

GULF ACTUARIAL SOCIETY PRESENTATION  
UAE INSURANCE FINANCIAL REGULATIONS

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# AGENDA

- What are the regulations and why should I care?
  - Current Regulations
  - Dovetailing with Financial Regulations
  - Role of the Actuary
  - FCRs & Risk Management
- When should I start caring?
  - Timelines for implementation
  - IA Circular 15
- How is this going to change the playing field
  - Potential impacts on the market
  - Transparency outcomes
- What can I do about it
  - Potential Role for GAS
  - Opportunities for Analysts
  - Collaboration with the IA



*"I need someone well versed in the art of torture—  
do you know PowerPoint?"*



# WHAT ARE THE REGULATIONS

- Federal Insurance Law (FIL) 2007
  - Actuarial Report once every 3 years for Personal Insurance and Fund Accumulation Business
- Implementing Regulations 2009
  - Specified the exact scope in Article 42
- Financial Regulations 2014
  - Takaful
  - Conventional
  - Solvency Template

The Actuaries role has more clarity than before



# WHAT ARE THE REGULATIONS

- Federal Insurance Law (FIL) 2007 – Article 23

The Board shall issue on a recommendation by the director general the instructions pertinent to the insurance operations including:

- The solvency margin and the minimum guarantee fund, provided the same shall not be less than one third of the solvency margin taking the international standards into consideration,
- The basis of calculating the technical provisions,
- The standards of re-insurance,
- The basics of investing the rights of the policyholders,
- Determining the company's assets that meet the accrued insuring obligations.
- The accounting policies to be adopted by the company and the necessary forms needed to prepare reports and financial statements and presentation thereof.
- The principles of organizing accounting books and records of each of the companies, agents, and brokers and determine data to be inserted in these books and records.
- The records which the company shall be obliged to organize and maintain as well as the data and documents shall be made available to *the Authority*.
- The profession's rules and code of conduct.
- Anti-money laundering and terrorism financing in the insurance activities in collaboration with the pertinent bodies.



# WHAT ARE THE REGULATIONS

FR has 7 sections.

- 1: Basis of investing Rights of PH
- 2: Solvency Margin and Minimum Guarantee Fund
- 3: Calculating Technical Provisions
- 4: Determining Company's Assets that meet Accrued Insurance Liabilities
- 5: Records a Company should keep
- 6: Principles for organizing accounting books
- 7: Accounting policies to be adopted



# WHAT ARE THE REGULATIONS

- 1: Basis of investing Rights of PH
  - Requirements for Investments
  - General Rules for Investment Policy
  - Asset Distribution & Allocation Limits
  - Domiciling of Investments
  - Specification of how to value real estate

Annual Risk Analysis Report of Investment portfolio, certified by Actuary showing

- Summary of Investment Strategy
- Analysis as per limits
- Analysis of Market, Liquidity and Credit Risk including stress testing



# WHAT ARE THE REGULATIONS

Type of Invested Asset	Maximum Limit for aggregate exposure in a particular asset class	Sub-limit for exposure to a single counter-party
Real Estate	30%	No Sub Limit
Equity Instruments in listed and not listed companies within UAE.	30%	10%
Equity Instruments issued by companies listed and not listed outside UAE.	20%	10%
Government securities/instruments issued by the UAE and/or by one of the Emirates in the UAE.	100%	25%
Government securities/instruments issued by (A) rated countries.	80%	25%
Cash and deposits with Banks in the UAE (e.g. current account, demand deposits, term deposits, notice deposits, certificates of deposit, etc.)	Minimum 5%	50%
Loans secured by life policies (excluding unit-linked funds' related policies) issued by the Company.	30%	No Sub Limit
Derivatives or complex financial instruments to be used for hedging purposes only.	1%	No Sub Limit
Secured loans, deposits with non-banks, debentures, bonds & other debt instruments which are rated strong or very strong by reputed and independent rating agency.	30%	20%
Other Invested Assets	10%	No Sub Limit





# WHAT ARE THE REGULATIONS

- 2: Solvency Margin and Minimum Guarantee Fund
  - Minimum Capital Requirement
    - AED100mil for insurers
    - AED250mil for reinsurers
  - Minimum Guarantee Fund (minimum amount of fund required to support each LOB)
    - Not less than 1/3 of Solvency Capital Requirement
  - Solvency Margin
    - Underwriting Risk
    - Market & Liquidity Risk
    - Credit Risk
    - Operational Risk



## WHAT ARE THE REGULATIONS

- 2: Solvency Margin and Minimum Guarantee Fund

Article 8 – The Company shall at all times comply with the requirements of the Solvency Margin (maintaining Own Funds as per Article 7 for the largest of the

- MCR
- MGF
- SCR

Solvency Template?



