurer's Class 7 Capital Requirement, in accordance with section 4.5. This item does not apply to a Fund Return;~~

~~(o) Item 2.2.11 must be equal to the amount reported at item 10.3 on form 1; and~~

~~(p) Item 2.2.12 must record the amount of any other assets, not otherwise excluded from base capital, that are not available to meet the Insurance Liabilities of the Insurer recorded on form 1.~~

~~**Guidance**~~

~~Rule 3.6.5(p) would normally be expected to include assets that are subject to mortgages or other charges, or than cannot for some other reason be realised for the benefit of policyholders.~~

~~**3.6.6** Item 4.1, Hybrid Capital Adjustment before DFSA approval, must be calculated as the amount by which the sum of items 1.3.1 to 1.3.4 exceeds 15/85 of the amount arrived at by deducting item 1.2.1 from item 1.1.~~

~~3.6.7 Item 4.2, additional hybrid capital approved by DFSA, may only be used to record additional amounts of hybrid capital that have been approved in writing by the DFSA, in accordance with PIN Rules A3.5.2, A5.5.4, A5.10.4 or A7.5.3. The amount of item 4.2 may not exceed the amount of item 4.1~~

~~**Guidance**~~

~~Item 4.1 deducts hybrid capital that would normally be inadmissible because it exceeds the prescribed percentage. Item 4.2 reinstates hybrid capital that had been disallowed by item 4.1. Item 4.2 does not show the total amount of admissible hybrid capital, only that portion that exceeds the 15% ceiling.~~

~~3.6.8 Item 6, Minimum Capital Requirement sets out the components of the minimum capital requirement applicable to the reporting unit of the Insurer in respect of which the Return is completed. For each reporting unit, the components must be calculated in accordance with the chapter applicable to that reporting unit. The terms used in this item must be interpreted in accordance with section 3.16.~~

~~3.6.9 Item 3.11 may only be used with the written approval of the DFSA, to record an adjustment to the minimum capital requirement that has been approved in writing by the DFSA.~~

~~3.6.10 Item 7, Absolute minimum requirement applicable to reporting unit, must beinterpreted in accordance with section 3.16 to this chapter.~~

~~3.7 Form 3: Statement of financial performance~~

~~**Guidance**~~

~~This form summarises the financial performance of the Insurer.~~

~~3.7.1 This form is required for each reporting unit in respect of which the Insurer must prepare a Return, except for a DIFC Business Return.~~

~~3.7.2 This form must agree with other forms in the Return (where those forms are~~

~~prepared for the same reporting unit) in the following respects:~~

~~(a) Item 1.1 must agree to form 4 item 9 column 5;~~

~~(b) Item 1.2 must agree to form 4 item 28 column 5;~~

~~(c) Item 2.1 must agree to form 4 item 19 column 5;~~

~~(d) Item 2.2 must agree to form 4 item 37 column 5;~~

~~(e) Item 4.1 must agree to form 5 item 9 column 5;~~

~~(f) Item 4.2 must agree to form 5 item 28 column 5;~~

~~(g) Item 5.1 must agree to form 5 item 19 column 5;~~

~~(h) Item 5.2 must agree to form 5 item 37 column 5;~~

~~(i) Item 10.1 must equal the sum of items 9 and 28 in column 5 on form 8;~~

~~(j) Item 10.2 must equal the sum of items 19 and 37 in column 5 on form 8;~~

~~(k) Item 13.1 must equal item 7 minus item 6.3 on form 7; and~~

~~(l) Item 13.2 must agree to form 7 item 6.3.~~

~~**3.7.3** An Insurer must present at item 7 the amount of the movement in the period reported on in the balance of Insurance Liabilities.~~

~~3.7.4 An Insurer must present at item 8 the amount of the movement in the period reported on in the balance of reinsurance and other recoveries in respect of Insurance Liabilities.~~

~~**Guidance**~~

~~Insurance Liabilities are reported gross of reinsurance and other recoveries. Reinsurance and other recoveries that are recorded in respect of Insurance Liabilities are reported as assets. An increase in Insurance Liabilities is reported on form 3 as an expense. In the same manner, an increase in the reinsurance and other recoveries in respect of Insurance Liabilities is recorded as revenue.~~

~~3.7.5 An Insurer must present the following information in a Supplementary Note to this form:~~

~~(a) the amount if any included in item 11.2 that represents other operating income receivable from Related parties, and a description of the nature of that income;~~

~~(b) the amount if any included in item 13.3 that represents investment expenses payable to Related parties; and~~

~~(c) where item 18 does not agree to form 1 item 39.5, a reconciliation showing the differences between the two figures.~~

~~3.8 Form 4: Statement of premium revenue and reinsurance expense~~

~~3.8.1 This form is required for each reporting unit in respect of which the Insurer must prepare an Annual Regulatory Return, except for the Global Return of an Insurer that is a Protected Cell Company.~~

~~**Guidance**~~

~~A Protected Cell Company is prevented by COB from carrying on Insurance Business other than through a Cell. Because this form would always be blank for such a company in its Global Return, there is no need for it to submit the form or to complete a Supplementary Note to explain its absence.~~

~~3.8.2 An Insurer must record premiums and reinsurance premiums relating to its Insurance Business on this form as follows:~~

~~(a) An Insurer that is carrying on General Insurance Business must complete part I of this form;~~

~~(b) An Insurer that is carrying on Long-Term Insurance Business must complete part II of this form; and~~

~~(c) An Insurer that is carrying on Long-Term Insurance Business and General Insurance Business of Class 1 or Class 2 may elect either to record the General Insurance Business in part I of this form, or to include that business in Class I on part II of this form. An Insurer may not, between successive Returns, change its election without the written approval of the DFSA.~~

~~3.8.3 At items 1 to 8 and items 21 to 27, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an Insurer must record its Gross Written Premium for the reporting period in respect of that Class of Business and for that type of insurance contract.~~

~~3.8.4 At items 11 to 18 and items 30 to 36, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an insurer must record the reinsurance premium ceded in respect of each Class of Business and each type of insurance contract. Reinsurance premiums recorded as ceded must be gross of any commissions or brokerage, and must be recognised on a basis consistent with the recognition of Gross Written Premium on this form.~~

~~Guidance~~

~~Reinsurance premiums ceded must be analysed between columns 1 and 4 on the basis of the underlying insurance contracts that they are protecting, not on the basis of the reinsurance contracts themselves. Where reinsurance arrangements protect more than one type of business (for example both direct and facultative business) or more than one Class of Business, the Insurer must make a reasonable allocation of the reinsurance premiums between the types or Classes of Business covered.~~

~~3.8.5 An Insurer must disclose the aggregate amount of its insurance and reinsurance transactions with its Related parties as follows:~~

~~(a) at item 10, the amount of Gross Written Premium accepted from Related parties that has been included in the total at item 9;~~

~~(b) at item 20, the amount of reinsurance premium ceded to Related parties that has been included in the total at item 19;~~

~~(c) at item 29, the amount of Gross Written Premium accepted from Related parties that has been included in the total at item 28; and~~

~~(d) at item 38, the amount of reinsurance premium ceded to Related parties that has been included in the total at item 37.~~

~~3.9 Form 5: Statement of claims and reinsurance and other recoveries~~

~~3.9.1 This form is required for each reporting unit in respect of which the Insurer must prepare an Annual Regulatory Return, except for the Global Return of an Insurer that is a Protected Cell Company.~~

~~**Guidance**~~

~~A Protected Cell Company is prevented by COB from carrying on Insurance Business other than through a Cell. Because this form would always be blank for such a company in its Global Return, there is no need for it to submit the form or to complete a Supplementary Note to explain its absence.~~

~~3.9.2 An Insurer must record claims paid and reinsurance and other recoveries in respect of claims paid relating to its Insurance Business on this form as follows:~~

~~(a) An Insurer that is carrying on General Insurance Business must complete part I of this form;~~

~~(b) An Insurer that is carrying on Long-Term Insurance Business must complete part II of this form; and~~

~~(c) An Insurer that is carrying on Long-Term Insurance Business and General Insurance Business of Class 1 or Class 2 must record the General Insurance Business in a manner consistent with that adopted in respect of form 4 as determined under (c).~~

~~**3.9.3** At items 1 to 8 and items 21 to 27, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an Insurer must record its gross claims paid for the reporting period in respect of that Class of Business and for that type of insurance contract.~~

~~**3.9.4** For the purposes of this form, the amount of claims paid includes expenses incurred by the Insurer in the settlement of the claims.~~

~~**3.9.5** At items 11 to 18 and items 30 to 36, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an insurer must record the reinsurance and other recoveries receivable in respect of claims paid, in respect of each Class of Business and each type of insurance contract.~~

~~**Guidance**~~

~~Reinsurance recoveries must be analysed between columns 1 and 4 on the basis of the underlying insurance contracts that they relate to, not on the basis of the reinsurance contracts themselves. Where the nature of the reinsurance contract is such that the Insurer cannot identify individual claims benefiting from the recoveries (for example, in the case of an aggregate excess of loss contract, or a stop loss contract) the Insurer must make a reasonable allocation of the recoveries across the types and Classes of Business that have benefit of the reinsurance contracts.~~

~~**3.9.6** An Insurer must disclose the aggregate amount of its insurance and reinsurance transactions with its related parties as follows:~~

~~(a) At item 10, the amount of gross claims paid to Related parties that has been included in the total at item 9;~~

~~(b) At item 20, the amount of reinsurance and other recoveries receivable from Related parties that has been included in the total at item 19;~~

~~(c) At item 29, the amount of gross claims paid to Related parties that has been included in the total at item 28; and~~

(d) ~~At item 38, the amount of reinsurance and other recoveries receivable from Related parties that has been included in the total at item 37.~~

~~3.10 Form 6: Statement of movements in insurance provisions~~

~~3.10.1 This form is required for each reporting unit in respect of which the Insurer prepares an Annual Regulatory Return, or a part of an Annual Regulatory Return, in respect of General Insurance Business.~~

~~Guidance~~

1. ~~A Protected Cell Company is prevented by COB from carrying on Insurance Business other than through a Cell. Because this form would always be blank for such a company in its Global Return, and it is exempted from the requirement to complete other forms relating to General Insurance Business, there is no need for it to submit the form, or to complete a Supplementary Note to explain its absence.~~

2. ~~A Global Return of an Insurer that does not carry on General Insurance Business, or a Cell Return, Fund Return or DIFC Business Return of such an Insurer, also omits this form, without the need for a Supplementary Note to explain its absence. However, if an Insurer that carries on Long-Term Insurance Business together with Class 1 or Class 2 General Insurance Business elects to report that Class 1 or Class 2 business as General Insurance Business for the purposes of form 4 or form 5, it must also complete this form in respect of that business.~~

~~3.10.2 An Insurer must record separately, in parts I to IV and parts V to VIII respectively of this form, the information required in respect of claims outstanding (including IBNR) gross of reinsurance and other recoveries, and reinsurance and other recoveries in respect of those claims outstanding. This information must be presented for each Class of Business.~~

