

Prudential – Insurance Business (PIN)

*In this attachment underlining indicates new text and striking through indicates deleted text.

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1 APPLICATION

1.1 Application

1.1.1 Subject to Rule 1.1.2, this ~~module~~ Rulebook ("PIN") applies to every Insurer except to the extent that a provision specifies a narrower application.

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2.4 Record-keeping

2.4.1 An Insurer must maintain adequate records to enable it to:

- (a) fulfil its obligations under Contracts of Insurance it has effected; and
- (b) demonstrate compliance with the Rules in this ~~module~~ Rulebook.

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3.6 Other requirements

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Guidance

1. The features described in Rule 3.6.1(1) have the potential to expose an Insurer to risks that are not adequately provided for in the capital adequacy and solvency framework set out in this Rulebook. The Regulator retains the power to prohibit or limit the inclusion of such features in a Long-Term Insurance contract where it is of the view that the inclusion of such features may have a materially adverse impact upon the long term viability of the Insurer. It is natural for Insurers to seek to stimulate a market by offering features such as guarantees or options. However, the solvency of Insurers could be threatened if they have not adequately valued, stress-tested and set aside adequate capital to service such features. Therefore, the Regulator will expect Insurers seeking permission to write contracts with such features to demonstrate that these steps have been undertaken, and that their procedures provide adequately for ongoing monitoring of the associated risks. Permission to undertake such business may be subject to conditions, for example, a requirement to maintain additional capital, or to restrict business of this nature to a specific proportion of its total business. The Regulator may also as a condition of granting permission require additional information relating to the business in question to be reported to the Regulator in the Insurer's periodic ~~Regulatory~~ ~~Returns~~, or in the Actuary's report referred to in Rule 7.3.4.

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4.2 Basic requirement

4.2.1 This section applies to all Insurers.

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Guidance

1. Where an Insurer effects Direct Long-Term Insurance contracts, Rule 4.2.2 implies that the Insurer must also be able to fund and service the claims and obligations arising out of its Long-Term Insurance Business in a manner which is sustainable over the long term.
2. ...
3. Compliance with quantitative capital requirements set out in the ~~PIN Module~~ Rulebook is not sufficient to ensure compliance with Rule 4.2.2. Without limiting the generality of Rule 4.2.2, an Insurer that effects Direct Long-Term Insurance contracts must ensure that:

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6.3 Annual Regulatory Return

6.3.1 An Insurer must, at the end of each financial year prepare an Annual Regulatory Return.

6.3.2 Where an Insurer includes in its Annual Regulatory Return a value for General Insurance Liabilities or for assets associated with those liabilities which is inconsistent with the amount referred to in Rule 7.2.4(b), the Insurer must notify the Regulator in writing of:

- (a) the reasons for not including the value of General Insurance Liabilities or of associated assets as reported by the Actuary in its Annual Regulatory Return; and
- (b) details of the alternative assumptions and methodologies used for determining the value of General Insurance Liabilities or of associated assets.

Guidance

Assets that are associated with Insurance Liabilities will predominantly be reinsurance recoveries, which are reported as assets in accordance with widely accepted accounting practices. Assets representing salvage or subrogation recoveries may also be associated with Insurance Liabilities.

6.3.3 Where an Insurer includes in its Annual Regulatory Return a value for Long-Term Insurance Liabilities which is inconsistent with the amount referred to in Rule 7.3.6(b), the Insurer must notify the Regulator in writing of:

- (a) the reasons for not including in its Annual Regulatory Return the value of Long-Term Insurance Liabilities as reported by the Actuary; and
- (b) details of the alternative assumptions and methods used by the Insurer for determining the value of Long-Term Insurance Liabilities.

6.4 Quarterly Regulatory Return

6.4.1 The Quarterly Regulatory Return is not subject to audit.

6.4.2 An Insurer must, at the end of March, June, September and December in each calendar year, prepare a Quarterly Regulatory Return in respect of the calendar quarter ending on that date.

6.4.3 The Quarterly Regulatory Return must comprise the statements set out in APP10, together with any Supplementary Notes pertaining to those forms, and including a Statement by Directors.

6.5 Audit of annual ~~R~~egulatory ~~R~~eturn

6.5.1 Subject to Rule 6.5.2, the Annual Regulatory Return of every Insurer must be audited in accordance with International Standards on Auditing relevant to the audit of the Annual Regulatory Return, by the Insurer's auditor.