# WHAT ARE THE REGULATIONS

- 2: Solvency Margin and Minimum Guarantee Fund

First mention of the FCR in Article 10

- Annual requirement
- Technical Provisions (Section 3)
- Risk based analysis of investment portfolio
- SCR analysis
- Reinsurance structure
- Underwriting Policies
- Pricing Policies
- ERM



# WHAT ARE THE REGULATIONS

- 2: Solvency Margin and Minimum Guarantee Fund

## Risk Management Strategy required

- Strategies
- Processes
- Reporting Procedures
- Underwriting and reserving
- ALM
- Derivative investments



# WHAT ARE THE REGULATIONS

- 3: Calculating Technical Provisions
- OS Claims
- IBNR & IBNER
- UPR – straightforward, except if AURR
- ULAE
- DAC and UECI

Section 3 and Addendum are fairly specific.



# WHAT ARE THE REGULATIONS

- 3: Calculating Technical Provisions

Investments to be in UAE for

- Gross UPR, URR and Mathematical Reserves
- Net OS, IBNR and ALAE/ULAE



## WHAT ARE THE REGULATIONS

- 3: Calculating Technical Provisions
- BoD must Appoint a Registered Actuary
- Provisions gross and net to be reviewed
- Annual Report (included in FCR)
- Addendum 3 provides the minimum contents of an actuarial Report



## WHAT ARE THE REGULATIONS

- Actuary Register available on IA website (Insurance Experts Mathematics!)





## TIMELINES & FREQUENCY

- Part 2 Article 7 – from day after of publication in Gazette
- Section 1:
  - Asset limits – 3 years for real estate, 2 years for others
  - All others 2 years
- Section 2: 3 years
- Section 3: 2 years
- Section 4: 3 years
- Section 5-7: 1 year

REGULATION	SECTION & ARTICLE	REPORTING REQUIREMENTS	REPORTING DESCRIPTION & FREQUENCY	PAGE NO
<b>FINANCIAL REGULATIONS</b> <i>(ISSUED 2014)</i>	Section 1 Article (10) No.2	Reporting Requirements for Investments	Risk Analysis Report certified by the Actuary <b>FREQ: ANNUALLY (BEGINNING YE 2016)</b>	19 (Conventional) 19 (Takaful)
	Section 2 Article (9)	Reporting Requirements for Solvency	Solvency Template certified by the Actuary <b>FREQ: ANNUALLY</b> Solvency Capital Requirement Report certified by the Actuary <b>FREQ: QUARTERLY, WITHIN 45 DAYS FROM QTR. END (BEGINNING YE 2017)</b>	35 (Conventional) 36 (Takaful)
	Section 2 Article (10)	Reporting Requirements for Financial Condition	Financial Condition Report (FCR) certified by the Actuary <b>FREQ: ANNUALLY (BEGINNING YE 2017)</b>	35 (Conventional) 36 (Takaful)
	Section 3 All Articles	Regulations Pertinent to the Basis of Calculating the Technical Provisions	Technical Provisions Report certified by the Actuary <b>FREQ: QUARTERLY &amp; ANNUALLY (BEGINNING YE 2016)</b>	42-54 (Conventional) 44-56 (Takaful)
	Section 5 Article (4) No.2 & No.6	Examination of Records	No.2 Waving of Confidentiality with the Actuary, No.6 IA right to examine the Actuary <b>FREQ: AT ALL TIMES (BEGINNING YE 2015)</b>	65-66 (Conventional) 67-68 (Takaful)
	Section 6 Article (4) No.4	Auditing of Accounting Books	Actuary shall report on immediate risks to Company BoD who shall report to the IA <b>FREQ: AS DETERMINED BY THE ACTUARY (BEGINNING YE 2015)</b>	76 (Conventional) 78 (Takaful)
	Article (11) No.1c	Licensing Applications	Actuary's certificate to be included when applying for a Personal Insurance & Fund Accumulation Operations (PI&FAO) license <b>FREQ: ONCE OFF</b>	7 (Lux English Translated version)
<b>IMPLEMENTING REGULATIONS</b> <i>(ISSUED 2009)</i>	Articles (40), (41), (42) & (43)	Examination of the Financial Position	(40) Examining financial position for PI&FAO business by the Actuary, (42) Contents of Actuarial Report, (43) Provision of the Actuarial Report to IA <b>FREQ: ONCE EVERY 3 YEARS</b>	22-24
	Article (44)	Re-examination of Financial Position	Re-examining financial position for PI&FAO business by an Actuary chosen by the IA <b>FREQ: AS DETERMINED BY IA</b>	25
<b>FEDERAL LAW</b> <i>(ISSUED 2007)</i>	Articles pertinent to the Actuarial function are repeated and/or superseded by the Implementing Regulations and/or Financial Regulations.			



## CIRCULAR 15

First implementation of the IR & some of FR

- Sent to all companies
- Concerns Life and Health business
- Important as a first step towards meeting FR



## POTENTIAL MARKET IMPACTS

- Market consolidation (especially Takaful)
- Capital pressures
- Asset sell offs (NB real estate)
- HR pressure and compliance costs
- Regulatory pressure (from and to the IA)
- Improved confidence in insurance industry

Many lessons to be learnt from experience in KSA, Bahrain and Qatar.



# POTENTIAL ROLE OF GULF ACTUARIAL SOCIETY

Actuaries will benefit from a united voice

- IA collaboration on current regs/Circulars
- Sourcing analysts
- Discussing common points of contention
- Informing new regulation

# QUESTIONS



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THANK YOU