~~**Guidance**~~

~~Reinsurance recoveries must be analysed between parts V to VIII on the basis of the underlying insurance contracts that they relate to, not on the basis of the reinsurance contracts themselves. Where the nature of the reinsurance contract is such that the Insurer cannot identify individual claims benefiting from the recoveries (for example, in the case of an aggregate excess of loss contract, or a stop loss contract) the Insurer must make a reasonable allocation of the recoveries across the types and Classes of Business that have benefit of the reinsurance contracts.~~

~~**3.10.3** Parts I, II, III and IV must be prepared on the following basis:~~

~~(a) At column 1 in each part, the Insurer must record the amount of claims outstanding (including IBNR), at the end of the reporting period and in respect of claims incurred during the reporting period;~~

~~(b) At column 2 in each part, the Insurer must record the amount of claims outstanding (including IBNR), at the beginning of the reporting period and in respect of claims incurred during the previous reporting period;~~

~~(c) At column 3 in each part, the Insurer must record the amount of the movement during the reporting period in the provision for claims outstanding (including IBNR), in respect of claims incurred during the previous reporting period, that arises from those claims being one year closer to settlement;~~

~~**Guidance**~~

~~PIN chapter 5 requires an Insurer to record its Insurance Liabilities on a discounted basis. A liability for an outstanding claim increases between the beginning and end of a reporting period, because the amount of discount applied at the later is less. The expense represented by this increase is referred to in the form as release of discount.~~

~~(d) At column 4 in each part, the Insurer must record the amount of claims paid during the reporting period, in respect of claims incurred during the previous reporting period;~~

~~(e) At column 5 in each part, the Insurer must record the amount of other movements in the provision for claims outstanding (including IBNR), in respect of claims incurred during the previous reporting period;~~

~~(f) At column 7 in each part, the Insurer must record the amount of claims outstanding (including IBNR), at the beginning of the reporting period and in respect of claims incurred before the beginning of the previous reporting period;~~

~~(g) At column 8 in each part, the Insurer must record the amount of the movement during the reporting period in the provision for claims~~

~~outstanding (including IBNR), in respect of claims incurred before the beginning of the previous reporting period, that arises from those claims being one year closer to settlement;~~

~~(h) At column 9 in each part, the Insurer must record the amount of claims paid during the reporting period, in respect of claims incurred before the beginning of the previous reporting period; and~~

~~(i) At column 10 in each part, the Insurer must record the amount of other movements in the provision for claims outstanding (including IBNR), in respect of claims incurred before the beginning of the previous reporting period.~~

~~**3.10.4** Parts V, VI, VII and VIII must be prepared on the following basis:~~

~~(a) At column 1 in each part, the Insurer must record the amount of the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), at the end of the reporting period and in respect of claims incurred during the reporting period;~~

~~(b) At column 2 in each part, the Insurer must record the amount of the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), at the beginning of the reporting period and in respect of claims incurred during the previous reporting period;~~

~~(c) At column 3 in each part, the Insurer must record the amount of the movement during the reporting period in the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), in respect of claims incurred during the previous reporting period, that arises from those recoveries being one year closer to settlement;~~

~~**Guidance**~~

~~PIN chapter 5 requires an Insurer to record its Insurance Liabilities and associated assets on a discounted basis. The asset representing reinsurance and other recoveries against outstanding claims increases between the beginning and end of a reporting period, because the amount of discount applied at the later is less. The revenue represented by this increase is referred to in the form as release of discount.~~

~~(d) At column 4 in each part, the Insurer must record the amount of recoveries received during the reporting period, in respect of claims incurred during the previous reporting period;~~

~~(e) At column 5 in each part, the Insurer must record the amount of other movements in the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), in respect of claims incurred during the previous reporting period;~~

~~(f) At column 7 in each part, the Insurer must record the amount of the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), at the beginning of the reporting period and in respect of claims incurred before the beginning of the previous reporting period;~~

~~(g) At column 8 in each part, the Insurer must record the amount of the movement during the reporting period in the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), in respect of claims incurred before the beginning of the previous reporting period, that arises from those claims being one year closer to settlement;~~

~~(h) At column 9 in each part, the Insurer must record the amount of reinsurance and other recoveries received during the reporting period, in respect of claims incurred before the beginning of the previous reporting period; and~~

~~(i) At column 10 in each part, the Insurer must record the amount of other movements in the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), in respect of claims incurred before the beginning of the previous reporting period.~~

~~**3.10.5** The aggregate of items 9, 18, 27 and 36 in column 12 of this form must together equal the sum on form 1 of items 18 and 28, except in the case of a Return that does not include form 1.~~

~~**3.10.6** The aggregate of items 45, 54, 63 and 72 in column 12 of this form must together equal the sum on form 1 of items 2.5 and 7.5, except in the case of a Return that does not include form 1.~~

~~**3.10.7** An Insurer must present, as a Supplementary Note to this form, the following information:~~

~~(a) the assumed inflation and discount rates, expressed as an annualised percentage, used by the Insurer in determining the amounts reported on this form, distinguishing between the rates assumed for the periods:~~

~~(i) up to two calendar years after the end of the reporting period;~~

~~(ii) more than two and up to five calendar years after the end of the reporting period; and~~

~~(iii) more than five calendar years after the end of the reporting period;~~

~~(b) the basis on which those assumed inflation and discount rates were determined; and~~

~~(c) the estimated weighted average term to settlement of:~~

~~(i) claims incurred in the reporting period;~~

~~(ii) claims incurred in the previous reporting period; and~~

~~(iii) claims incurred in earlier reporting periods.~~

~~3.11 Form 7: Statement of investment income~~

~~3.11.1 This form is required for each reporting unit in respect of which the Insurer must prepare an Annual Regulatory Return, except for a DIFC Business Return.~~

~~3.11.2 This form must be completed in accordance with the following principles:~~

~~(a) The Insurer must disclose at item 1 interest receivable, measured on accruals basis, on securities and loans bearing a fixed or variable rate of interest. This item should include interest receivable on cumulative preference shares;~~

~~(b) The Insurer must disclose at item 2 dividends receivable on equity Securities;~~

~~(c) The Insurer must disclose at item 3 rental income receivable, on an accruals basis, for the use of real property;~~

~~(d) The Insurer must disclose at item 4 income receivable, on an accruals basis, under investment contracts of mudaraba and musharaka other than Profit Sharing Investment Accounts or contracts of the nature of collective investments;~~

~~**Guidance**~~

~~Item 4 should include income receivable under contracts of mudaraba and musharaka where the nature of the investment is that the Insurer provides capital to the counterparty either directly or through a mudarib, but not in the form of a Profit Sharing Investment Account (PSIA), mutual fund or other collective investment. Collective investments including PSIAs are disclosed at item 5.~~

~~(e) The Insurer must disclose at item 5 income receivable, on an accruals basis, from collective investments, including mutual funds, Profit Sharing Investment Accounts and contracts taking the form of collective investments;~~

~~**Guidance**~~

~~Item 5 should include income receivable under contracts that by their nature are collective~~

~~investments, where the Insurer stands as one of several rab ul mal providing capital to a mudarib who in turn invests that capital. The rab ul mal may receive a Sukuk or certificate which may be transferable. Investments in Profit Sharing Investment Accounts will normally be disclosed here.~~

~~(f) The Insurer must disclose at item 6 the aggregate amount of changes in value in its invested assets. Where the aggregate amount of changes in value for either of item 6.1 or 6.2 represents a reduction in value, the Insurer must record that item as a negative figure; and~~

~~(g) The Insurer must disclose at item 7 the aggregate amount of any investment income that does not fall into any of items 1 to 5. Where an Insurer uses this item, it must provide details of the item in question in a Supplementary Note to this form.~~

~~**Guidance**~~

~~Item 7 will normally be used only by Insurers with income on investments that do not readily fall into any of the categories described in this Rule. An Insurer reporting an amount under this item will normally be expected to provide sufficient information to explain to the DFSA the nature of the investment and the nature of the income arising from it.~~

~~3.12 Form 8: Statement of acquisition expenses~~

~~3.12.1 This form is required for each reporting unit in respect of which the Insurer must prepare an Annual Regulatory Return, except for the Global Return of an Insurer that is a Protected Cell Company.~~

~~**Guidance**~~

~~A Protected Cell Company is prevented by COB from carrying on Insurance Business other than through a Cell. Because this form would always be blank for such a company in its Global Return, there is no need for it to submit the form or to complete a Supplementary Note to explain its absence.~~

~~3.12.2 An Insurer must record acquisition expenses relating to its Insurance Business on his form as follows:~~

~~(a) An Insurer that is carrying on General Insurance Business must complete part I of this form;~~

~~(b) An Insurer that is carrying on Long-Term Insurance Business must complete part II of this form;~~

(c) ~~An Insurer that is carrying on Long-Term Insurance Business and General Insurance Business of Class 1 or Class 2 must record that business consistently with the election made pursuant to Rule 3.9.2 (c); and~~

(d) ~~Commissions receivable by insurers from their reinsurers (often referred to as exchange commissions, overriders or ceded acquisition costs) must not be netted against acquisition costs disclosed on this form but must be recorded as income on form 3 at item 11.1.~~

3.12.3 ~~At items 1 to 8 and items 21 to 27, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an Insurer must record commissions and brokerage payable by it for the reporting period in respect of that Class of Business and for that type of insurance contract.~~

3.12.4 ~~At items 11 to 18 and items 30 to 36, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an insurer must record acquisition expenses other than commission and brokerage payable by it in respect of each Class of Business and each type of insurance contract.~~

3.12.5 ~~An Insurer must disclose the aggregate amount of acquisition costs payable to related parties as follows:~~

(a) ~~at item 10, the amount of commissions and brokerage payable to related parties that has been included in the total at item 9;~~

(b) ~~at item 20, the amount of other acquisition expenses payable to related parties that has been included in the total at item 19;~~

(c) ~~at item 29, the amount of commissions and brokerage payable to related parties that has been included in the total at item 28; and~~

(d) ~~at item 38, the amount of other acquisition expenses payable to related parties that has been included in the total at item 37.~~

~~3.13 Form 9: Reconciliation to financial statements~~

~~3.13.1 This form is required only for an Insurer's Global Return. This form is not subject to audit.~~

~~**Guidance**~~

~~1. The purpose of this form is to provide a reconciliation between the net assets of the Insurer as recorded on form 1 and the net assets of the Insurer as recorded in its financial statements prepared under relevant companies legislation for the same reporting period.~~

~~2. Where an Insurer's financial statements prepared under relevant companies legislation are not available at the time of lodgement of the Annual Regulatory Return, the Insurer will be expected to complete this form based on the draft financial position of the Insurer as at the end of the reporting period. Where the financial statements are subsequently provided to the DFSA as permitted by PIN Rule 3.5.7, the Insurer should consider whether it is necessary to draw the attention of the DFSA to any significant changes between the draft financial statements on which this form was based and the financial statements subsequently provided.~~

~~3.13.2 An Insurer must disclose the amounts making up the difference between the Insurer's net assets reported at item 39.7 on form 1 and the Insurer's net assets (or equivalent designation) reported on the balance sheet, statement of financial position or equivalent document (referred to in this section as the 'statutory balance sheet') forming part of the financial statements that the Insurer is required to complete under the Companies Law 2004 (or equivalent legislation in jurisdictions other than the DIFC), made up as at the same date as the information contained in form 1.~~

