



**Insurance Authority Board of Directors' Decision No. (14) of 2018,
Pertinent to the Application of Financial Solvency Requirements
Stipulated in Chapter Two of the Financial Regulations for
Insurance Companies and the Financial Regulations for Takaful
Insurance Companies on the Branches of Foreign Insurance
Companies Operating in the State**

Chairman of the Insurance Authority,

Having pursued,

- Federal Law No. (6) of 2007, concerning the Establishment of the Insurance Authority and Organization of its Operations, and the amendments thereof;
- Insurance Authority Board of Directors' Decision No. (2) of 2009, pertinent to the Issuance of the Executive Regulations of the Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority and Organization of its Operations, and the amendments thereof;
- Cabinet Resolution No. (42) of 2009, pertinent to Insurance Company Minimum Capital Requirements Regulations, and the amendments thereof;
- Insurance Authority Board of Directors' Decision Number (25) of 2014, pertinent to Financial Regulations for Insurance Companies;
- Insurance Authority Board of Directors' Decision Number (26) of 2014, pertinent to Financial Regulations for Takaful Insurance Companies; and,
- Based on the recommendation of the Director General of the Insurance Authority and the approval of the Board of Directors,

Has decided,

**Article (1)
Definitions**

The following words and phrases shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:



State: The United Arab Emirates.

Law: Federal Law No. (6) of 2007 concerning the Establishment of the Insurance Authority and Organization of its Operations and the amendments thereof.

Executive Regulations: The Executive Regulations of the Law.

Authority: The Insurance Authority established by virtue of the provisions of the Law.

Board: The Insurance Authority's Board of Directors.

Director General: The Director General of the Insurance Authority.

Financial Regulations: Insurance Authority Board of Directors' Decision Number (25) of 2014, pertinent to Financial Regulations for Insurance Companies and Insurance Authority Board of Directors' Decision Number (26) of 2014, pertinent to Financial Regulations for Takaful Insurance Companies, as appropriate.

Branch of the foreign company : The branch of the foreign insurance company licensed to practice the insurance activity in the State either through a branch or through an Insurance Agent, and the branch of the foreign Takaful Insurance company licensed to practice the insurance activity in the State either through a branch or through an Insurance Agent, where it operates in accordance with the provisions of the Law , the Executive Regulations and the Regulations of Takaful insurance and all its transactions are compliant with the Islamic Shari'a provisions.

Parent company: The foreign insurance company or the foreign Takaful insurance company licensed to practice the activity in the home country and is practicing its operations in the State either through a branch or through an Insurance Agent.

Home country: The country in which the parent company was founded, holds its nationality and responsible for the control on the company.



Article (2)

Applicability of the Decision

The provisions of the decision herein shall apply to all branches of foreign insurance companies licensed in the State, including the branches of the Takaful insurance companies and the branches of reinsurance companies and shall be read along with the Financial Regulations.

Article (3)

Financial Solvency Requirements of Branches of Foreign Insurance Companies

The foreign company branches licensed in the State shall comply to the provisions set forth in the decision herein, when applying the requirements of the financial solvency stipulated in chapter two of the Financial Regulations, and the provisions stipulated in this decision are complementary to the provisions stipulated in the Financial Regulations.

Article (4)

Rules of Application

All branches of foreign insurance companies shall calculate and disclose the value of the net assets of the Parent Company available to meet risk exposures in the State according to the following:

- (a) The paid-up capital at the Parent Company's level shall be calculated by the result of multiplying the number of the exported and paid shares by the nominal value of the share.
- (b) The additional paid-up capital at the Parent Company's level shall be calculated by the total amounts paid to the company for the exported shares, minus the nominal value of these shares.
- (c) The net book value of assets at the Parent Company's level shall be calculated by deducting the liabilities from the assets, with the exception of:



1. The capital at the Parent Company's level.
2. The additional paid-up capital at the Parent Company's level.
3. Intangible assets at the Parent Company's level.
4. All reserves allocated for other purposes at the Parent Company's level except for reserves allocated to the State.
5. Guarantees or capital at the Parent Company's level allocated for financial solvency in other countries other than the United Arab Emirates.
6. Any other financial obligations at the Parent Company's level not allocated to meet the financial solvency requirements in the State.

Article (5)

Financial Solvency of the Parent Company

(a) All branches of foreign insurance companies shall provide the Insurance Authority with a copy of the solvency margin calculations on an annual basis in accordance with the requirements and legislation of the home country, a copy of the annual financial statements of the Parent Company and the auditor's report on these statements. In addition to, documents stating the adequacy of the Parent Company's capital issued by the supervisory body in the home country. These documents should include a comparison between the admissible assets and the required capital of the Parent Company in accordance with the solvency regulations in the home country.

(b) In case of a deficit in the financial solvency of the Parent Company, the branch of the foreign company licensed in the State shall provide the Insurance Authority with a report concerning this matter in accordance with the requirements stipulated in article No. (8) of Chapter two of the Financial Regulations. The report shall contain an analysis of the extent to which the deficit of the financial solvency of the Parent Company has affected the financial solvency of the branch of the foreign company operating in the State and the correction mechanism of the deficit in the solvency margin of the Parent Company.



C. In specific cases, the Authority shall request the Parent Company to provide it with the financial solvency requirements model in accordance with the Financial Regulations.

Article (6)

Minimum assets required from the foreign branch

All branches of foreign insurance companies operating in the State shall comply with the following:

- A. To maintain at all times sufficient admissible assets to fulfil its liabilities inside the State, at a minimum.
- (b) To register all documents subscribed by the foreign branch in the financial statements of the foreign company branch licensed in the State.

Article (7)

Available and accepted Funds of the Parent Company to meet the Financial Solvency Requirements

- (a) The foreign company branch shall rely on the net book value of the assets at the Parent Company's level according to the decision herein when assessing the available funds of the Parent Company from the basic own funds that are used to meet the Minimum Capital Requirement, and ancillary own funds that are used to meet Solvency Capital Requirement and Minimum Guarantee Fund requirements.
- (b) The foreign company branch shall comply to at least one of the following rules when requesting to rely on the net book value of the Parent Company's assets to meet any of the Minimum Capital Requirements, Solvency Capital Requirements and Minimum Guarantee Fund Requirements:



1. Transfer part of the Parent Company's funds to the branch's accounts inside the State, with the commitment not to dispose it in a way that affects the financial solvency of the branch except with the approval of the Authority.

2. Provide a bank guarantee letter to the Authority from any of the banks operating in the State according to the form prepared for this purpose.

3. Provide other form of guarantee, provided that it is approved by the Authority and includes at least the following:

(a) The funds shall be restricted to cover the insurance risks of the foreign branch within the State.

(b) The approval of the Authority shall be sought before disposing the funds or changing the guarantee in any case.

Article (8)

Other Cases

In cases other than those stipulated in the decision herein, the provisions contained in the Financial Regulation shall be adhered to.

Article (9)

General Provisions

The general provisions stipulated in part two of the Financial Regulations shall be adhered to.



Article (10)

The Director General of the Authority shall issue the necessary decisions and circulars to implement the provisions of this decision.

Article (11)

This decision shall be published in the Official Gazette and shall come into force two months after the date of its issuance.

Eng. Sultan bin Saeed Al Mansoori
Minister of Economy
Chairman of the Board of Directors of the Insurance Authority.

Issued in Abu Dhabi on: 23 /05 /2018

In case of any divergence of interpretation, the Arabic text shall prevail.