Appendix 7

In this Annex new text is indicated by underlining and deleted text by striking through.

The DFSA Rulebook

Prudential – Insurance Business Module

(PIN)

3 LONG-TERM INSURANCE BUSINESS

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3.2 Establishment of long-term insurance funds

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3.2.6 Notwithstanding anything to the contrary contained in the above provisions, the DFSA may, at its sole discretion, direct that an Insurer which conducts Long-Term Insurance Business establish one or more Long-Term Insurance Funds in respect of its Long-Term Insurance Business or any part of such ~~B~~business. An Insurer shall establish one or more Long-Term Insurance Funds where so directed by the DFSA.

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8 CONSOLIDATED SUPERVISION

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8.3 Financial group capital requirements and financial group capital resources

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Financial group capital resources

8.3.5 (1) An Insurer must calculate its Financial Group Capital Resources by applying either of the following methods, excluding those amounts referred to in Rule 8.3.6:

(a) the accounting consolidation method which calculates the Adjusted Capital Resources of the Financial Group based on the Financial Group's consolidated financial statements; or

(b) the aggregation method, which is the sum of:

(i) the Adjusted Capital Resources of the Parent of the Financial Group;

(ii) subject to (3), the Adjusted Capital Resources calculated in accordance with the PIN Module, or the Capital Resources calculated in accordance with the PIB module, as may be appropriate, of Financial Institutions included in the Financial Group; and

(iii) subject to (3), the Financial Group's proportionate share of the Adjusted Capital Resources calculated in accordance with the PIN Module, or the Capital Resources calculated in accordance with the PIB Module, as may be appropriate, of Financial Institution participations included in the Financial Group.

(2) In calculating the Adjusted Capital Resources of a member of the Financial Group or of the Financial Group, an Insurer must follow the method of calculation set out in section A3.2, with the exception that the deduction ~~described~~ set out in Rule A3.4.3(b) need not be made.

(3) For the purposes of (1)(b)~~(i)~~ (ii) and ~~(ii)~~ (iii) an investment by one Financial Group member in another must not be included.

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App3 CALCULATION OF ADJUSTED CAPITAL RESOURCES

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A3.3 Base capital

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A3.3.1 Subject to Rules A3.3.2, ~~A3.3.4~~ A3.3.3 and ~~A3.3.5~~ A3.3.4, an Insurer's base capital consists of the following capital instruments and equity reserves of the Insurer:

(a) paid-up ordinary shares, except for shares referred to in Rule A3.5.1(d);

(b) general reserves;

(c) in the Insurance Fund of a Takaful Insurer, amounts provided from the Owners' Equity by loan to the Insurance Fund and not repaid as at the Solvency Reference Date;

(d) retained earnings;

(e) current year's earnings after tax; and

(f) hybrid capital, as defined in Rule A3.5.1.

A3.3.2 Where an Insurer is not a DIFC Incorporated Insurer, base capital may include capital instruments and equity reserves that are approved in writing by the DFSA as equivalent to the capital instruments and equity reserves described in Rule A3.3.1.

A3.3.3 Owner's Equity in a Takaful Insurer other than amounts referred to in Rule A3.3.1(c) must be classified as hybrid capital for the purposes of this section if:

(a) under the constitutional documents of the Insurer or the terms of insurance contracts or both, participation in the surpluses and losses of Takaful business is limited to the policyholders of the Insurer; and

(b) the Owners' Equity is available for loan to the Insurance Fund of the Insurer.

A3.3.4 Hybrid capital having a term to maturity of less than five years may only be included in base capital with the written consent of the DFSA.

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