

Annex B

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



The DFSA Rulebook

Prudential – Insurance Business
Module

(PIN)

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6 FINANCIAL AND OTHER REPORTING BY INSURERS

6.1 Introduction

6.1.1 This chapter applies to all Insurers.

Guidance

This chapter sets out requirements for reporting by Insurers to the DFSA, including requirements for audit of the Annual Regulatory Return. The Quarterly Regulatory Return is not subject to audit.

6.2 Annual regulatory return

6.2.1 An Insurer must, at the end of each reporting period, prepare an Annual Regulatory Return.

6.2.2 The Annual Regulatory Return must comprise the statements set out in ~~PRU chapter 3~~App10, together with any Supplementary Notes pertaining to those forms, and including a Statement by Directors.

6.2.3 The form and content of the statements comprising the Annual Regulatory Return (including the Statement by Directors) is set out in PRU chapter 3 and PIN App10.

6.2.4

6.3 Quarterly regulatory return

6.3.1 Subject to Rule 6.3.4, an Insurer must, at the end of March, June, September and December in each year, prepare a Quarterly Regulatory Return in respect of the period commencing at the start of the Insurer's reporting period and ending on that date.

6.3.2 The Quarterly Regulatory Return shall comprise the statements set out in ~~PRU chapter 3~~App10, together with any Supplementary Notes pertaining to those forms, and including a Statement by Directors.

6.3.3 The form and content of the statements comprising the Quarterly Regulatory Return (including the Statement by Directors) is set out in PRU chapter 3 and PIN App10.

6.3.4

6.4 Audit of annual regulatory return

- 6.4.1** Subject to Rule 6.4.2, the Annual Regulatory Return of every Insurer must be audited in accordance with International Statements on Auditing relevant to the audit of the Annual Regulatory Return, by the Insurer's auditor.

Guidance

The qualifications and appointment of the auditor of an Authorised Firm are specified in GEN chapter 8.

- 6.4.2** The statements in the Annual Regulatory Return that are subject to audit are set out in PRU chapter 3 and PIN App10.

App1 GUIDE TO THE APPENDICES

A1.1 Guide to the appendices

Guidance

1. In PIN, appendices have been used to present detailed material which would otherwise break up the flow of the main text.
2. App2 presents detailed guidance on systems and controls issues particularly relevant to Insurers.
3. The remaining appendices are all concerned with capital adequacy calculations and reporting.
4. A fundamental requirement of chapter 4 of the Rules is that an Insurer's capital resources should be at least equal to its capital requirement.
5. App3 contains the Rules for the calculation of an Insurer's capital resources, for a normally structured Insurer. App5 and App7 contain the corresponding rules for a Protected Cell Company and a segregated Long-Term Insurance Fund respectively.
6. App4 contains the Rules for the calculation of an Insurer's capital requirement, for a normally structured insurer. App6 and App8 contain the corresponding rules for a Protected Cell Company and a segregated Long-Term Insurance Fund respectively. They make frequent reference to App4.
7. App9 contains the rules for the calculation of the DIFC Business Risk Capital Requirement referred to in Rule 4.7.2(d). It is only applicable to Insurers incorporated outside the DIFC.
8. PRU and App10 contains financial reporting forms, and specifies how they must be completed.

APP10 REPORTING TO THE DFSA

A10.1 Purpose and general provisions

A10.1.1 This appendix applies to all Insurers.

A10.1.2 In this appendix and the forms, unless the term ‘Annual Regulatory Return’ or ‘Quarterly Regulatory Return’ is used, the term ‘Return’ includes both of those Returns.

Guidance

1. 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.
3. The Returns are provided in PRU.
4. This appendix sets out some matters relating to content and presentation of the information contained in the Returns. Further guidance in relation to the preparation and submission of the Returns is provided in PRU.

A10.2 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.

A10.2.1 A Return must be completed in respect of each of the reporting units set out in this section that applies to the Insurer.

A10.2.2 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 appendix and the forms 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 appendix and the forms as the Global Return, the Cell Return, the Fund Return and the DIFC Business Return.

A10.2.3 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.

A10.2.4 Except as provided otherwise in this appendix, 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 section applies is not required to complete a Quarterly Regulatory Return in respect of any Cells maintained by it that are Captive Cells.

A10.2.5 Except as provided otherwise in this appendix, 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 section 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

A10.2.5 operates to prevent the preparation of duplicate Returns. However, where under this section 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.

A10.2.6 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.

A10.3 Content of returns

A10.3.1 The Annual Regulatory Return comprises the following forms, together with the Supplementary Notes pertaining to those forms and the Statement of Directors referred to in section A10.5:

- (a) Form 1: Statement of financial position;
- (b) Form 2: Statement of capital adequacy;
- (c) Form 3: Statement of financial performance;
- (d) Form 4: Statement of premium revenue and reinsurance expense;
- (e) Form 5: Statement of claims expense and recovery revenue;
- (f) Form 6: Statement of movements in insurance provisions;
- (g) Form 7: Statement of investment income;
- (h) Form 8: Statement of acquisition expenses; and
- (i) Form 9: Reconciliation to financial statements.

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

- (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

A10.3.3 The forms referred to in section A10.3.1 and section A10.3.2 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 appendix or the form 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.

A10.3.4 The format of the forms contained in the Returns is set out in PRU.

A10.3.5 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 appendix.

A10.3.6 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.

A10.4 **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.

A10.4.1 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.

A10.4.2 Returns must be presented in the English language.

A10.4.3 A Return must be presented in United States currency, rounded to thousands of dollars, with no decimal place.

A10.4.4 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.

A10.4.5 The Annual Regulatory Return, including the Statement by Directors, is subject to audit, except where this appendix or the form instruction guidelines states that a form is not subject to audit.

A10.4.6 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.

A10.4.7 Where this appendix or the form 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 section 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-sections in the order that they are set out. However, Insurers should ensure that the Returns continue to comply with both sub-sections after applying either. It is possible that applying the second sub-section to be applied could affect compliance with the first.

- A10.4.8** 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 section 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.

A10.5 **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.

- A10.5.1** Every Return must include a Statement by Directors, in accordance with this section.

A10.5.2 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 appendix;
- (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.

A10.5.3 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 appendix; and
- (b) the Insurer complies, as at the date of the statement, with those provisions of PIN that are applicable to it.

A10.5.4 If in the opinion of the directors it would be untrue to make one or more of the statements referred to in section A10.5.1 and section A10.5.3 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.