



مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

**Insurance Authority Board of Directors' Decision
No. (49) of 2019 Concerning Instructions for Life
Insurance and Family Takaful Insurance**

Consolidated version as of 20/03/2020

This Resolution has been amended by the Insurance Authority Board of Directors' Resolution No. (15) of 2020. You are reading the consolidated version as of 20/03/2020.

CONTENTS		
Subject		Page
Article (1)	Definitions	1
Article (2)	Instructions Application	4
Article (3)	Commission Limits	4
Article (4)	Indemnity Commission	5
Article (5)	Multiple Distribution Channels	6
Article (6)	Policyholder Fees	6
Article (7)	Disclosures	6
Article (8)	Solicitation of Contract	7
Article (9)	Free Look Period	7
Article (10)	General Provisions Concerning the Illustrations	7
Article (11)	Declaration from Policyholder and the Distribution Channel	9
Article (12)	Historical Performance	9
Article (13)	Protection Benefit Ratio	10
Article (14)	Protecting the Rights of Policyholders	10
Article (15)	Credit Life Products	11
Article (16)	Wakala and Mudaraba Fees	11
Article (17)	Submitting the Product to the Authority	11
Article (18)	Policy Churning	12
Article (19)	Actuarial Funding	12
Article (20)	Penalties	12
Article (21)	Issuing Decisions	12
Article (22)	Publication and Effective Date	13

Chairman of the Insurance Authority

Having considered:

- Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations as amended and its Executive Regulation;
- Federal Decree No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Financing of Illegal Organizations and its Executive Regulation;
- Cabinet Resolution No. (20) for 2019 Concerning Terrorism Lists Regulations and Implementation of UN Security Council Resolutions on the Suppression and Combating of Terrorism, Terrorist Financing and Proliferation of Weapons of, and Related Resolutions.
- Board of Directors' Resolution No. (3) of 2010 Instructions Concerning the Code of Conduct and Ethics to be Observed by Insurance Companies Operating in the State;
- Board of Directors' Resolution No. (4) of 2010 Concerning the Takaful Insurance Regulations;
- Board of Directors' Resolution No. (8) of 2011 Instructions Concerning the Regulations of Insurance Agents Business;
- Board of Directors' Resolution No. (15) of 2013 Concerning Insurance Brokerage Regulations as amended and related Decisions;
- Board of Directors' Decision No. (25) of 2014 related to the Financial Regulations for Insurance Companies;
- Board of Directors' Decision No. (26) of 2014 related to the Financial Regulations for Takaful Insurance Companies;
- Board of Directors' Decision No. (9) of 2017 concerning the Regulations on Licensing and Registration of Actuaries and Regulation of their Operations;
- Board of Directors' Decision No. (13) of 2018 Instructions Concerning Marketing Insurance Policies through Banks; and,
- Pursuant to what has been presented by the Director General of the Authority and approved by the Insurance Authority Board of Directors,

Has decided,

ARTICLE (1) DEFINITIONS

The following words and expressions shall bear the meaning indicated beside each of them unless the context indicates otherwise.

State	The United Arab Emirates.
Law	Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations, as amended.
Executive Regulations	The Executive Regulation of the Law.
Authority	The Insurance Authority established by virtue of the provision of the Law.
Board	Board of Directors of the Authority.
Director General	Director General of the Authority.
Company	The insurance Company incorporated in the State, or foreign branch of an insurance Company, licensed to carry out insurance operations in the State either through a branch or an insurance agent, including Takaful insurance companies.

