



## The Insurance Authority Board of Directors' Decision No. (41) of 2019 Concerning the Supervisory Rules for the Experimental Environment of Financial Technology in the Insurance Industry

The Chairman of the Board of Directors of the Insurance Authority,

Having pursued;

- Federal Law No. (6) of 2007 concerning the Establishment of the Insurance Authority and Organization of Insurance Operations, the amendments thereof and its Executive Regulations, and the regulations issued in implementation thereof and the amendments thereof;
- Commercial Transactions Law promulgated by Federal Law No. (18) of 1993;
- Federal Law No. (1) of 2006 Concerning Electronic Transactions and Commerce;
- Federal Law No. (24) of 2006 On Consumer Protection;
- Federal Decree-Law No. (3) of 2012 on the Establishment of the National Electronic Security Authority and the amendments thereof;
- The Federal Law No. (2) of 2015 On Commercial Companies;
- Federal Law No. (12) of 2016 Amending Federal Law No. (5) of 2012 on Combating Information Technology Crimes and the amendments thereof;
- And, based on the proposal of the Director General of the Insurance Authority and the approval of the Insurance Authority's Board of Directors,

Has decided: -

### Article (1)

The Financial Technology Regulatory Framework (Supervisory Rules for the Experimental Environment) annexed to this Decision, which forms an integral part thereof shall be adopted.



## Article (2)

The Director General shall be authorized to:

1. Amend the supervisory rules for the experimental environment as deemed appropriate, when needed.
2. Exclude the participants, who wish to enter the experimental environment from any mandatory requirements or obligations in the Authority's legislations whenever necessary within the scope and period of the acceptance letter granted for this purpose, and exclusively within the experimental environment, in order to enable them to participate in therein.

## Article (3)

This decision shall be published in the Official Gazette and shall come into force as from the day following the date of its issuance.

**Eng. Sultan bin Saeed Al Mansoori.**

**Minister of Economy -Chairman of the Insurance Authority**

Issued by us in Abu Dhabi on: 15 /09/ 2019

In case there is any inconsistency between this translation and the Arabic version of this decision, then the Arabic version shall prevail.



## Appendix (1)

### Supervisory Rules for the Experimental Environment of Financial Technology in the Insurance Industry

#### First: Introduction

1. The rapid developments in digital technology are transforming the economic and financial landscape, as well as, creating opportunities and posing challenges for the insured, policyholders, beneficiaries, affected stakeholders, companies, related professions and regulators.

2. These developments are mostly led by the private sector, driven by the global digitization and technological development forces that are reshaping numerous aspects of the world's economies and societies.

#### Second: Objective

1. Contributing to achieving the UAE Vision 2021, which aims to create a competitive knowledge economy based on innovation, which requires the support of the Innovative Solutions Owners. In the meanwhile, qualifying the Authority to understand the products to be introduced and identify the risks associated with them and to ensure a satisfactory level for customers during the pilot period.
2. Transforming the UAE insurance market into a smart insurance market.
3. Supporting the emerging Emirati FinTech companies.
4. The Authority aims, by issuing this document, to define the regulatory framework for the operation and management of the experimental environment of the insurance sector, in order to create an attractive environment for the insurance sector using innovative systems, as well as, making it a platform to interact with FinTech companies, improving the regulatory framework, and contributing to economic growth and risk management.



### Third: Categories of Applicants

1. Innovative Solutions Owners, licensed and registered by the Authority, who wish to test technical solutions covered by their current license.
2. Innovative Solutions Owners licensed and registered by the Authority, who wish to test technical solutions not covered by their current license.
3. FinTech Companies registered in the Free Zones and the Financial Free Zones inside the State, which develop new FinTech solutions to be used in the State. These companies may enter the experimental environment, according to the following conditions:
  - a. Establishing a partnership with an entity licensed and registered by the Authority, which shall be fully accountable to the Authority.
  - b. Obtaining an acceptance letter from the Authority to join the experimental environment.
  - c. Submitting the approval of the free zone or the financial free zone in the State to apply for joining the experimental environment of FinTech at the Authority.
4. National FinTech companies and branches of foreign companies registered inside the state, which develop new FinTech solutions to be used in the State. These companies may enter the experimental environment, according to the following two conditions:
  - a. Establishing a partnership with an entity licensed and registered by the Authority, which shall be fully accountable to the Authority.
  - b. Obtaining an acceptance letter from the Authority to join the experimental environment.