6.5.2 The Quarterly Regulatory Return is not subject to audit. The qualifications and appointment of the auditor of an Authorised Person are specified in GEN Chapter 6.

6.5.3 The report of the auditor on the Annual Regulatory Return must be made in writing to the directors of the Insurer and to the Regulator and must state whether, in the opinion of the Auditor and so far as concerns those parts of the Annual Regulatory Return that are subject to audit:

- (a) the Annual Regulatory Return has been prepared in accordance with this Chapter; and
- (b) the statements in the Annual Regulatory Return are in accordance with the books and records of the Insurer.

6.6 Submission of Returns to the Regulator

6.6.1 Subject to Rule 6.6.2, an Authorised Person must, submit its Annual Regulatory Return in writing to the Regulator within four months of the Insurer's reporting date to:

ADGM Financial Services Regulatory Authority
Supervision

Level 4, ADGM Building
PO Box 111999
Abu Dhabi, U.A.E.

- 6.6.2 An Authorised Person must prepare and submit its Annual Regulatory Return in the following manner:
- (a) the Annual Regulatory Return, excepting the parts of the Annual Regulatory Return referred to in (b) and (c), must be submitted to the Regulator using the Electronic Prudential Reporting System (EPRS) of the Regulator:
 - (i) in accordance with any instructions set out in the notice and any instructions provided through such a system or specified in APP10; and
 - (ii) within four months of the Insurer's reporting date;
 - (b) the Statement by Directors need not be submitted to the Regulator, but must be signed and a copy maintained in accordance with Rules 6.6.3 and 6.6.4; and
 - (c) the Global Return for a Branch must be submitted in the manner provided in Rule 6.6.1.
- 6.6.3 The Statement by Directors forming part of the Annual Regulatory Return must be signed before the time of submission by:
- (a) the Senior Executive Officer; and
 - (b) a Director of the Insurer not being the Person in (a).
- 6.6.4 An original signed hard copy of the Statement by Directors together with a copy of the Annual Regulatory Return submitted to the Regulator using EPRS, must be kept for at least six years for inspection by the Regulator.
- 6.6.5 The auditor's report on the Annual Regulatory Return, and any actuarial report prepared as at the reporting date in accordance with Rule 7.2 or 7.3, must be submitted in writing by the Insurer with the Regulator within four months of the Insurer's reporting date.
- 6.6.6 An auditor's report or an actuarial report submitted to the Regulator must be signed by the auditor or the Actuary preparing that report.
- 6.6.7 Subject to Rule 6.6.8, an Authorised Person must, submit its Quarterly Regulatory Return in writing to the Regulator within one month of the end of each period in respect of which the Insurer is required to prepare a Quarterly Regulatory Return to:

ADGM Financial Services Regulatory Authority
Supervision
Level 4, ADGM Building
PO Box 111999

Abu Dhabi, U.A.E.

- 6.6.8 An Authorised Person must, prepare and submit its Quarterly Regulatory Return in the following manner:
- (a) the Quarterly Regulatory Return, excepting the parts of the Quarterly Regulatory Return referred to in (b) and (c), must be submitted to the Regulator using EPRS:
 - (i) in accordance with any instructions set out in the notice and any instructions provided through such a system or specified in APP10; and
 - (ii) within one month of the Insurer's reporting date;
 - (b) the Statement by Directors must be signed and a copy maintained in accordance with Rules 6.6.9 and 6.6.10; and
 - (c) the Global Return for a Branch must be submitted in the manner provided in Rule 6.6.7.
- 6.6.9 The Statement by Directors forming part of the Quarterly Regulatory Return must be signed before the time of submission by:
- (a) if the Insurer is an ADGM Incorporated Insurer, one Director of the Insurer; or
 - (b) if the Insurer is not an ADGM Incorporated Insurer, the Senior Executive Officer and, if that Person is not a Director, one Director of the Insurer.
- 6.6.10 An original signed hard copy of the Statement by Directors together with a copy of the Quarterly Regulatory Return submitted to the Regulator using EPRS, must be kept for at least six years for inspection by the Regulator.
- 6.6.11 If within twenty-four months of the date that an Annual Regulatory Return or Quarterly Regulatory Return is submitted to the Regulator, the Regulator notifies the Insurer that a Return appears to be inaccurate or incomplete, the Insurer must consider the matter and within one month of the date of notification it must correct any inaccuracies and make good any omissions and re-submit the relevant parts of the Return.
- 6.6.12 An Insurer must submit, at the same time as every Annual Regulatory Return of that Insurer or as soon as practicable thereafter, any report on the affairs of the Insurer submitted to the shareholders or policyholders of the Insurer in respect of the reporting period to which the Annual Regulatory Return relates.
- 6.6.13 (1) When a Return of the kind specified under Rule 6.6.2(a) or Rule 6.6.8(a) is not submitted on or before the due date or within the prescribed period, such non-submission incurs an ~~late administrative payment~~ fee of \$1,000.
- (2) Nothing in this Rule limits the right of the Regulator to take any other action.