Insurance Agent	The person qualified by the Company and authorized to practice the insurance business on behalf of it or on behalf one of its branches.
Insurance Broker	The person who independently intermediates in insurance and reinsurance operations between the insurance or reinsurance proposer on one side and any insurance or reinsurance company on the other side and receives for his efforts commission from the insurance company or the re-insurance company with which the insurance or reinsurance has been concluded.
Financial Regulations	Board of Directors' Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Board of Directors' Decision No. (26) of 2014 Pertinent to Decision No. (49) of 2019 Pertinent to Regulations for Life Insurance and Family Takaful Insurance. Financial Regulations for Takaful Insurance Companies, as appropriate.
Charges	Amounts or expenses that are considered as part of the premium whether related to expenditures, remuneration or costs, as appropriate.
Actuarial Funding	A method of calculation that a life insurance company can use to reduce the size of the unit reserves it needs to retain in respect of its unit-linked business. The Company effectively capitalizes some or all of the unit-related charges it expects to receive from the units it has nominally allocated, with the funding then being repaid from these future charges as they are received.
Ad-hoc Premium	An additional premium paid to a single premium policy or a non-regular payment for regular premium policies where the payment is over and above the Modal Premium for the purpose of increasing benefits.
Annualized Premium	The Policy Premium that the client has agreed to pay to the Company which covers a period of twelve months.
Actuary	The actuarial expert who is licensed and registered by the Authority and who has been appointed by the Board of Directors of the Company in accordance with the Financial Regulations.
Cash Value	The accumulated value to the policyholder from all sources, including protection and savings, after all standard policy charges are deducted, except for the Surrender Charges, which will be paid to the policyholder upon completion of the Policy Term or upon any termination or conversion which does not generate any Surrender Charges.
Commissions	All amounts paid to the Distribution Channels, including renewal commissions, related to selling and/or maintaining insurance policies. Irrespective of what they are called and how they are paid, these payments must be combined and counted as part of total commissions.
Commission Claw-Back	A recoupment of commissions paid up-front to Distribution Channels when a policy is surrendered prior to a specific period of time. Commission claw-back can also occur in the event of non-payment of premiums or contributions by the client during the initial commission claw-back period.
Policy Churning	Selling an insurance policy to a policyholder which unnecessarily replaces an existing policy, for the purpose of increasing turnover and generating additional commissions.
Credit Life Products	The products that are bundled together with the loans of the existing or new clients of banks or financial institutions. These loans can be, but are not limited to, mortgage, personal, auto, credit card, business, overdraft, etc.
EIBOR	Emirates InterBank Offered Rate.

Explicit Fund Management Charges	The fund management fees, or any other fees related to the invested assets, such as processing fees, etc., which are charged to the policyholder by the Company.
Implicit Fund Management Charges	All fees which are being deducted by the fund manager and/or which are used to adjust the unit price by the fund manager.
Free Look Period	A period of time wherein the policy may be cancelled or surrendered in return for refunding the premium paid.
Illustrations	Detailed projections of policy premiums, charges, surrender values, investment returns over the term of the insurance policy.
Indemnity Commission	A commission up-front or in advance based on the future value of the policy, including the future periods, for which a commission claw-back may apply.
Initial Access Fees	An initial up-front payment(s) made directly or indirectly, such as training costs, to Distribution Channel(s) by a Company as a fee to start a relationship, with or without any policy being sold.
Maturity Benefit	The final Cash Value of the policy at the end of the Policy Term.
Modal Premium	The premium paid on a policy based on the frequency of the premium payments, which could be annual, semi-annual, quarterly or monthly.
Mode of Premium Payment	The frequency in which the policyholder selects to pay premiums. Frequency options are typically annual, semi-annual, quarterly, monthly or single premium.
Net Asset Value	The accumulated value of the invested assets in the policyholder account, after deduction of the Implicit and Explicit Fund Management Charges.
Policy Premium	Includes all regular amounts payable under the policy to the Company which are used for any protection or savings purposes. The payment for a Single Premium Policy would be considered a Policy Premium.
Policyholder Reasonable Expectations	The minimum acceptable level of benefit payout, including options provided, non-guaranteed bonus rates, etc., based on information provided to the policyholder, and any other factors that may shape policyholders' expectations.
Premium Payment Term	The total number of periods, depending on the Mode of Premium Payment, over which the policyholder must pay the premium.
Protection Benefit	The sum assured, which shall be paid to the beneficiary in the event that a covered peril, such as death, occurred. Such sum assured can be fixed or variable according to the structure of the insurance product. The accumulation of Net Asset Value from investments which are repaid to the policy beneficiary in the event that a covered peril occurred is not part of the Protection Benefit.
Protection Benefit Ratio	A ratio defining the amount of protection coverage included in the value of the insurance policy.
Pure Protection Products	Any product that has a Protection Benefit, but has no Cash Value.
Savings Products	Any product that has a Cash Value would be treated under the umbrella of Savings Products.
Short-Term Products	All products where the policy term is one year or less.
Single Premium Policy	Insurance policy wherein a lump sum is paid as premium at the inception of the insurance coverage.
Surrender Charges	Fees charged to the policyholder, upon early termination, conversion or surrender of a policy, to cover the costs of the early termination of the policy.