5. Foreign FinTech Companies, registered in their home country, which develop new FinTech solutions to be used in the State. These companies may enter the experimental environment, according to the following conditions:
  - a. Establishing a partnership with an entity licensed and registered by the Authority, which shall be fully accountable to the Authority.
  - b. Obtaining an acceptance letter from the Authority to join the experimental environment.
  - c. Submitting the approval of the regulatory authority in the home country to apply for joining the experimental environment of FinTech at the Authority.

#### **Fourth: Eligibility Criteria**

1. The product, service, software, or business model (innovation) shall meet the following criteria:
  - a) To be related to insurance products and / or services that fall under the jurisdiction and supervision of the Insurance Authority;
  - b) To be innovative in terms of the technology used.
  - c) To prove its benefit to insurance proposers (such as; promoting growth, efficiency, risk management, providing wider options, etc.)
  - d) To have a need to be tested in the experimental environment.
2. Applicants must demonstrate the following:
  - a. Having adequate financial resources or support from an accredited entity to compensate any damages to which customers may be exposed during the experimental environment.
  - b. Readiness and willingness to test the innovation in the real market environment with real customers.
  - c. Willingness to launch the innovation to all customer base after completing the pilot period.



- d. Having relevant professional, technical and commercial knowledge and experience.
- e. Holding a bank account in the United Arab Emirates (if required by the Insurance Authority and in accordance with the nature of the product, service or software being tested).
- f. Meeting the criteria of efficiency and fitness in terms of integrity, financial capacity and honesty.

### **Fifth: Cycle Time for the Participants**

1. The Innovative Solution Owner shall follow a set of defined steps and stages that represent the time cycle for the participants in the experimental environment, in accordance with the conditions established by the Director General.
2. The pilot period in the experimental environment shall be from six to twelve months. This shall allow the Authority and customers to understand the feasibility of this innovation.
3. The Authority may reduce the length of the pilot period mentioned in the above paragraph (2), in case the proposed innovative solution:
  - a. Has a low risk nature to policyholders.
  - b. The innovative solution was previously applied to an international insurance market in cooperation with insurance companies or a branch of licensed foreign insurance companies.

### **Sixth: Evaluation of Applications**

The objective of the application phase is to study and evaluate the proposals made by the Innovative Solution Owners in the light of the eligibility criteria for the experimental environment, taking into consideration the following:

1. The originality of innovation, so that it is novel, new and supports the techniques used inside the State.
2. The benefit to the insured and the beneficiaries of the insurance policies, so that the applicant must provide the Authority with evidences showing that there are tangible results reflected on them positively.



3. Identifying the risks resulting from the innovative solution, and developing the necessary controls to manage these risks throughout the pilot period.
4. Readiness for testing, in terms of providing an action plan that includes the implementation timeline and a clear testing methodology.
5. Exit plan, so that the Authority shall be provided with the future scenario of the process:
  - a. Development of the innovative solution.
  - b. Usage of the innovative solution, specifying the following:
    1. How to extend the innovative solution to include a larger market.
    2. How to ensure that the insured and beneficiaries are not harmed as a result of the failure of the test.
    3. How to ensure that the insured and beneficiaries are not harmed as a result of a decision issued by the Authority or by an initiative of the Innovative Solution Owner.
6. Applications for joining the experimental environment of FinTech shall be submitted in accordance with the approved forms for this purpose.
7. The forms shall include a number of documents that must be submitted with the application to be duly studied.
8. The Authority shall study and evaluate the application within a period of twenty (20) working days as from the date of submission of the completed application.

### **Seventh: Conditions and Restrictions of the Authority**

It is a set of conditions and restrictions imposed by the Authority in order to protect the rights of the insured, beneficiaries and affected stakeholders, including restrictions on:

1. Number and category of the customers of the Innovative Solution Owner participating in the test.
2. Type and size of transactions.
3. Prohibition of the possession of the funds of the insured and the beneficiaries.
4. Requirements to obtain written approvals from customers.