~~3.13.3 Item 1 must agree to form 1 item 39.7.~~

~~3.13.4 Differences constituting differences in recognition of assets and liabilities must be disclosed at item 2.1. Where an asset is recognised in the statutory balance sheet but not in form 1, the item must be disclosed as a positive amount, and vice versa. Where a liability is recognised in the statutory balance sheet but not in form 1, the item must be disclosed as a negative amount, and vice versa.~~

~~3.13.5 Differences constituting differences in valuation of assets and liabilities that are recognised in both the statutory balance sheet and form 1 must be disclosed at item 2.2. Where an asset is valued at more in the statutory balance sheet than in form 1, the item must be disclosed as a positive amount, and vice versa. Where a liability is valued at more in the statutory balance sheet than in form 1, the item must be disclosed as a negative amount, and vice versa.~~

~~3.13.6 The information presented at items 2.1 and 2.2 must include:~~

~~(a) the amount of each material difference; and~~

~~(b) a description of each material difference.~~

~~3.13.7 Item 3 must agree to the amount of net assets (or equivalent designation) in the Insurer's statutory balance sheet.~~

~~3.13.8 Where this form does not contain sufficient space for the presentation of the information required by this section, the Insurer must present a Supplementary Note containing that information.~~

~~**Guidance**~~

~~Presenting a Supplementary Note does not relieve an Insurer from the obligation to prepare the form. However it will be acceptable for an Insurer to include on the form a reference to the Supplementary Note containing the information required to be presented, together with the aggregate amount covered in that Supplementary Note.~~

~~3.14 Form 10: Summary statement of operations~~

~~**Guidance**~~

1. ~~The Summary statement of operations provides the DFSA with quarterly information on the operations of a DIFC Branch of an Insurer that is not incorporated in the DIFC.~~

2. ~~The Rules in this section provide instructions as to the completion of specific lines on the form. The instructions are similar to those applicable to corresponding items on forms 1 and 3, which are not applicable to DIFC Business Returns.~~

3. ~~On this form, reinsurance premiums and reinsurance recoveries refer to amounts ceded and recovered in respect of insurance contracts entered into as part of the Insurer's DIFC Insurance Business, regardless of where the reinsurance premiums and reinsurance recoveries are payable or receivable.~~

~~**3.14.1** This form is required only for a DIFC Business Return.~~

~~**3.14.2** An Insurer must present at item 1 the amount of its Gross Written Premium in respect of its business conducted in the DIFC.~~

~~**3.14.3** An Insurer must present at item 2 the amount of reinsurance premium ceded in respect of insurance contracts whose Gross Written Premium is recorded at item 1.~~

~~**3.14.4** An Insurer must present at item 4 the amount of claims paid in respect of its business conducted in the DIFC.~~

~~**3.14.5** An Insurer must present at item 5 the amount of reinsurance and other recoveries receivable in respect of claims recorded at item 4.~~

~~**3.14.6** An Insurer must present at item 7 the amount of the movement in the period reported on in the balance of Insurance Liabilities.~~

~~**3.14.7** An Insurer must present at item 8 the amount of the movement in the period reported on in the balance of reinsurance and other recoveries in respect of Insurance Liabilities.~~

~~**Guidance**~~

~~Insurance Liabilities are reported gross of reinsurance and other recoveries. Reinsurance and other~~

~~recoveries that are recorded in respect of Insurance Liabilities are reported as assets. An increase in Insurance Liabilities is reported on form 10 as an expense. In the same manner, an increase in the reinsurance and other recoveries in respect of Insurance Liabilities is recorded as revenue.~~

~~**3.14.8** Where an Insurer reports any amount at item 11.2, the Insurer must present in a Supplementary Note the amount of any such income receivable from Related parties, and a description of the nature of that income.~~

~~**3.14.9** Item 13 reports the Insurer's provision for outstanding claims. This item must be completed having regard to the following principles:~~

~~(a) The liability must represent the estimated cost to the insurer of settling claims which it has incurred at the reporting date but which have not been finalised. The liability is in respect of both direct business and inward reinsurance business and must take into account unpaid claims, unreported claims, adjustments for claims development and the direct and indirect claims settlement costs that the Insurer expects to incur in settling its outstanding claims;~~

~~(b) In the case of Long-Term Insurance business, this item must include all claims liabilities in respect of Contracts of Insurance that are no longer included in the calculation of the net policy benefits at item 17;~~

~~(c) The liability must be stated without deducting reinsurance and other recoveries (these are disclosed as an asset as reinsurance receivables);~~

~~(d) The requirements for recognition and measurement of this liability are set out in PIN sections 5.4 and 5.6; and~~

~~(e) The liability does not include any amounts for catastrophe reserve, equalisation reserve or similar provisions that an Insurer may be required to maintain to satisfy regulatory requirements in a jurisdiction other than the DIFC.~~

~~3.14.10 Item 14 includes amounts in respect of reinsurance and other recoveries in respect of claims that have been incurred but not paid, up to the date to which the return is drawn up. This includes reinsurance and other recoveries in respect of IBNR. Because of the uncertainty of the outcome of outstanding claims and IBNR, it is necessary to estimate at least a part of this balance. The basis on which the estimate is made must be consistent with the basis of estimation of the related liability, reported at item 13.~~

~~3.14.11 Item 15, Premium Liability, represents the current portion of the cost of providing insurance service over the unexpired period of general insurance contracts in force at the balance date. This item must be completed having regard to the following principles:~~

~~(a) The Premium Liability reported is required to cover the value of future claims payments and associated direct and indirect settlement costs arising during the unexpired portion of the contracts in question;~~

~~(b) Item 15 must be recorded without deducting reinsurance and other recoveries (these are disclosed as an asset as reinsurance receivables); and~~

~~(c) The requirements for recognition and measurement of this liability are set out in PIN section 5.4.~~

~~**Guidance**~~

~~As stated in the Guidance to PIN Rule 5.4.7, it is common practice for Insurers to account for their exposures on General Insurance contracts in force by means of an unearned premium provision and (where necessary) a premium deficiency reserve. Where the aggregate of the unearned premium provision and the premium deficiency reserve (both gross of reinsurance) can be shown to be not less than the amount of Premium Liability determined in accordance with section 5.4, an Insurer may use that aggregate as a proxy for Premium Liability for the purposes of recording item 15 on this form.~~

~~3.14.12 Reinsurance and other recoveries in respect of claims that have not yet been incurred are reported at item 16. It is necessary to estimate this balance. The basis on which the estimate is made must be consistent with the basis of estimation of the Related liability, reported at item 15.~~

~~3.14.13 Where, in determining the amount to be reported at item 14, an Insurer has made or considered making a provision for doubtful debt in respect of recoveries due or potentially due from a reinsurer, the Insurer must take into account the potential need to make a provision when determining any estimate to be included at item 14 or 16.~~

~~**Guidance**~~

~~It is common practice for Insurers to account for their exposures on General Insurance contracts in force by means of an unearned premium provision, an asset representing deferred reinsurance expense and (where necessary) a premium deficiency reserve. Insurers are referred to the Guidance to item 15. An insurer that uses an unearned premium provision and premium deficiency reserve as a proxy for Premium Liabilities may record its deferred reinsurance expense at item 16.~~

~~3.14.14 Item 17 represents the net value of future Policy Benefits under Long-Term Insurance contracts that are in force as at the date to which the return is made up. The amount reported here must be determined in accordance with PIN section 5.6.~~

~~3.15 Statement by directors~~

~~**Guidance**~~

1. ~~The Statement by Directors forms a part of the Annual Regulatory Return or the Quarterly Regulatory Return. By providing these statements the directors confirm that the returns have been properly prepared and that the Insurer complies with applicable prudential Rules.~~

2. ~~The Statement by Directors is set out as statements that must be made, but circumstances may arise when a statement cannot be made because it would be untrue to do so. Under such circumstances this section provides for the Directors to provide an explanation in place of the omitted statement.~~

~~3.15.1 Every Return must include a Statement by Directors, in accordance with this section.~~

~~3.15.2 The Statement by Directors forming part of the Annual Regulatory Return must state that:~~

~~(a) the Annual Regulatory Return has been prepared in accordance with the provisions of PIN chapter 6 and this chapter;~~

~~(b) proper accounting records have been maintained and adequate information obtained by the Insurer;~~

~~(c) appropriate systems and controls have been established and maintained by the Insurer over its transactions and records;~~

~~(d) the Insurer has complied with the provisions of PIN chapter 4 throughout the reporting period; and~~

~~(e) the Insurer complies, as at the date of the statement, with those provisions of PIN that are applicable to it.~~

~~3.15.3 The Statement by Directors forming part of the Quarterly Regulatory Return must state that:~~

~~(a) the Quarterly Regulatory Return has been prepared in accordance with the provisions of PIN chapter 3 of and this chapter; and~~

~~(b) the Insurer complies, as at the date of the statement, with those provisions of PIN that are applicable to it.~~

~~3.15.4 If in the opinion of the directors it would be untrue to make one or more of the statements referred to in Rules 3.15.1 and 3.15.3, the statements concerned must be omitted and the Insurer must instead state in a Supplementary Note that the directors are unable to make the statements in question, and must give the reasons for that inability.~~

~~3.16 Interpretation of terms in form 2~~

~~Guidance~~

~~1. This section provides the necessary mechanism to apply the relevant factors in the calculation of the Insurer's capital adequacy position, for each type of Return, when preparing form 2. Form 2 is not prepared in the case of a DIFC Business Return.~~

~~2. This section sets out in tabular form the cross-references between the terms used on form 2 and the meanings that must be given to those terms for each type of Return.~~

~~3.16.1 For the purposes of form 2, the meaning that must be given to each of the terms set out in the leftmost column of the table below for each type of Return is contained in the column headed by that type of Return.~~

~~3.16.2 Where a term does not apply to a type of Return, this is denoted by the characters 'N/A' and this item must be left blank on the form.~~

		~~Meaning of term for each type of Return~~			
~~Item no.~~	**~~Term used in form~~**	**~~Global Return (all Insurers except Protected Cell Companies)~~**	**~~Global Return (Protected Cell Companies)~~**	**~~Cell Return~~**	**~~Fund Return~~**
~~1~~	~~Base capital~~	~~Base capital as defined in PIN Rule A3.3.1~~	~~Base non-cellular capital as defined in PIN Rule A5.3.1~~	~~Base cellular capital as defined in PIN Rule A5.7.1~~	~~Base fund capital as defined in PIN Rule A7.3.2~~
~~3~~	~~Adjusted equity~~	~~AE as defined in PIN Rule A3.2.1~~	~~ANE as defined in PIN Rule A5.2.1~~	~~ACE as defined in PIN Rule A5.6.1~~	~~AFE as defined in PIN Rule A7.2.1~~
~~4~~	~~Hybrid Capital Adjustment~~	~~HCA as defined in PIN Rule A3.2.1~~	~~HNCA as defined in PIN Rule A5.2.1~~	~~HCCA as defined in PIN Rule A5.6.1~~	~~FHCA as defined in PIN Rule A7.2.1~~
~~5~~	~~Adjusted Capital Resources~~	~~ACR as defined in PIN Rule A3.2.1~~	~~ANCR as defined in PIN Rule A5.2.1~~	~~ACCR as defined in PIN Rule A5.6.1~~	~~AFCR as defined in PIN Rule A7.2.1~~
~~6~~	~~Minimum Capital Requirement~~	~~MCR as defined in PIN Rule A4.2.1~~	~~MSCR as defined in PIN Rule A6.2.2~~	~~MSCR as defined in PIN Rule A6.2.2~~	~~MFCR as defined in PIN Rule A8.2.1~~
~~6.1~~	~~Default risk component~~	~~DRC as defined in PIN Rule A4.2.1~~	~~DRC as defined in PIN Rule A6.2.2~~	~~DRC as defined in PIN Rule A6.2.2~~	~~DRC as defined in PIN Rule A8.2.1~~
~~6.2~~	~~Investment volatility risk component~~	~~IVRC as defined in PIN Rule A4.2.1~~	~~IVRC as defined in PIN Rule A6.2.2~~	~~IVRC as defined in PIN Rule A6.2.2~~	~~IVRC as defined in PIN Rule A8.2.1~~
~~6.3~~	~~Off-balance sheet asset risk component~~	~~OARC as defined in PIN Rule A4.2.1~~	~~OARC as defined in PIN Rule A6.2.2~~	~~OARC as defined in PIN Rule A6.2.2~~	~~OARC as defined in PIN Rule A8.2.1~~