Surrender Value / Surrender Benefit	The Cash Value, or benefits, paid to the policyholder, after all Surrender Charges have been deducted.
Long-Term Products	All products where the policy term is over one year.
Unit Linked Product	Insurance plans that provide the option to invest in any number of qualified investments, such as stocks, bonds, mutual funds.
Distribution Channels	Insurance Agents, Insurance Brokers and the marketing of insurance policies through banks or finance companies, as well as, the direct production of the Company through its employees.

ARTICLE (2) – INSTRUCTIONS APPLICATION

- 1) The provisions of the Instructions herein shall apply to the Companies, Distribution Channels and any other insurance-related profession regulated by the Authority.
- 2) The provisions of the Instructions herein shall apply to insurance policies concluded after the entry into force of their provisions.

ARTICLE (3) – COMMISSION LIMITS

First: The total Commissions paid to any Distribution Channels, are subject to the following commission limit rules.

1. Pure Protection Products
 - a. The maximum Commissions paid is 10% of the periodic Annualized Premium times the number of years in the policy term. The overall cap of Commissions over the full policy term is 160% of the Annualized Premium.
 - b. For a Single Premium Policy and Ad-hoc Premium, the maximum Commissions paid must not be more than 10%.
2. Savings Products:

The maximum Commissions paid is based on the following definitions and formula:

- a. Savings Ratio component – equals 4.5% of the periodic Annualized Premium times the number of years in the policy term; an overall cap of Commissions over the full policy term is 90% of the Annualized Premium; and for a Single Premium Policy and Ad-hoc Premium, the maximum Commissions paid must not be more than 4.5% of the premium.
- b. Protection Ratio component – equals 10% of the periodic Annualized Premium times the number of years in the policy term. The overall cap of Commissions over the full policy term is 160% of the Annualized Premium; and for a Single Premium Policy and Ad-hoc Premium, the maximum Commissions paid must not be more than 10% of the premium.
- c. Protection Benefit Ratio (“PBR”) – as determined by the Actuary as per Article (13) of the Instructions herein.
- d. To calculate the maximum Commissions paid for a Savings Product, the Actuary must use the following formula, separately for each component:

Maximum Commission = [Protection Ratio × PBR] + [Savings Ratio × (1 – PBR)]

Second: Premium Changes.

1. The Actuary should consider non-recurring changes in the Annualized Premium due to add-on coverages, riders, or similar ad-hoc options in the same way as first year Annualized Premiums; meaning the commission limit rules apply as if the change in premiums is a separate policy.

2. Recurring changes in the Annualized Premium due to premium indexation features, which may or may not change the premium based on an independent index, may not be used to increase the overall caps for total Commissions; meaning the overall caps apply as if all future premiums are the same as the first year Annualized Premium.
3. Planned increases in the Annualized Premium due to premium indexation features, which increase the premium based on predetermined rules or amounts, may not be used to increase the overall caps for total Commissions; meaning the overall caps apply as if all future premiums are the same as the first year Annualized Premium.
4. Planned decreases in the Annualized Premium due to premium indexation features, which decrease the premium based on predetermined rules or amounts, may not be used to increase the overall caps for total Commissions; meaning the overall caps apply as if the first year Annualized Premium was calculated as an average of all future premiums.

Third: Policy Types.

The commission limit rules apply to all types of Life insurance policies, whether sold to individuals or groups, regardless of the policy term and Distribution Channel, unless specifically stated otherwise in the Instructions herein.

Fourth: Total Commission.

If the commission is calculated based on the Cash Value or Net Asset Value of the policy and not on the premium, the Actuary needs to certify that the overall Commissions, using reasonable assumptions in the calculation, is consistent with the commission limits set in this Article.

Fifth: Deferred Incentives for a Series of Policies.

In the case of payment of incentives to Distribution Channels in the form of deferred compensation, entitlement of which is not pursuant to individual policies but with a series of policies. In such case, it is required to acquire an actuarial certificate to verify that the total Commissions are in accordance with the Instructions herein.