5. Requirements to add clear phrases in all correspondence with customers indicating that they are participating in the test.
6. Requirements for the simulation processes of system breach.
7. Controls of anti-money laundering and combating the financing of terrorism.
8. Requirements of processing and protecting customer data by the innovative solution.
9. The Innovative Solution Owner shall submit reports in order to ensure a robust framework for identifying and managing risks during the testing process.

### **Eighth: Acceptance Letter to Join the Experimental Environment**

1. In case the applicant is accepted to join the experimental environment, an acceptance letter shall be provided, including the following:
  - a. Approving the entry of the innovative solution owner to the experimental environment and determining the test period.
  - b. Summary of the innovative solution that shall be tested.
  - c. List of the approved experimental environment tools.
  - d. List of the means of customer protection in the evaluation phase.
  - e. The Authority shall reserve the right to suspend the test and withdraw the acceptance letter, if the Authority become aware of a violation of the conditions and restrictions contained in the acceptance letter.
  - f. Confirmation that the Innovative Solutions Owners can use the acceptance letter in their transactions with other financial services companies to verify that they have obtained a permission from the Authority enabling them to take the test within the experimental environment.
  - g. The acceptance letter shall not be considered as a license to carry out the business of the subject matter of the innovative solution outside the experimental environment of FinTech. Joining the experimental environment may not be a pretext for evading any legal requirements under Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority and the Organization of Insurance Operations as amended, as well as its executive and regulations, resolutions, regulations and instructions issued pursuant thereto.





2. In case of any comments on the application to join the experimental environment, the applicant may resubmit the application after fulfilling the comments of the Authority within (20) working days.
3. In case the applicant failure to fulfill the Authority's comments within the above specified period, the application shall be deemed cancelled. However, the applicant may submit a new application.
4. In case the application is not approved, the decision of the Authority shall be final.

### **Ninth: Periodic Reports**

The Innovative Solution Owner, who holds an acceptance letter shall send monthly progress reports to the Insurance Authority signed by the senior management. These periodic reports should include at least the following information:

1. Progress in KPIs.
2. Number of volunteering customers.
3. Number and size of completed transactions.
4. Update of the risk register.
5. A detailed record of operational or technical incidents, including any cybersecurity problems or breaches (if any) and measures taken to address them.
6. Details of any customer complaints.
7. In cases where the Innovative Solution Owner in the experimental environment of FinTech does not submit a monthly progress report, the Insurance Authority shall reserve the right to terminate his participation.

### **Tenth: Exiting the Experimental Environment**

1. Suspension at the request of the innovative solution provider as a result of technical difficulties or similar issues, that are beyond his control forcing him to suspend the test until they are resolved.
2. The Authority may decide to suspend or terminate the test for public interest.
3. Termination of the test at the request of the innovative solution provider.
4. The pilot period shall be ended at the end of its term.



5. In case the solution testing process is successful, these companies shall be permitted to release these solutions in the UAE insurance market within the controls to be determined by the Authority. However, the Innovative Solutions Owners must be fully licensed and registered to launch their digital solutions in the market. The Authority shall accelerate the registration and licensing procedures, as long as the Innovative Solution Owner is able to satisfy the conditions of registration and licensing, in accordance with the provisions of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority and the Organization of Insurance Operations as amended, as well as its executive and regulations, resolutions, regulations and instructions issued pursuant thereto.

### **Eleventh: General Provisions**

1. The Authority may request a detailed audit report, prepared by an independent consultant approved by the Authority, within the period specified by the Authority, including with the following:
  - a. A detailed description of the proposed innovative business model.
  - b. Number and type of volunteering customers who participated in the tests.
  - c. Number and size of the completed transactions.
  - d. A detailed record of operational or technical incidents, including any cybersecurity problems or breaches (if any) and steps taken to address them.
  - e. Details of any complaints by customer.
  - f. Key results and test results.
  - g. Evaluating whether defined KPIs have been achieved.
  - h. Identify the main risks and the main steps taken to address and mitigate these risks.
  - i. Feedback of the Volunteering customers, including complaints (if any).
  - j. Details of any conducted audits.
  - k. Results and comments concerning the success of the test.
2. The Authority shall have the right to publish and approve the names of applicants and the status of the received applications on its website, reports and in the audio-visual media.