~~6.4~~	~~Off balance sheet liability risk component~~	~~OLRC as defined in PIN Rule A4.2.1~~	~~OLRC as defined in PIN Rule A6.2.2~~	~~OLRC as defined in PIN Rule A6.2.2~~	~~OLRC as defined in PIN Rule A8.2.1~~
~~6.5~~	~~Concentration risk component~~	~~CRC as defined in PIN Rule A4.2.1~~	~~CRC as defined in PIN Rule A6.2.2~~	~~CRC as defined in PIN Rule A6.2.2~~	~~CRC as defined in PIN Rule A8.2.1~~
~~6.6~~	~~Size factor adjustment~~	~~SFAC as defined in PIN Rule A4.2.1~~	~~SFAC as defined in PIN Rule A6.2.2~~	~~SFAC as defined in PIN Rule A6.2.2~~	~~SFAC as defined in PIN Rule A8.2.1~~
~~6.7~~	~~Underwriting risk component~~	~~URC as defined in PIN Rule A4.2.1~~	~~N/A~~	~~URC as defined in PIN Rule A6.2.2~~	~~N/A~~
~~6.8~~	~~Reserving risk component~~	~~RRC as defined in PIN Rule A4.2.1~~	~~N/A~~	~~RRC as defined in PIN Rule A6.2.2~~	~~N/A~~
~~6.9~~	~~Long-Term Insurance risk component~~	~~LIRC as defined in PIN Rule A4.2.1~~	~~N/A~~	~~LIRC as defined in PIN Rule A6.2.2~~	~~LIRC as defined in PIN Rule A8.2.1~~
~~6.10~~	~~Asset management risk component~~	~~AMRC as defined in PIN Rule A4.2.1~~	~~AMRC as defined in PIN Rule A6.2.2~~	~~AMRC as defined in PIN Rule A6.2.2~~	~~AMRC as defined in PIN Rule A8.2.1~~
~~7~~	~~Absolute minimum requirement applicable to reporting unit~~	~~The amount set out in PIN Rule A4.2.3, applicable to the Insurer~~	~~The amount set out in PIN Rule A6.2.4 or, if higher, the MSCR as defined in PIN Rule A6.2.2 plus any amount that must be added to that amount pursuant to PIN Rule A6.2.6~~	~~The amount set out in PIN Rule A6.2.5~~	~~The amount set out in PIN Rule A8.2.3~~

3 INSTRUCTIONAL GUIDELINES

This chapter of PRU contains the following sections:

3 INSTRUCTIONAL GUIDELINES

3.1 Instructional Guidelines for form PIN1 – Statement of Financial Position

Instructional Guidelines

1. The 'Statement of Financial Position' provides the DFSA with the necessary information on assets, liabilities and capital to undertake an assessment of an Insurer's financial position and performance and facilitate assessing compliance with the minimum capital requirements.

2. PIN section 5.3 deals with the recognition and measurement of assets and liabilities on this form.

3. The instructional guidelines in this section provide instructions as to the completion of specific lines on the form. Instructions that are provided in respect of a particular category of current assets or liabilities are normally applicable also (with the appropriate changes) to the corresponding category of non-current assets or liabilities, and vice versa.

4. The completion of this form requires Insurers to make estimates, for example, in assigning assets and liabilities as current or non-current. As an example, the settlement date of outstanding claims, particularly IBNR, is often uncertain. An Insurer may make a reasonable estimate of the amount that is expected to be settled within twelve months, and record that amount as a current liability, with the balance being recorded as non-current. A similar approach would be acceptable for the assets representing reinsurance and other recoveries that would not normally become due and receivable until the underlying claim has been settled.

5. Insurers are required to disclose the amount included in certain totals with respect to parties Related to the Insurer. These disclosures exclude amounts due to or from the Insurer under Contracts of Insurance.

6. This form is required for each reporting unit in respect of which the Insurer must prepare a Return, except for a DIFC Business Return.

7. Assets and liabilities must be reported as current or non-current. Current assets and liabilities are those expected to mature or be realised within a twelve-month period from the date as at which the return is drawn up. Where an asset or a liability includes elements that are current as well as elements that are non-current, the asset or liability must be separated into the current and non-current components, if necessary by means of an estimate.

Item No.	Item	Instructional Guidelines
1.	Cash and liquid assets	Item 1 on the form includes only cash and liquid assets. Insurers must have regard to the following principles: (a) Item 1.2 includes only deposits available within 24 hours that are used by the Insurer for daily purposes of liquidity and operations. Deposits that form part of the Insurer's investments are reported at item 3 or item 7; and (b) Bank overdrafts must be reported at item 21.3, not netted against item 1 unless there is a legal right of offset.
2.	Receivables	Item 2 on the form includes only receivables. In completing this item, Insurers must have regard to the following principles: (a) Receivables must be stated net of any provision for doubtful debt or impairment of asset; (b) Item 2.2 includes items such as subrogation or salvage recoveries in respect of claims that have been paid; (c) Item 2.3 includes instalment premiums on General Insurance contracts that are not yet due for payment. It also includes premiums on General Insurance contracts that have been entered into but not yet recorded. It does not include premiums on Long-term Insurance contracts that are not yet due for payment; (d) Item 2.4 includes amounts due and receivable under reinsurance contracts, including premiums due from cedants and deposits retained by cedants, as well as amounts due from reinsurers in respect of recoveries against claims that have been paid. Where there is a legal right of set-off, an Insurer may report the working balance on an account with a cedant or reinsurer as a net receivable or payable amount. However, if there is no legal right of set-off, amounts must be recorded gross as receivables and payables; (e) Item 2.5 includes amounts in respect of reinsurance and other recoveries in respect of claims that have been incurred but not paid, up to the date to which the return is drawn up. This includes reinsurance and other recoveries in respect of IBNR. Because of the uncertainty of the outcome of outstanding claims and IBNR, it is necessary to estimate at least a part of this balance. The basis on which the estimate is made must be consistent with the basis of estimation of the related liability, reported at item 18; (f) Reinsurance and other recoveries in respect of claims that have not yet been incurred are reported at item 2.6. It is necessary to estimate this balance. The basis on which the estimate is made must be consistent with the basis of estimation of the related liability, reported at item 19; and

		(g) Where, in determining the amounts to be reported at item 2.4 or 2.5, an Insurer has made or considered making a provision for doubtful debt in respect of recoveries due or potentially due from a reinsurer, the Insurer must take into account the potential need to make a provision when determining any estimate to be included at item 2.5 or 2.6. It is common practice for Insurers to account for their exposures on General Insurance contracts in force by means of an unearned premium provision, an asset representing deferred reinsurance expense and (where necessary) a premium deficiency reserve. Insurers are referred to the instructional guidelines to item 19. An insurer that uses an unearned premium provision and premium deficiency reserve as a proxy for Premium Liabilities may record its deferred reinsurance expense at item 2.6 (for the current portion) and item 7.6 (for the non-current portion).
3.	Investments	An Insurer's current investments are reported at item 3. This item does not include derivatives used to hedge investments reported here. Hedging derivatives are included in item 5. Insurers must have regard to the following principles when completing item 3: (a) Investments that are strategic in nature must be assumed to be non-current, and must be reported at item 8 or item 9; and (b) Deposits that are of the nature of security deposits, or retentions under contracts, are not reported at item 3.1 but are reported as receivables. Investments that take the form of mudaraba or musharaka contracts must be reported in accordance with their nature. A contract that takes the form of a collective investment, where the Insurer is one of several investors providing capital to a mudarib who then provides the capital to the entrepreneur, should be reported as a collective investment (where it does not fall to be reported as a Profit Sharing Investment Account). Where however, a contract of mudaraba or musharaka is entered into by an Insurer as an investment directly with an entrepreneur, or through a mudarib with the Insurer as sole rab ul mal, the investment should be reported as a contract of mudaraba or musharaka as appropriate.
4.	Deferred Tax assets	Deferred tax assets that are current assets are reported at item 4. Insurers must have regard to the following principles when completing item 4: (a) Netting off of deferred tax assets and liabilities is permitted only where both the asset and the liability relate to the same tax to which the Insurer is subject, and are expected to crystallise in the same taxation period; and (b) Amounts that represent refunds due from taxation authorities, that are not contingent on earning future taxable income, are not deferred tax assets but are receivables.

5.	Other Current Assets	Item 5 includes current assets that do not fall to be reported under other items. In completing this item, insurers must have regard to the following principles: (a) Acquisition costs in respect of General Insurance business must not be deferred, as the basis on which the premium liability is determined requires immediate expensing of acquisition costs; and (b) Item 5.2 does not include deferred reinsurance expense, as item 2.6 stands in place of this asset.
6.	Total Current Assets	Item 6.1 reports the total of amounts due from, balances with or investments in Related parties that form a part of the total of current assets. This amount excludes amounts due under insurance contracts.
7.	Receivables (non current)	In completing item 7 (non-current receivables) Insurers should have regard to the principles set out in this section for the equivalent categories of current assets.
8.	Investments (other than related entities)	In completing item 8 (non-current investments) Insurers should have regard to the principles set out in this section for the equivalent categories of current assets.
9.	Investments in related entities	In item 9, investments in Related parties must be recognised and measured in accordance with the principles of PIN chapter 5. PIN Rule 5.7 requires an Insurer to make allowance for any minimum capital requirement or equivalent to which a Subsidiary or Associate is subject in the jurisdiction in which it is incorporated.
10.	Plant and equipment	In item 10, an Insurer must exclude any properties of the Insurer, whether or not occupied. Properties must be reported at item 3.6 or 8.6 as appropriate.
11.	Intangible assets	In item 11, an Insurer must report intangible assets after deducting any amortisation or impairment charge in respect of those assets.
12.	Deferred tax assets	In completing item 12 (non-current deferred tax assets) Insurers should have regard to the principles set out in this section for the equivalent categories of current assets.
13.	Other Assets	In completing item 13 (other non-current assets) Insurers should have regard to the principles set out in this section for the equivalent categories of current assets.
14.	Total Non-current assets	Item 14.1 reports the total of amounts due from, balances with or investments in related parties that form a part of the total of current assets. This amount excludes amounts due under insurance contracts.
15.	Total Assets	
16.	Creditors and accruals	
17.	Amounts due on reinsurance contracts	Amounts due under reinsurance contracts at item 17 must include premiums payable but not yet due for payment under the terms of reinsurance contracts, and deposits withheld from reinsurers. Other items attributable to reinsurance contracts such as the reinsurer's portion of recoveries and salvage and commissions due to reinsurers must also be included under this item.
18.	Outstanding Claims Provision (including IBNR)	Item 18 reports the current portion of the Insurer's provision for outstanding claims. This item must be completed having regard to the following principles: (a) The liability must represent the estimated cost to the insurer of settling claims which it has incurred at the reporting date but which have not been finalised. The liability is in respect of both direct business and inward reinsurance business and must take into account unpaid claims,