ARTICLE (4) – INDEMNITY COMMISSION

1. For Regular Premium policies, no Indemnity Commission is allowed beyond the conditions set out below. The Commissions paid should be based on the Annualized Premium collected.
2. If the Mode of Premium Payment is semi-annual, quarterly, or monthly, the Commissions paid can be based on the Annualized Premium. In this case, it must be borne by the Company and not through the policyholder account.
3. The Commissions paid on Annualized Premium is subject to the following conditions:
 - a. First year Commissions shall be capped at 50% of the Annualized Premium or 50% of the total Commissions payable under the insurance policy, whichever is less.
 - b. The remaining Commissions shall be paid out equally over the remaining Premium Payment Term of the policy. For Premium Payment Terms of 20 years or more, the Actuary may propose a non-equal pay, provided that it will be subject to prior approval by the Authority, pursuant to Article No. (17) of the Instructions herein.
 - c. The first year Commissions shall be subject to Commission Claw-Back during the first five years of the policy at a minimum.

ARTICLE (5) – MULTIPLE DISTRIBUTION CHANNELS

1. The commission limit rules in these Instructions shall apply to all Distribution Channels when they are involved in selling the same insurance policy or if the Distribution Channel changes during the term of the policy. Thereupon, the commission limit rules apply as if there is only one Distribution Channel.
2. If the Company is selling through multiple Distribution Channels or using different types of Distribution Channels, the total costs, such as Commissions, internal expenses, etc., of selling through each channel shall be specifically allocated to the clients within each Distribution Channel. The policyholders shall only bear the costs associated with their Distribution Channel and shall not be disadvantaged by sharing some of the costs of another Distribution Channel, meaning there should not be any cross subsidization between Distribution Channels.
3. In case of expenses shared between different Distribution Channels, the expense allocation shall be carried out by the Actuary in accordance with the above-mentioned controls.
4. All Distribution Channels that are involved in the process of sale, shall comply with refunding the Commissions in full if the policy is surrendered within the Free Look Period. Likewise, the pro-rated first year Commissions must be refunded to the Company after the Free Look Period.

ARTICLE (6) – POLICYHOLDER FEES

1. The payment of fees, including up-front, fixed, advice, management, trailing to any Distribution Channels are allowed provided that:
 - a. The fees are not recouped from the offered product;
 - b. The client is fully aware of the fees; and
 - c. The fees are considered to be part of total Commissions. Accordingly, they must be in line with the commission limit rules.
2. The payment of fees to an Investment Advisor is allowed provided that:
 - a. If the fees are not fully disclosed separately from all other charges or if the client is not fully aware of the fees and services at policy inception, then the fees are considered to be part of total Commissions. Accordingly, they must be in line with the commission limit rules;
 - b. If the fees are fully disclosed separately from all other charges and the client is fully aware of the fees and services at policy inception, then the fees shall not be part of total Commissions.
 - c. In all cases, the Investment Advisor is prohibited from selling and marketing insurance policies, unless a license is obtained from the Authority.
3. The Company is allowed to pay Initial Access Fees to start a relationship with any Distribution Channel. However, the Initial Access Fees must be borne entirely by the Company and may not, by any means, be charged to the policyholders. The Initial Access Fees must also be offset against Commissions payable to the Distribution Channel until they are fully repaid.
4. For multi-year relationships with any Distribution Channel which started prior to the end of the alignment period, the Initial Access Fees to be repaid must be based on a pro rata share of the charges for the unexpired term of the relationship.

ARTICLE (7) – DISCLOSURES

1. The following issues in Articles (8) to (13) with regards to communicating with the client need to be complied with at all times and for all new policies sold after the effective date of the provisions of this decision, as appropriate.
2. Companies are required to have approved internal risk management controls that defines the clear responsibilities of the individuals, Distribution Channel, and the Company in the event that any breach in disclosures are made to the client. These controls must be shared and signed off by all the concerned stakeholders that are involved in selling Life insurance products.

3. All documents which can be provided to the clients must be available in two languages; the Arabic language and another language as requested by the client.

ARTICLE (8) – SOLICITATION OF CONTRACT

1. The Company, or any Distribution Channel, is prohibited to ask the policyholder for full documentation in order to produce Illustrations. This includes, but is not limited to, passport, visa, bank account, etc.
2. The Company cannot sell a product unless the client has signed, either physically or electronically, on all the relevant documents required to sell the product. A copy of these documents must be provided to the client.

ARTICLE (9) – FREE LOOK PERIOD

1. A Free Look Period of at least 30 calendar days must be provided to the policyholder. The Free Look Period starts on the date of policy issuance, the date when coverage commences, or the date when the policy documents are signed by the client, whichever is earlier. The Distribution Channels directly involved in the sale process cannot ask for an explanation from the policyholder in case the policyholder determines to cancel or surrender the policy during the Free Look Period.
2. The Company, or a Distribution Channel representative not directly involved in the sale process, has the right to contact the policyholder to identify the reasons for the cancellation. However, any abuse of this right, such as applying pressure on the policyholder, will be considered a breach of the code of professional conduct.
3. The Company should have a policy to refund the full premium in case of surrender within the Free Look Period. If the Company determines to adjust the premium using the Net Asset Value of the funds invested, both upward and downward gains / losses must be provided to the client. In the latter case, the Company cannot charge any bid-offer spread or any other charges to the client.
4. The Company may deduct reasonable medical underwriting costs that have been incurred, for which a receipt and report must be provided to the client. No other costs, including risk premium cost, financial underwriting cost, cost incurred in issuance of policy, etc., can be deducted from the policyholder account. In order to deduct the reasonable medical underwriting costs, they must be approved by the Authority and clearly defined in the product submission to the Authority, as per Article (17) of the Instructions herein, by the Actuary.
5. Excluding the persons directly involved in sale, the Company must contact the client to confirm that he/she is aware of the policy conditions, maturity, surrender, cancellation and short period schedule.

ARTICLE (10) – GENERAL PROVISIONS CONCERNING THE ILLUSTRATIONS

1. The Illustration shall provide details of basic plans and supplementary riders, including the following, as a minimum:
 - a. Mode of Premium Payment: Yearly / Half Yearly / Quarterly / Monthly / Single.
 - b. Annualized Premium and Modal Premium.
 - c. Name of plan, Protection Benefit, policy term, and Premium Payment Term.
 - d. The Protection Benefit, Cash Value, Net Asset Value, Maturity Benefit, and Surrender Value should all be clearly defined and not combined. Similar values for riders should be clearly distinguished.
 - e. The premiums should be gross of all charges and fees, and the Protection Benefit, Cash Value, Net Asset Value, Maturity Benefit, and Surrender Value should be net of all charges and fees.
 - f. The headings in the Illustration table should be “Illustrative Values” or “Guaranteed Values” as applicable.
 - g. Cumulative main plan premium should be provided.
 - h. All other charges need to be disclosed, meaning no hidden charges are allowed.
 - i. Any details related to Ad-hoc premiums should be provided separately.

2. For the policies sold after the effective date of these Instructions, a revised Illustration should be provided to the client upon request, or in the event of:
 - a. Any significant Ad-hoc premium, such as more than 20% of Net Asset Value;
 - b. Any significant partial withdrawal, such as more than 20% of Net Asset Value;
 - c. Any change in Protection Benefits, including the increase / decrease in the rider benefits.
 - d. Any change in future premium;
 - e. Any change in Mode of Premium Payment; or
 - f. Any change in policy term or Premium Payment Term.
3. All Companies are required to send a policyholder account statement to the policyholder, at least semi-annually. For clients that request an account statement more frequently than semi-annually, the Company may charge a fee, provided this fee is predefined in the policy.
4. All Companies are required to produce the Illustration values at the gross rate of return and then deduct all charges in determining the policyholder benefits. The gross rate of return is calculated before both Explicit and Implicit Fund Management Charges. All charges could include Explicit and Implicit Fund Management Charges, bid-offer spread, mortality premium, supplementary rider premium, premium charges, commission charges, and any other charges included in the calculation of the Protection Benefits, Cash Values, Net Asset Values, Maturity Benefits, Surrender Values and any other values shown in the Illustrations. The following shall be observed:
 - a. The Company should deduct underlying Implicit Fund Management Charges in addition to its own charges and fees as applicable.
 - b. In case of a Mirror Fund, the Explicit Fund Management Charges and the Implicit Fund Management Charges both need to be deducted as applicable.
 - c. If the underlying funds of a Unit Linked Product have differing charges, a representative charge can be used provided that it is equal to or greater than the weighted average for the underlying funds.
5. At least two scenarios, based on different sets of clearly defined assumptions such as investment rates of return, distribution charges, Surrender Charges, and similar charges, should be provided to illustrate variability in investment returns. The maximum gross investment rate used for the purpose of the calculation should not be greater than the three-month EIBOR + 4%, rounded up to the next 0.5%.
 - a. The Company can update the maximum gross investment rate either annually starting January 1 or quarterly. If the update is annually, the Company should use the first EIBOR rate published after December 1 of the prior year. If quarterly, the Company should use the following EIBOR rates:

For Illustrations produced during: Use first EIBOR published on or after	
January 1 to March 31	December 1
April 1 to June 30	March 1
July 1 to September 30	June 1
October 1 to December 31	September 1
 - b. If the Company updates the maximum gross rate annually, they should still monitor the EIBOR rates on a quarterly basis and issue an interim update for any quarter in which the change from the current maximum gross rate is +/-1.5%, or 150 basis points, or more.
6. The Company can charge both Explicit and Implicit Fund Management Charges, but it must explicitly disclose all fund management charges to the client. Further, if the Company and/or Distribution Channels are getting any form of rebate or refund from a third party or fund manager, then this will belong to the client and not to the Company or the Distribution Channels. This must be clarified in the Illustrations.

7. For with profit policies, bonus sustainability analysis must be carried out, and certified by the Actuary. This should be provided in any Illustrations. The analysis should be consistent with mortality, morbidity, investments, cancellation, withdrawal, and etc., which shall be the same as in the last valuation report. The Actuary may also need to justify the reason(s) for variances, if any, between the valuation report and Illustrations.
8. The Company must also provide an Illustration, in the appendix, to give a clear picture of all the charges deducted and to show the guaranteed and non-guaranteed portions separately. This Illustration can be in the form of a “reduction in yield” or “effect of charges” breakdown which must be approved by the Authority and included with the product submission by the Actuary. If the Authority deems that these Illustrations are not clear or ambiguous, then using a 0% gross investment rate of return scenario can be required.
9. All charges to the clients that can be changed in the future at the discretion of the Company must be disclosed. This includes, but is not limited to charges for contingencies that may relate to any future event that may be beyond the control of the Company, such as a change in mortality rates. Any such charge needs to be filed with the Authority, including the reason(s) for the change, along with an actuarial certificate before implementation.
10. At the point of sale, the Surrender Charges and Surrender Value of the policy at the end of each year must be provided as a separate document and must not be stapled together with the entire policy. The fonts of this page should have ‘Red’ color and the client must sign this page separately.

ARTICLE (11) – DECLARATION FROM POLICYHOLDER AND THE DISTRIBUTION CHANNEL

1. A statement to be signed and dated by the applicant or policy owner reading as follows must be included: “I have received a copy of the illustration documents and understand that any non-guaranteed elements included in the documents are subject to change and could be either higher or lower. The [Distribution Channel] has informed me that they are not guaranteed. Further, I confirm that the [Distribution Channel] has not made any verbal or written communication, electronic file or any other material that is different from the illustration documents.”
2. A statement to be signed and dated by the Distribution Channel or fund manager reading as follows must be included: “I certify that the illustration documents have been presented to the applicant and that I have explained that non-guaranteed elements illustrated are subject to change. Further, I confirm that I have disclosed all charges and fund management charges to the client. I have made no statements in any form that are inconsistent with the illustration documents.”

ARTICLE (12) – HISTORICAL PERFORMANCE

The Company should provide the historical performance of at least the Top 5 Funds to the policyholder, where the performance of the policyholder’s account is dependent on either an internal or external fund, which should include at least 5 years of fund performance or all years if the fund has not yet completed 5 years. A separate fund performance report based on the client’s chosen portfolio of funds should also be provided, considering the following requirements.

1. The Company must either provide information for all funds available with respect to a particular product, or provide information for all of the funds the Company offers. The Company and the Distribution Channel cannot pick and choose which funds to show a particular client.
2. The fund’s performance should be updated annually, or more frequently, after the finalization of the Company’s accounts. A copy of the performance of each fund should be provided to the Authority whenever it is updated.
3. If there are particular funds that are not applicable to a specific product, the Company can use only the funds available for that product to determine the Top 5 Funds.

4. The Company can segregate funds to match the risk appetite of the policyholder, such as low / medium / high risk. For segregated funds, the Company should strive to provide the performance for the Top 5 Funds in each group, unless fewer than 5 funds are available within a group.
5. If any of the Top 5 Funds has existed for less than five years, the Company should provide more fund options to policyholders.
6. The requirements for sharing the performance of the Top 5 Funds are at the point of sale and on an annual basis for the policyholder.
7. The Top 5 Funds only needs to include funds available to policyholders in the UAE and not globally.