		unreported claims, adjustments for claims development and the direct and indirect claims settlement costs that the Insurer expects to incur in settling its outstanding claims; (b) In the case of Long-Term Insurance Business, this item must include all claims liabilities in respect of Contracts of Insurance that are no longer included in the calculation of the net policy benefits at item 20; (c) The liability must be stated without deducting reinsurance and other recoveries (these are disclosed as an asset as reinsurance receivables); (d) The requirements for recognition and measurement of this liability are set out in PIN Rules 5.4 and 5.6; and (e) The liability does not include any amounts for catastrophe reserve, equalisation reserve or similar provisions that an Insurer may be required to maintain to satisfy regulatory requirements in a jurisdiction other than the DIFC.
19.	Premium liabilities under General Insurance contracts	Item 19, Premium Liability, represents the current portion of the cost of providing insurance service over the unexpired period of general insurance contracts in force at the balance date. This item must be completed having regard to the following principles: (a) The Premium Liability reported is required to cover the value of future claims payments and associated direct and indirect settlement costs arising during the unexpired portion of the contracts in question. (b) Item 19 must be recorded without deducting reinsurance and other recoveries (these are disclosed as an asset as reinsurance receivables); and (c) The requirements for recognition and measurement of this liability are set out in PIN Rule 5.4. As stated in the Guidance to PIN Rule 5.4.7, it is common practice for Insurers to account for their exposures on General Insurance contracts in force by means of an unearned premium provision and (where necessary) a premium deficiency reserve. Where the aggregate of the unearned premium provision and the premium deficiency reserve (both gross of reinsurance) can be shown to be not less than the amount of Premium Liability determined in accordance with PIN Rule 5.4, an Insurer may use that aggregate as a proxy for Premium Liability for the purposes of recording items 19 and 29 on this form.
20.	Net policy benefits under Long-Term insurance contracts in force	Item 20 represents the net value of future Policy Benefits under Long-Term Insurance contracts that are in force as at the date to which the return is made up. The amount reported here must be determined in accordance with PIN Rule 5.6.
21.	Borrowings	
22.	Tax liability	

23.	Provisions	Item 23, provisions, must be completed having regard to the following principles: (a) A provision must be made at item 23.1 in respect of dividends payable out of past and current year profit, to the extent that profit has been recognised; (b) Employee entitlements at item 23.2 include annual leave, gratuity, accrued allowances, staff housing and loan benefits, healthcare, pension and other employee entitlements; and (c) A provision must be made at item 23.3 in respect of any costs that the Insurer expects to incur as a result of restructuring, including severance, termination and redundancy payments, and integration costs.
24.	Other Liabilities	
25.	Total Current Liabilities	Item 25.1 reports the amount of current liabilities representing amounts due to Related parties, other than amounts due under insurance contracts.
26.	Creditors and accruals	In completing item 26, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
27.	Amounts due on reinsurance contracts	In completing item 27, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
28.	Outstanding Claims Provision (including IBNR)	In completing item 28, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
29.	Premium liabilities under General Insurance contracts	In completing item 29, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
30.	Net policy benefits under Long-Term Insurance contracts in force	In completing item 30, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
31.	Borrowings	In completing item 31, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
32.	Tax liability	In completing item 32, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
33.	Provisions	In completing item 33, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
34.	Other Liabilities	In completing item 34, Insurers should have regard to the principles set out in these instructional guidelines for the equivalent categories of current liabilities.
35.	Loan capital and hybrid securities	Item 35 includes all loan capital and hybrid securities that have been issued by the Insurer and have a residual term to maturity of more than one year. Any loan capital or hybrid securities that have a residual term to maturity of less than one year should be reported as borrowings, at item 21.
36.	Total Non-Current Liabilities	Item 36.1 reports the amount of non-current liabilities representing amounts due to Related parties, other than amounts due under insurance contracts and amounts reported at line 35. Item 36.2 reports the amount reported at item 35 representing interests of Related parties in loan capital or hybrid securities issued by the Insurer.
37.	Total Liabilities	
38.	Net assets	

39.	Equity	In completing item 39, Equity, Insurers must have regard to the following principles: (a) Item 39.6 must be equal to item 38; (b) Hybrid securities and loan capital are reported at item 35, not item 39; (c) Item 3.19 is not used in a Fund Return; (d) Item 39.3 is used only in a Fund Return, to record amounts of capital transferred into the Long-Term Insurance Fund; and (e) Where an Insurer makes use of item 39.6, the Insurer must state in a Supplementary Note the nature of the amount recorded at this item. Insurers must record at item 39.8 the amount included at item 39.1 meeting the following descriptions: (a) in the case of a Global Return of an Insurer that is not a Protected Cell Company, the amount of ordinary share capital meeting the description at PIN Rule A3.5.1(d); (b) in the case of a Global Return of an Insurer that is a Protected Cell Company, the amount of ordinary share capital meeting the description at PIN Rule A5.5.1(e); and (c) in the case of a Cell Return, the amount of ordinary share capital meeting the description at PIN Rule A5.10.1(d). No amount must be recorded at item 39.8 in the case of a Fund Return. An Insurer must provide the following information in a Supplementary Note to this form: (a) any amount included in item 39.7 that is not available to meet the Insurance Liabilities of the Insurer; (b) the amount and details of any guarantees (apart from guarantees arising under Contracts of Insurance) given by the Insurer; (c) the amount and details of any contingent liabilities existing as at the date to which the return is made up; and (d) where the amount of item 39.4 is not equal to the sum of items 39.4 and 39.5 for the comparative reporting period, a reconciliation of the differences. This applies only when the form forms a part of the Annual Regulatory Return.

3.2 Instructional Guidelines for Form PIN 2 – Statement of Capital Adequacy

Instructional Guidelines

1. This form summarises the capital adequacy position of the Insurer so far as concerns the reporting unit for which it is prepared (Global, Cell, or Fund).

2. The same form is used for all types of Return, although in the calculation of the capital requirements applicable to different Insurers and to their Cells and Long-Term Insurance Funds, different terminology is used. The terms on the face of the form need to be replaced with the specific equivalent terms from the relevant section (as set out below in the interpretation table), depending on the nature of the Insurer and the type of Return.

3. This form lists a number of adjustments to arrive at the figure to be compared to the minimum capital requirement applicable to the reporting unit. The purpose of these adjustments is to remove significant anomalies that may arise due to the flexibility available to Insurers in selecting their accounting bases. Therefore, not all of these adjustments will be applicable to all Insurers. An item must not be added to the base capital figure if it is already included in the base capital figure because of the accounting basis adopted.

4. The effect of the instructions, in line with the Rules in PIN, on the Return of a Takaful Insurer is to exclude from equity any element of equity that is not available to participate in the surpluses or deficits of the Insurance Business of the Takaful Insurer, either directly or by loan to the Insurance Fund. Loans that have been made from the Owners' Equity to the Insurance Fund are included in base capital without restriction, while amounts that are available for loan are treated as hybrid capital.

5. This form is required for each reporting unit in respect of which the Insurer must prepare a Return, except for a DIFC Business Return.

6. Insurers must follow the requirements of PIN chapter 4 when preparing this form.

Item No.	Item	Instructional Guidelines
1.	Base capital	Item 1, Base capital, represents the starting-point for the calculation of the capital resources of the Insurer to be compared to the minimum capital requirement applicable to the Insurer. This item must be completed having regard to the following principles: (a) Item 1.1, Equity, must be equal to total equity reported at item 39.6 on form 1, less debt-financed equity reported at line 39.7 on form 1; (b) Item 1.2, Owners' Equity, must be equal to the amount of Owners' Equity in a Takaful Insurer that is available for loan to the Insurance Fund. It does not include any amount of loans made from Owners' Equity to the Insurance Fund and not repaid. This item applies only to Takaful Insurers; (c) Any amount recorded at item 1.3.1 must not exceed the amount recorded at item 35.1 on form 1; (d) Any amount recorded at item 1.3.2 must not exceed the amount recorded at item 35.2 on form 1; (e) Item 1.3.3 may only be used by a Takaful Insurer. This item must equal item 1.2; and (f) Item 1.3.4 may not exceed the amount of item 39.7 on form 1.
2.	Adjustments to base capital in accordance with PIN	Item 2, Adjustments to base capital in accordance with PIN, must be completed having regard to the following principles: (a) Amounts referred to in item 2.1 must not be reported if those amounts are included at item 1.7; (b) Amounts referred to in item 2.2 must not be reported if those amounts are excluded from item 1.7; (c) Item 2.1.1, minority interests in subsidiaries, applies only where an Insurer excludes from its equity an amount representing minority interests in a controlled entity that is not accounted for as an investment; (d) Item 2.1.2, liability for dividends to be paid in the form of shares, applies only where an Insurer has recorded as a liability a provision for dividends that are to be paid by issuing shares. This item does not apply to a Fund Return; (e) Item 2.2.1 applies to the liability referred to in PIN Rule A3.4.3(a) and equivalent provisions in PIN Rules A5.4.3(a), A5.8.3(a) and A7.4.2(a). This item does not apply to a Fund Return; (f) Item 2.2.2 applies only to a Return of a Takaful Insurer. This item represents amounts of Owners' Equity that are not available for loan to the Insurance Fund or to participate in surpluses or deficits of the Insurance Fund; (g) Item 2.2.3 represents investments of the Insurer or by any Subsidiary of the Insurer in the base capital of the Insurer recorded at item 1.4;

		(h) Item 2.2.4 represents the amount of any tax on capital gains, that was not recognised as a liability on form 1, and that would be incurred by the Insurer if the investments reported on form were realised at the values shown on that form; (i) Item 2.2.5 must be equal to the amount of any deferred acquisition costs included on form 1, whether as a separate asset or as a reduction from liabilities; (j) Item 2.2.6 must be equal to the sum of items 4.3 and 12.3 on form 1; (k) Item 2.2.7 must be equal to the sum of any asset recorded on form 1 and representing the value of in-force Long-Term Insurance Business; (l) Item 2.2.8 must be equal to the sum of item 11.3 on form 1, and any other intangible assets recorded on form 1 and not otherwise excluded from base capital; (m) Item 2.2.9 applies only to a Return of a Takaful Insurer. This item represents any amount of Zakah or charity fund of a Takaful Insurer that is not otherwise excluded from base capital; (n) Item 2.2.10 represents the amount of an Insurer's Class 7 Capital Requirement, in accordance with PIN Rule 4.5. This item does not apply to a Fund Return; (o) Item 2.2.11 must be equal to the amount reported at item 10.3 on form 1; and (p) Item 2.2.12 must record the amount of any other assets, not otherwise excluded from base capital, that are not available to meet the Insurance Liabilities of the Insurer recorded on form 1. Item 2 would normally be expected to include assets that are subject to mortgages or other charges, or than cannot for some other reason be realised for the benefit of policyholders.
3.	Adjusted Equity	Item 3.11 may only be used with the written approval of the DFSA, to record an adjustment to the minimum capital requirement that has been approved in writing by the DFSA.
4.	Hybrid Capital Adjustment	Item 4.1, Hybrid Capital Adjustment before DFSA approval, must be calculated as the amount by which the sum of items 1.3.1 to 1.3.4 exceeds 15/85 of the amount arrived at by deducting item 1.2.1 from item 1.1. Item 4.2, additional hybrid capital approved by DFSA, may only be used to record additional amounts of hybrid capital that have been approved in writing by the DFSA, in accordance with PIN Rules A3.5.2, A5.5.4, A5.10.4 or A7.5.3. The amount of item 4.2 may not exceed the amount of item 4.1 Item 4.1 deducts hybrid capital that would normally be inadmissible because it exceeds the prescribed percentage. Item 4.2 reinstates hybrid capital that had been disallowed by item 4.1. Item 4.2 does not show the total amount of admissible hybrid capital, only that portion that exceeds the 15% ceiling.

5.	Adjusted Capital Resources	
6.	Minimum Capital Requirement	Item 6, Minimum Capital Requirement sets out the components of the minimum capital requirement applicable to the reporting unit of the Insurer in respect of which the Return is completed. For each reporting unit, the components must be calculated in accordance with the chapter applicable to that reporting unit. The terms used in this item must be interpreted in accordance with section 3.16.
7.	Absolute minimum requirement applicable to reporting unit	Item 7, Absolute minimum requirement applicable to reporting unit, must be interpreted in accordance with the interpretation table below.
8.	Applicable result	
9.	Capital adequacy result	

7. For the purposes of this form, the meaning that must be given to each of the terms set out in the leftmost column of the interpretation table below for each type of Return is contained in the column headed by that type of Return.

8. Where a term does not apply to a type of Return, this is denoted by the characters 'N/A' and this item must be left blank on the form.

		Meaning of term for each type of Return			
Item no.	**Term used in form**	**Global Return (all Insurers except Protected Cell Companies)**	**Global Return (Protected Cell Companies)**	**Cell Return**	**Fund Return**
1.	Base capital	Base capital as defined in PIN Rule A3.3.1	Base non-cellular capital as defined in PIN Rule A5.3.1	Base cellular capital as defined in PIN Rule A5.7.1	Base fund capital as defined in PIN Rule A7.3.2
3.	Adjusted equity	AE as defined in PIN Rule A3.2.1	ANE as defined in PIN Rule A5.2.1	ACE as defined in PIN Rule A5.6.1	AFE as defined in PIN Rule A7.2.1
4.	Hybrid Capital Adjustment	HCA as defined in PIN Rule A3.2.1	HNCA as defined in PIN Rule A5.2.1	HCCA as defined in PIN Rule A5.6.1	FHCA as defined in PIN Rule A7.2.1
5.	Adjusted Capital Resources	ACR as defined in PIN Rule A3.2.1	ANCR as defined in PIN Rule A5.2.1	ACCR as defined in PIN Rule A5.6.1	AFCR as defined in PIN Rule A7.2.1
6.	Minimum Capital Requirement	MCR as defined in PIN Rule A4.2.1	MSCR as defined in PIN Rule A6.2.2	MSCR as defined in PIN Rule A6.2.2	MFCR as defined in PIN Rule A8.2.1
6.1	Default risk component	DRC as defined in PIN Rule A4.2.1	DRC as defined in PIN Rule A6.2.2	DRC as defined in PIN Rule A6.2.2	DRC as defined in PIN Rule A8.2.1
6.2	Investment volatility risk component	IVRC as defined in PIN Rule A4.2.1	IVRC as defined in PIN Rule A6.2.2	IVRC as defined in PIN Rule A6.2.2	IVRC as defined in PIN Rule A8.2.1
6.3	Off-balance sheet asset risk component	OARC as defined in PIN Rule A4.2.1	OARC as defined in PIN Rule A6.2.2	OARC as defined in PIN Rule A6.2.2	OARC as defined in PIN Rule A8.2.1
6.4	Off-balance sheet liability risk component	OLRC as defined in PIN Rule A4.2.1	OLRC as defined in PIN Rule A6.2.2	OLRC as defined in PIN Rule A6.2.2	OLRC as defined in PIN Rule A8.2.1
6.5	Concentration risk component	CRC as defined in PIN Rule A4.2.1	CRC as defined in PIN Rule A6.2.2	CRC as defined in PIN Rule A6.2.2	CRC as defined in PIN Rule A8.2.1
6.6	Size factor adjustment	SFAC as defined in PIN Rule A4.2.1	SFAC as defined in PIN Rule A6.2.2	SFAC as defined in PIN Rule A6.2.2	SFAC as defined in PIN Rule A8.2.1
6.7	Underwriting risk component	URC as defined in PIN Rule A4.2.1	N/A	URC as defined in PIN Rule A6.2.2	N/A
6.8	Reserving risk component	RRC as defined in PIN Rule A4.2.1	N/A	RRC as defined in PIN Rule A6.2.2	N/A

6.9	Long-Term Insurance risk component	LIRC as defined in PIN Rule A4.2.1	N/A	LIRC as defined in PIN Rule A6.2.2	LIRC as defined in PIN Rule A8.2.1
6.10	Asset management risk component	AMRC as defined in PIN Rule A4.2.1	AMRC as defined in PIN Rule A6.2.2	AMRC as defined in PIN Rule A6.2.2	AMRC as defined in PIN Rule A8.2.1
7.	Absolute minimum requirement applicable to reporting unit	The amount set out in PIN Rule A4.2.3, applicable to the Insurer	The amount set out in PIN Rule A6.2.4 or, if higher, the MSCR as defined in PIN Rule A6.2.2 plus any amount that must be added to that amount pursuant to PIN Rule A6.2.6	The amount set out in PIN Rule A6.2.5	The amount set out in PIN Rule A8.2.3

3.3 Instructional Guidelines for Form PIN 3 – Statement of Financial Performance

Instructional Guidelines

1. This form summarises the financial performance of the Insurer.

2. This form is required for each reporting unit in respect of which the Insurer must prepare a Return, except for a DIFC Business Return.

3. This form must agree with other forms in the Return (where those forms are prepared for the same reporting unit) in the following respects:

   a. Item 1.1 must agree to form 4 item 9 column 5;

   b. Item 1.2 must agree to form 4 item 28 column 5;

   c. Item 2.1 must agree to form 4 item 19 column 5;

   d. Item 2.2 must agree to form 4 item 37 column 5;

   e. Item 4.1 must agree to form 5 item 9 column 5;

   f. Item 4.2 must agree to form 5 item 28 column 5;

   g. Item 5.1 must agree to form 5 item 19 column 5;

   h. Item 5.2 must agree to form 5 item 37 column 5;

   i. Item 10.1 must equal the sum of items 9 and 28 in column 5 on form 8;

   j. Item 10.2 must equal the sum of items 19 and 37 in column 5 on form 8;

   k. Item 13.1 must equal item 7 minus item 6.3 on form 7; and

   l. Item 13.2 must agree to form 7 item 6.3.

4. An Insurer must present at item 7 the amount of the movement in the period reported on in the balance of Insurance Liabilities.

5. An Insurer must present at item 8 the amount of the movement in the period reported on in the balance of reinsurance and other recoveries in respect of Insurance Liabilities.

6. Insurance Liabilities are reported gross of reinsurance and other recoveries. Reinsurance and other recoveries that are recorded in respect of Insurance Liabilities are reported as assets. An increase in Insurance Liabilities is reported on form 3 as an expense. In the same manner, an increase in the reinsurance and other recoveries in respect of Insurance Liabilities is recorded as revenue.

7. An Insurer must present the following information in a Supplementary Note to this form:

   a. the amount if any included in item 11.2 that represents other operating income receivable from Related parties, and a description of the nature of that income;

   b. the amount if any included in item 13.3 that represents investment expenses payable to Related parties; and

   c. where item 18 does not agree to form 1 item 39.5, a reconciliation showing the differences between the two figures.

3.4 Instructional Guidelines for Form PIN 4 – Statement of Premium Revenue and Reinsurance Expenses

Instructional Guidelines

1. This form is required for each reporting unit in respect of which the Insurer must prepare an Annual Regulatory Return, except for the Global Return of an Insurer that is a Protected Cell Company.

2. A Protected Cell Company is prevented by COB from carrying on Insurance Business other than through a Cell. Because this form would always be blank for such a company in its Global Return, there is no need for it to submit the form or to complete a Supplementary Note to explain its absence.

3. An Insurer must record premiums and reinsurance premiums relating to its Insurance Business on this form as follows:

   a. An Insurer that is carrying on General Insurance Business must complete part I of this form;

   b. An Insurer that is carrying on Long-Term Insurance Business must complete part II of this form; and

   c. An Insurer that is carrying on Long-Term Insurance Business and General Insurance Business of Class 1 or Class 2 may elect either to record the General Insurance Business in part I of this form, or to include that business in Class I on part II of this form. An Insurer may not, between successive Returns, change its election without the written approval of the DFSA.

4. At items 1 to 8 and items 21 to 27, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an Insurer must record its Gross Written Premium for the reporting period in respect of that Class of Business and for that type of insurance contract.

5. At items 11 to 18 and items 30 to 36, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an insurer must record the reinsurance premium ceded in respect of each Class of Business and each type of insurance contract. Reinsurance premiums recorded as ceded must be gross of any commissions or brokerage, and must be recognised on a basis consistent with the recognition of Gross Written Premium on this form.

6. Reinsurance premiums ceded must be analysed between columns 1 and 4 on the basis of the underlying insurance contracts that they are protecting, not on the basis of the reinsurance contracts themselves. Where reinsurance arrangements protect more than one type of business (for example both direct and facultative business) or more than one Class of Business, the Insurer must make a reasonable allocation of the reinsurance premiums between the types or Classes of Business covered.

7. An Insurer must disclose the aggregate amount of its insurance and reinsurance transactions with its Related parties as follows:

   a. at item 10, the amount of Gross Written Premium accepted from Related parties that has been included in the total at item 9;

   b. at item 20, the amount of reinsurance premium ceded to Related parties that has been included in the total at item 19;

   c. at item 29, the amount of Gross Written Premium accepted from Related parties that has been included in the total at item 28; and

   d. at item 38, the amount of reinsurance premium ceded to Related parties that has been included in the total at item 37.

3.5 Instructional Guidelines for Form PIN5 - Statement of Claims and Reinsurance and other Recoveries

Instructional Guidelines

1. This form is required for each reporting unit in respect of which the Insurer must prepare an Annual Regulatory Return, except for the Global Return of an Insurer that is a Protected Cell Company.

2. A Protected Cell Company is prevented by COB from carrying on Insurance Business other than through a Cell. Because this form would always be blank for such a company in its Global Return, there is no need for it to submit the form or to complete a Supplementary Note to explain its absence.