ARTICLE (13) – PROTECTION BENEFIT RATIO

1. Savings Products with a Protection Benefit Ratio less than 10% for any age, gender, smoker status, premium payment term, policy term, etc. can only be marketed when sufficient warnings are provided to the clients. The following calculation of the Protection Benefit Ratio should form part of the product certification by the Actuary:

$$\frac{\text{Present Value of Protection Benefit related payouts over the Policy Term}}{\text{Present Value of Policy Premiums received over the Policy Term}}$$

2. Any product that has a Protection Benefit Ratio below the above requirement must include a disclosure highlighted in a Bold Red font that “the product has a limited or no protection benefit”. The client signature is required directly below this disclosure.

ARTICLE (14) – PROTECTING THE RIGHTS OF POLICYHOLDERS

1. In case Companies are selling Savings Products with different charges and different names that are deducted from the policyholder’s account, it is the responsibility of the Actuary to ensure that the profitability of each Savings Product is achieved throughout the policy term and that the policyholder is not overburdened for the Company’s profit in the initial year(s). The Actuary is required to equitably allocate Surrender Charges for Savings Products between the Company and the policyholder.
2. The Company may consider a Surrender Charge for the purpose of mitigating risk in relation to expenses incurred.
3. The Surrender Value of a policy must be set on an equitable basis to both the policyholder and the Company. The Surrender Value, at any time of the policy, should be set in a way that the profit of the Company should not be greater than or equal to what would have been earned if the policyholder did not surrender the policy.
4. The application of charges while determining the Surrender Value must be consistent with the rating structure of the policy and should be disclosed in the policy documentation, promotional material, and Illustrations.
5. For policies that have any bonus, such as reversionary or guaranteed, at maturity, the Surrender Value should be defined in a way that it maintains the incentive of the Company to serve the policy near the end of the policy term. It is important that the Surrender Charge is appropriately shared between the policyholder and the Company and should not be treated solely as income for the Company.
6. Should the adopted methodology result in a negative or zero Surrender Value, the Surrender Value may be set to zero. In this case, clear rationale should be provided to the Authority with justified consideration made with regards to treating the client fairly.
7. The interest of the policyholder shall be considered when deriving the Surrender Value from the Cash Value. Should a policyholder choose to stop paying premiums and maintain the same term coverage, such as to purchase a single premium term / endowment / whole Life policy for the Surrender Value amount for the remaining policy term, then the Surrender Charges related to the conversion should be minimal as it should exclude all amounts that the client has already paid such as Commissions or policy set-up charges.

ARTICLE (15) – CREDIT LIFE PRODUCTS

For Credit Life Products sold through banks, or through Distribution Channels, the following rules shall apply:

1. The requirements for disclosures in Articles (8) to (13) of these Instructions shall not apply to Credit Life Products.
2. This Article is not applicable to the renewal Commissions for an existing block of in-force Credit Life Products only if the premium rates throughout the policy term have been guaranteed to the client. If the Company reserved the right to change premium rates, then this Article shall be applicable for an existing block of in-force business.
3. Long-Term Single Premium Credit Life Products sold by a Distribution Channel shall be excluded from this Article and shall be covered under Articles (3) to (14).
4. Quoting net of Commissions rates is not allowed. The Distribution Channel must quote the full rates provided by the Company and get the Commissions back from the Company in return. The Distribution Channel is not allowed to adjust the Commissions or the premium rate.
5. The Company needs to obtain a separate confirmation from the client that premiums for Credit Life Products are being charged and paid by the client. It cannot be combined with or part of the overall documents provided by the Distribution Channel to the client for a loan or other transaction. The policy documents, brochures, benefits, charges, etc. must be provided to the clients.
6. A Distribution Channel can have an exclusive arrangement with one Company. In case the client wishes to deal with another Company, this shall be considered, according to the type of license granted to the Distribution Channel.
7. Any amount refunded based on the performance of the portfolio, such as profit commission, takaful surplus, re-takaful surplus, etc., if applicable, should be provided back to the takaful Participants' Fund and not to be paid to the Distribution Channel as an incentive. It is the responsibility of the Company to ensure that the amount has then been transferred to the clients and not to be cross subsidized with other lines of business.
8. The Company is allowed to pay Initial Access Fees to Distribution Channels. However, the Initial Access Fees must be borne entirely by the Company and may not be charged to the clients by any means whatsoever. Whenever any Initial Access Fees have been paid to a Distribution Channel, the Company is required to offset Commissions against the Initial Access Fees until they have been fully repaid.