3. An Insurer must record claims paid and reinsurance and other recoveries in respect of claims paid relating to its Insurance Business on this form as follows:

   a. An Insurer that is carrying on General Insurance Business must complete part I of this form;

   b. An Insurer that is carrying on Long-Term Insurance Business must complete part II of this form; and

   c. An Insurer that is carrying on Long-Term Insurance Business and General Insurance Business of Class 1 or Class 2 must record the General Insurance Business in a manner consistent with that adopted in respect of form 4.

4. At items 1 to 8 and items 21 to 27, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an Insurer must record its gross claims paid for the reporting period in respect of that Class of Business and for that type of insurance contract.

5. For the purposes of this form, the amount of claims paid includes expenses incurred by the Insurer in the settlement of the claims.

6. At items 11 to 18 and items 30 to 36, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an insurer must record the reinsurance and other recoveries receivable in respect of claims paid, in respect of each Class of Business and each type of insurance contract.

7. Reinsurance recoveries must be analysed between columns 1 and 4 on the basis of the underlying insurance contracts that they relate to, not on the basis of the reinsurance contracts themselves. Where the nature of the reinsurance contract is such that the Insurer cannot identify individual claims benefiting from the recoveries (for example, in the case of an aggregate excess of loss contract, or a stop loss contract) the Insurer must make a reasonable allocation of the recoveries across the types and Classes of Business that have benefit of the reinsurance contracts.

8. An Insurer must disclose the aggregate amount of its insurance and reinsurance transactions with its related parties as follows:

   a. At item 10, the amount of gross claims paid to Related parties that has been included in the total at item 9;

   b. At item 20, the amount of reinsurance and other recoveries receivable from Related parties that has been included in the total at item 19;

   c. At item 29, the amount of gross claims paid to Related parties that has been included in the total at item 28; and

   d. At item 38, the amount of reinsurance and other recoveries receivable from Related parties that has been included in the total at item 37.

3.6 Instructional Guidelines for Form PIN6 – Statement of Movements in Insurance Provisions

Instructional Guidelines

1. This form is required for each reporting unit in respect of which the Insurer prepares an Annual Regulatory Return, or a part of an Annual Regulatory Return, in respect of General Insurance Business.

2. A Protected Cell Company is prevented by COB from carrying on Insurance Business other than through a Cell. Because this form would always be blank for such a company in its Global Return, and it is exempted from the requirement to complete other forms relating to General Insurance Business, there is no need for it to submit the form, or to complete a Supplementary Note to explain its absence.

3. A Global Return of an Insurer that does not carry on General Insurance Business, or a Cell Return, Fund Return or DIFC Business Return of such an Insurer, also omits this form, without the need for a Supplementary Note to explain its absence. However, if an Insurer that carries on Long-Term Insurance Business together with Class 1 or Class 2 General Insurance Business elects to report that Class 1 or Class 2 business as General Insurance Business for the purposes of form 4 or form 5, it must also complete this form in respect of that business.

4. An Insurer must record separately, in parts I to IV and parts V to VIII respectively of this form, the information required in respect of claims outstanding (including IBNR) gross of reinsurance and other recoveries, and reinsurance and other recoveries in respect of those claims outstanding. This information must be presented for each Class of Business.

5. Reinsurance recoveries must be analysed between parts V to VIII on the basis of the underlying insurance contracts that they relate to, not on the basis of the reinsurance contracts themselves. Where the nature of the reinsurance contract is such that the Insurer cannot identify individual claims benefiting from the recoveries (for example, in the case of an aggregate excess of loss contract, or a stop loss contract) the Insurer must make a reasonable allocation of the recoveries across the types and Classes of Business that have benefit of the reinsurance contracts.

Parts I, II, III and IV:

6. PIN chapter 5 requires an Insurer to record its Insurance Liabilities on a discounted basis. A liability for an outstanding claim increases between the beginning and end of a reporting period, because the amount of discount applied at the later is less. The expense represented by this increase is referred to in the form as release of discount.

Parts I, II, III and IV must be prepared on the following basis:

a. At column 1 in each part, the Insurer must record the amount of claims outstanding (including IBNR), at the end of the reporting period and in respect of claims incurred during the reporting period;

b. At column 2 in each part, the Insurer must record the amount of claims outstanding (including IBNR), at the beginning of the reporting period and in respect of claims incurred during the previous reporting period;

c. At column 3 in each part, the Insurer must record the amount of the movement during the reporting period in the provision for claims outstanding (including IBNR), in respect of claims incurred during the previous reporting period, that arises from those claims being one year closer to settlement;

d. At column 4 in each part, the Insurer must record the amount of claims paid during the reporting period, in respect of claims incurred during the previous reporting period;

e. At column 5 in each part, the Insurer must record the amount of other movements in the provision for claims outstanding (including IBNR), in respect of claims incurred during the previous reporting period;

f. At column 7 in each part, the Insurer must record the amount of claims outstanding (including IBNR), at the beginning of the reporting period and in respect of claims incurred before the beginning of the previous reporting period;

g. At column 8 in each part, the Insurer must record the amount of the movement during the reporting period in the provision for claims outstanding (including IBNR), in respect of claims incurred before the beginning of the previous reporting period, that arises from those claims being one year closer to settlement;

h. At column 9 in each part, the Insurer must record the amount of claims paid during the reporting period, in respect of claims incurred before the beginning of the previous reporting period; and

i. At column 10 in each part, the Insurer must record the amount of other movements in the provision for claims outstanding (including IBNR), in respect of claims incurred before the beginning of the previous reporting period.

Parts V, VI, VII and VIII

7. PIN chapter 5 requires an Insurer to record its Insurance Liabilities and associated assets on a discounted basis. The asset representing reinsurance and other recoveries against outstanding claims increases between the beginning and end of a reporting period, because the amount of discount applied at the later is less. The revenue represented by this increase is referred to in the form as release of discount.

Parts V, VI, VII and VIII must be prepared on the following basis:

a. At column 1 in each part, the Insurer must record the amount of the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), at the end of the reporting period and in respect of claims incurred during the reporting period;

b. At column 2 in each part, the Insurer must record the amount of the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), at the beginning of the reporting period and in respect of claims incurred during the previous reporting period;

c. At column 3 in each part, the Insurer must record the amount of the movement during the reporting period in the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), in respect of claims incurred during the previous reporting period, that arises from those recoveries being one year closer to settlement;

d. At column 4 in each part, the Insurer must record the amount of recoveries received during the reporting period, in respect of claims incurred during the previous reporting period;

e. At column 5 in each part, the Insurer must record the amount of other movements in the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), in respect of claims incurred during the previous reporting period;

f. At column 7 in each part, the Insurer must record the amount of the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), at the beginning of the reporting period and in respect of claims incurred before the beginning of the previous reporting period;

g. At column 8 in each part, the Insurer must record the amount of the movement during the reporting period in the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), in respect of claims incurred before the beginning of the previous reporting period, that arises from those claims being one year closer to settlement;

h. At column 9 in each part, the Insurer must record the amount of reinsurance and other recoveries received during the reporting period, in respect of claims incurred before the beginning of the previous reporting period; and

i. At column 10 in each part, the Insurer must record the amount of other movements in the asset representing reinsurance and other recoveries in respect of outstanding claims (including IBNR), in respect of claims incurred before the beginning of the previous reporting period.

8. The aggregate of items 9, 18, 27 and 36 in column 12 of this form must together equal the sum on form 1 of items 18 and 28, except in the case of a Return that does not include form 1.

9. The aggregate of items 45, 54, 63 and 72 in column 12 of this form must together equal the sum on form 1 of items 2.5 and 7.5, except in the case of a Return that does not include form 1.

10. An Insurer must present, as a Supplementary Note to this form, the following information:

    (a) the assumed inflation and discount rates, expressed as an annualised percentage, used by the Insurer in determining the amounts reported on this form, distinguishing between the rates assumed for the periods:

        i. up to two calendar years after the end of the reporting period;

        ii. more than two and up to five calendar years after the end of the reporting period; and

        iii. more than five calendar years after the end of the reporting period;

    (b) the basis on which those assumed inflation and discount rates were determined; and

    (c) the estimated weighted average term to settlement of:

        i. claims incurred in the reporting period;

        ii. claims incurred in the previous reporting period; and

        iii. claims incurred in earlier reporting periods.

3.7 Instructional Guidelines for Form PIN 7 – Statement of Investment Income

Instructional Guidelines

This form is required for each reporting unit in respect of which the Insurer must prepare an Annual Regulatory Return, except for a DIFC Business Return.

Item No.	Item	Instructional Guidelines
1.	Interest receivable	The Insurer must disclose at item 1 interest receivable, measured on an accruals basis, on securities and loans bearing a fixed or variable rate of interest. This item should include interest receivable on cumulative preference shares
2.	Dividends receivable	The Insurer must disclose at item 2 dividends receivable on equity Securities
3.	Rental income receivable	The Insurer must disclose at item 3 rental income receivable, on an accruals basis, for the use of real property

4.	Income under investment contracts of mudaraba and musharaka	The Insurer must disclose at item 4 income receivable, on an accruals basis, under investment contracts of mudaraba and musharaka other than Profit Sharing Investment Accounts or contracts of the nature of collective investments; Item 4 should include income receivable under contracts of mudaraba and musharaka where the nature of the investment is that the Insurer provides capital to the counterparty either directly or through a mudarib, but not in the form of a Profit Sharing Investment Account (PSIA), mutual fund or other collective investment. Collective investments including PSIAs are disclosed at item 5
5.	Income from collective investments	The Insurer must disclose at item 5 income receivable, on an accruals basis, from collective investments, including mutual funds, Profit Sharing Investment Accounts and contracts taking the form of collective investments; Item 5 should include income receivable under contracts that by their nature are collective investments, where the Insurer stands as one of several rab ul mal providing capital to a mudarib who in turn invests that capital. The rab ul mal may receive a Sukuk or certificate which may be transferable. Investments in Profit Sharing Investment Accounts will normally be disclosed here.
6.	Changes in value in invested assets	The Insurer must disclose at item 6 the aggregate amount of changes in value in its invested assets. Where the aggregate amount of changes in value for either of item 6.1 or 6.2 represents a reduction in value, the Insurer must record that item as a negative figure
7.	Other investment income	The Insurer must disclose at item 7 the aggregate amount of any investment income that does not fall into any of items 1 to 5. Where an Insurer uses this item, it must provide details of the item in question in a Supplementary Note to this form. Item 7 will normally be used only by Insurers with income on investments that do not readily fall into any of the categories described in this Rule. An Insurer reporting an amount under this item will normally be expected to provide sufficient information to explain to the DFSA the nature of the investment and the nature of the income arising from it.
8.	Total investment income	

3.8 Instructional Guidelines for Form PIN 8 – Statement of Acquisition Expenses

Instructional Guidelines

1. This form is required for each reporting unit in respect of which the Insurer must prepare an Annual Regulatory Return, except for the Global Return of an Insurer that is a Protected Cell Company.

2. A Protected Cell Company is prevented by COB from carrying on Insurance Business other than through a Cell. Because this form would always be blank for such a company in its Global Return, there is no need for it to submit the form or to complete a Supplementary Note to explain its absence.

3. An Insurer must record acquisition expenses relating to its Insurance Business on this form as follows:

   (a) An Insurer that is carrying on General Insurance Business must complete part I of this form;

   (b) An Insurer that is carrying on Long-Term Insurance Business must complete part II of this form;

   (c) An Insurer that is carrying on Long-Term Insurance Business and General Insurance Business of Class 1 or Class 2 must record that business consistently with the election made pursuant to form 5; and

   (d) Commissions receivable by insurers from their reinsurers (often referred to as exchange commissions, overriders or ceded acquisition costs) must not be netted against acquisition costs disclosed on this form but must be recorded as income on form 3 at item 11.1.

4. At items 1 to 8 and items 21 to 27, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an Insurer must record commissions and brokerage payable by it for the reporting period in respect of that Class of Business and for that type of insurance contract.

5. At items 11 to 18 and items 30 to 36, against each Class of Business, and for each type of insurance contract as set out in columns 1 to 4, an insurer must record acquisition expenses other than commission and brokerage payable by it in respect of each Class of Business and each type of insurance contract.

6. An Insurer must disclose the aggregate amount of acquisition costs payable to related parties as follows:

   (a) at item 10, the amount of commissions and brokerage payable to related parties that has been included in the total at item 9;

   (b) at item 20, the amount of other acquisition expenses payable to related parties that has been included in the total at item 19;

(c) at item 29, the amount of commissions and brokerage payable to related parties that has been included in the total at item 28; and

(d) at item 38, the amount of other acquisition expenses payable to related parties that has been included in the total at item 37.

3.9 Instructional Guidelines for Form PIN9 – Reconciliation to Financial Statements

Instructional Guidelines

1. This form is required only for an Insurer's Global Return. This form is not subject to audit.

2. The purpose of this for is to provide a reconciliation between the net assets of the Insurer as recorded on form 1 and the net assets of the Insurer as recorded in its financial statements prepared under relevant companies legislation for the same reporting period.

3. Where an Insurer's financial statements prepared under relevant companies legislation are not available at the time of lodgement of the Annual Regulatory Return, the Insurer will be expected to complete this form based on the draft financial position of the Insurer as at the end of the reporting period. Where the financial statements are subsequently provided to the DFSA as permitted by PIN Rule 6.5.7, the Insurer should consider whether it is necessary to draw the attention of the DFSA to any significant changes between the draft financial statements on which this form was based and the financial statements subsequently provided.

4. An Insurer must disclose the amounts making up the difference between the Insurer's net assets reported at item 39.7 on form 1 and the Insurer's net assets (or equivalent designation) reported on the balance sheet, statement of financial position or equivalent document (referred to in this section as the 'statutory balance sheet') forming part of the financial statements that the Insurer is required to complete under the Companies Law 2004 (or equivalent legislation in jurisdictions other than the DIFC), made up as at the same date as the information contained in form 1.

Item No.	**Item**	**Instructional Guidelines**
1.	Net assets according to Form 1 item 39.7	Item 1 must agree to form 1 item 39.7.
2.	Differences between item 1 and Net Assets according to Financial Statements	Differences constituting differences in recognition of assets and liabilities must be disclosed at item 2.1. Where an asset is recognised in the statutory balance sheet but not in form 1, the item must be disclosed as a positive amount, and vice versa. Where a liability is recognised in the statutory balance sheet but not in form 1, the item must be disclosed as a negative amount, and vice versa. Differences constituting differences in valuation of assets and liabilities that are recognised in both the statutory balance sheet and form 1 must be disclosed at item 2.2. Where an asset is valued at more in the statutory balance sheet than in form 1, the item must be disclosed as a positive amount, and vice versa. Where a liability is valued at more in the statutory balance sheet than in form 1, the item must be disclosed as a negative amount, and vice versa. The information presented at items 2.1 and 2.2 must include: (a) the amount of each material difference; and (b) a description of each material difference.
3.	Net Assets according to Financial Statements	Item 3 must agree to the amount of net assets (or equivalent designation) in the Insurer's statutory balance sheet.

5. Where this form does not contain sufficient space for the presentation of the information required by this section, the Insurer must present a Supplementary Note containing that information.

6. Presenting a Supplementary Note does not relieve an Insurer from the obligation to prepare the form. However it will be acceptable for an Insurer to include on the form a reference to the Supplementary Note containing the information required to be presented, together with the aggregate amount covered in that Supplementary Note.

3.10 Instructional Guidelines for Form PIN10 – Summary Statement to Operations

Instructional Guidelines

1. This form is required only for a DIFC Business Return.

2. The Summary statement of operations provides the DFSA with quarterly information on the operations of a DIFC Branch of an Insurer that is not incorporated in the DIFC.

3. The instructional guidelines in this section provide instructions as to the completion of specific lines on the form. The instructions are similar to those applicable to corresponding items on forms 1 and 3, which are not applicable to DIFC Business Returns.

4. On this form, reinsurance premiums and reinsurance recoveries refer to amounts ceded and recovered in respect of insurance contracts entered into as part of the Insurer's DIFC Insurance Business, regardless of where the reinsurance premiums and reinsurance recoveries are payable or receivable.

Item No.	Item	Instructional Guidelines
1.	Gross Written Premiums	An Insurer must present at item 1 the amount of its Gross Written Premium in respect of its business conducted in the DIFC.
2.	Reinsurance Premiums Ceded	An Insurer must present at item 2 the amount of reinsurance premium ceded in respect of insurance contracts whose Gross Written Premium is recorded at item 1.
3.	Net written premiums	
4.	Claims paid	An Insurer must present at item 4 the amount of claims paid in respect of its business conducted in the DIFC.
5.	Reinsurance and other recoveries received	An Insurer must present at item 5 the amount of reinsurance and other recoveries receivable in respect of claims recorded at item 4.
6.	Net claims paid	
7.	Movements in insurance liabilities (gross)	An Insurer must present at item 7 the amount of the movement in the period reported on in the balance of Insurance Liabilities.
8.	Movements in recoveries against insurance liabilities	An Insurer must present at item 8 the amount of the movement in the period reported on in the balance of reinsurance and other recoveries in respect of Insurance Liabilities. Insurance Liabilities are reported gross of reinsurance and other recoveries. Reinsurance and other recoveries that are recorded in respect of Insurance Liabilities are reported as assets. An increase in Insurance Liabilities is reported on form 10 as an expense. In the same manner, an increase in the reinsurance and other recoveries in respect of Insurance Liabilities is recorded as revenue.
9.	Net movement in provisions	
10.	Expenses	

11.	Other operating revenue	Where an Insurer reports any amount at item 11.2, the Insurer must present in a Supplementary Note the amount of any such income receivable from Related parties, and a description of the nature of that income.
12.	Operating income	
13.	Outstanding Claims Provision (including IBNR)	Item 13 reports the Insurer's provision for outstanding claims. This item must be completed having regard to the following principles: (a) The liability must represent the estimated cost to the insurer of settling claims which it has incurred at the reporting date but which have not been finalised. The liability is in respect of both direct business and inward reinsurance business and must take into account unpaid claims, unreported claims, adjustments for claims development and the direct and indirect claims settlement costs that the Insurer expects to incur in settling its outstanding claims; (b) In the case of Long-Term Insurance business, this item must include all claims liabilities in respect of Contracts of Insurance that are no longer included in the calculation of the net policy benefits at item 17; (c) The liability must be stated without deducting reinsurance and other recoveries (these are disclosed as an asset as reinsurance receivables); (d) The requirements for recognition and measurement of this liability are set out in PIN Rules 5.4 and 5.6; and (e) The liability does not include any amounts for catastrophe reserve, equalisation reserve or similar provisions that an Insurer may be required to maintain to satisfy regulatory requirements in a jurisdiction other than the DIFC.
14.	Expected reinsurance and other recoveries in respect of item 13	Item 14 includes amounts in respect of reinsurance and other recoveries in respect of claims that have been incurred but not paid, up to the date to which the return is drawn up. This includes reinsurance and other recoveries in respect of IBNR. Because of the uncertainty of the outcome of outstanding claims and IBNR, it is necessary to estimate at least a part of this balance. The basis on which the estimate is made must be consistent with the basis of estimation of the related liability, reported at item 13. Where, in determining the amount to be reported at item 14, an Insurer has made or considered making a provision for doubtful debt in respect of recoveries due or potentially due from a reinsurer, the Insurer must take into account the potential need to make a provision when determining any estimate to be included at item 14 or 16. It is common practice for Insurers to account for their exposures on General Insurance contracts in force by means of an unearned premium provision, an asset representing deferred reinsurance expense and (where necessary) a premium deficiency reserve. Insurers are referred to the instructional guidelines to item 15. An insurer that uses an unearned premium provision and premium deficiency reserve as a proxy for Premium Liabilities may record its deferred reinsurance expense at item 16.

15.	Premium liabilities under General Insurance contracts	Item 15, Premium Liability, represents the current portion of the cost of providing insurance service over the unexpired period of general insurance contracts in force at the balance date. This item must be completed having regard to the following principles: (a) The Premium Liability reported is required to cover the value of future claims payments and associated direct and indirect settlement costs arising during the unexpired portion of the contracts in question; (b) Item 15 must be recorded without deducting reinsurance and other recoveries (these are disclosed as an asset as reinsurance receivables); and (c) The requirements for recognition and measurement of this liability are set out in PIN Rule 5.4. As stated in the Guidance to PIN Rule 5.4.7, it is common practice for Insurers to account for their exposures on General Insurance contracts in force by means of an unearned premium provision and (where necessary) a premium deficiency reserve. Where the aggregate of the unearned premium provision and the premium deficiency reserve (both gross of reinsurance) can be shown to be not less than the amount of Premium Liability determined in accordance with section 5.4, an Insurer may use that aggregate as a proxy for Premium Liability for the purposes of recording item 15 on this form.
16.	Expected reinsurance and other recoveries in respect of item 15	Reinsurance and other recoveries in respect of claims that have not yet been incurred are reported at item 16. It is necessary to estimate this balance. The basis on which the estimate is made must be consistent with the basis of estimation of the Related liability, reported at item 15.
17.	Net policy benefits under Long-Term insurance contracts in force	Item 17 represents the net value of future Policy Benefits under Long-Term Insurance contracts that are in force as at the date to which the return is made up. The amount reported here must be determined in accordance with PIN Rule 5.6.

4 PIN FORMS……

Purpose of these forms

An Insurer ~~must~~ is required to submit the appropriate forms contained in this chapter in accordance with PIN App10 and PRU chapter 3.

Notes for completing these forms

- All figures must by typed.
- The Authorised Firm's name, licence number and reporting period must be identified on each form.
- Unless otherwise agreed with the DFSA, the Authorised Firm or Group's reporting currency must be US Dollars.
- Authorised Firms are reminded that Instructional guidelines~~guidance notes~~ are provided in chapter 3~~6~~.
- When completed, submit the forms in line with SUP chapter 8. You may send applications by post or hand delivered and addressed to your usual supervisory contact.

  The address for postal submission is:

  DUBAI FINANCIAL SERVICES AUTHORITY
  AUTHORISATION DEPARTMENT
  LEVEL 13, THE GATE
  PO BOX 75850
  DUBAI, UAE