ARTICLE (16) – WAKALA AND MUDARABA FEES

1. For Short-Term Products, Wakala or Mudaraba fees (as appropriate), to which the Participants' Fund shall be charged, shall be determined at a maximum of 35% of the gross written takaful contributions and the revenue of participants' investments, earned during the fiscal year. The Shareholders' Fund shall bear all operating, general and administrative expenses of the takaful insurance operations, without charging the Participants' Fund any expenses other than the percentage mentioned in this paragraph. The maximum Wakala fee of 35% shall include the total Commissions.
2. For Long-Term Products, the Company shall determine Wakala fees in line with their expense requirement analysis prepared by the Actuary. The Actuary shall have a clear role in ensuring that 'Policyholder Reasonable Expectations' are considered when determining the Wakala fees and that the charges of Wakala fees are not against the client's interest.

ARTICLE (17) – SUBMITTING THE PRODUCT TO THE AUTHORITY

1. All products must be certified by the Actuary and submitted in accordance with the requirements of the Authority. In all cases, the following documents and data shall be provided at a minimum:
 - a. Policy contract or wording;
 - b. Policy documents, including sample policy specification schedule if any;

- c. Application form;
 - d. Sample Illustrations;
 - e. Product brochures and sales materials;
 - f. Premium adequacy analysis;
 - g. Information regarding any reinsurance arrangements;
 - h. Information related to takaful insurance, details of Wakala and / or Mudaraba fees of the product
 - i. All documents specified by the Authority; and
 - j. Any other material deemed relevant by the Actuary.
2. All policy documents that could be submitted to the policyholder must be duly submitted in both Arabic and English.
 3. All existing products sold prior to the end of the alignment period can remain in use after the alignment period and it is not mandatory to be resubmitted for approval if they meet all of the terms and conditions of the Instructions herein.

ARTICLE (18) – POLICY CHURNING

1. All forms of Policy Churning by a Company or a Distribution Channel are strictly prohibited.
2. All complaints of Policy Churning submitted to the Authority will be reviewed, in terms of compliance with the relevant licensing requirements for the Company or the Distribution Channels. The proceedings shall be taken in accordance with the provisions of the law, regulations, instructions and decisions issued pursuant thereto, to determine if the content of the complaint is justified, by the Director General.
3. A Company or a Distribution Channel can document that a policy termination and re-initiation or renewal does not constitute Policy Churning by demonstrating that:
 - a. The total Commissions paid to the Distribution Channel for the combined policies, such as the policy(ies) being terminated and the new policy(ies) being initiated or expired and renewed policies, do not exceed the commission limit rules in Articles (3) to (6) of these Instructions. During the alignment period, this rule remains in force, even if new policies which comply with the commission limit rules have not yet been submitted to the Authority;
 - b. The policy termination and re-initiation was requested by the policyholder without being prompted by the Company or Distribution Channel and that the policyholder has agreed in writing to total Commissions paid to the Distribution Channel for the combined policies which exceeds or may exceed the commission limit rules in Articles (3) to (6) of these Instructions.
4. All Companies should initiate market conduct practices to detect any violation in collecting commissions by Distribution Channels. This includes, but is not limited to, underwriting enquiries or requesting information about previous Life insurance policies, random audits of Distribution Channels, etc.

ARTICLE (19) – ACTUARIAL FUNDING

Actuarial Funding is not allowed for financial reporting purposes and all Companies must establish technical provisions by cash allocation for initial units for all Unit-Linked Products.

ARTICLE (20) – PENALTIES

In case the Company, Distribution Channels or any person violates any of the provisions of these Instructions, the penalties stipulated in the Law, regulations, instructions and decisions issued pursuant thereto shall apply.

ARTICLE (21) – ISSUING DECISIONS

The Director General of the Authority issues the required decisions, circulars and forms to enforce the provisions of these Instructions.

ARTICLE (22) – PUBLICATION AND EFFECTIVE DATE

The Instructions herein shall be published in the Official Gazette and shall come into force after six months as from the day following to the date of its publication.

(The period granted to the entry into force has been extended for an additional period of (six of months), starting from 16/4/2020, as per the Insurance Authority Board of Directors' Resolution No. (15) of 2020)