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7.4 Additional provisions relating to the report

7.4.1 When appointing an Actuary to prepare a report under Rule 7.2 or 7.3, an Insurer must ensure that there is an agreement in writing which legally binds the Actuary in accordance with the following provisions:

- (a) the contract must require the Actuary to prepare his report in accordance with the provisions of Rule 7.2 or 7.3 as the case may be;
- (b) the contract must require the Actuary to prepare the report using assumptions and methods that are, in the opinion of the Actuary, appropriate for the purposes of the report;
- (c) the contract must require the Actuary to deliver the report to the Insurer's directors within such time as to give the directors a reasonable opportunity to consider and use the report in preparing the Insurer's Annual Regulatory Return for the reporting period ended on the reporting date;
- (d) the contract must require and permit the Actuary to address the directors of the Insurer if the Actuary believes that there is a matter relating to the financial position or operations of the Insurer that should be brought to the attention of the directors; and
- (e) the contract must require and permit the Actuary to address the Regulator if the Actuary believes that a matter brought to the attention of the directors of the Insurer is not adequately dealt with by bringing it to the attention of the directors.

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7.4.3 The Insurer must submit the reports referred to in Rule 7.2 and Rule 7.3 to the Regulator, at the same time as it submits its Annual Regulatory Return for the reporting period ended on the reporting date.

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Financial group capital requirement

- 8.3.4 (1) An Insurer must calculate its Financial Group Capital Requirement as the sum of the entity requirements calculated in accordance with (2) and (3);
- (2) Entity requirements for this purpose are:
- (a) an Authorised Person's Capital Requirement or Minimum Capital Requirement calculated in accordance with the requirements of whichever of the PRU or PIN ~~Module~~Rulebook applies to that Authorised Person;

- (b) in the case of regulated entities supervised by a regulator other than the Regulator, then, with the written agreement of the Regulator, the capital requirement of that entity; and
 - (c) for other entities in the Financial Group, a notional capital requirement calculated as directed by the Regulator.
- (3) Where an Authorised Person's Financial Group includes an entity under (c) of the definition of Financial Group in the GLO ~~ModuleRulebook~~, that Financial Institution's capital requirement is included on a proportionate basis.

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 ~~ModuleRulebook~~, or the Capital Resources calculated in accordance with the PRU ~~ModuleRulebook~~, 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 ~~ModuleRulebook~~, or the Capital Resources calculated in accordance with the PRU ~~ModuleRulebook~~, 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 A3.2, with the exception that the deduction set out in A3.4.3(b) need not be made.
- (3) For the purposes of (1)(b)(ii) and (iii) an investment by one Financial Group member in another must not be included.

Guidance

1. The calculation of Financial Group Capital Resources is subject to Rule 3.5 which limits the amount of hybrid capital (including subordinated debt) that may be included in Adjusted Capital Resources.
2. In the calculation of Capital Resources of Financial Institutions that are Financial Group members in accordance with the PRU ~~Module~~Rulebook, an Insurer applies to that member the deductions for illiquid assets and material holdings and Qualifying Holdings set out in the PRU ~~Module~~Rulebook.
3. The deduction set out at Rule 8.3.5(3) need not be made to the extent that the investment has already been excluded in whole or part by virtue of the application of the limits described in paragraphs 1 and 2 of this Guidance.

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A4.10.1 Subject to the other provisions of this section, an Insurer must calculate its underwriting risk component as the sum of the amounts obtained by multiplying the Insurer's base premium, for each Class of Business, by the percentage factors set out in the following table.

Class of Business	Percentage factor		
	Direct insurance	Proportional reinsurance	Non-proportional and facultative reinsurance
(a) Classes 1 and 2	18	18	27
(b) Class 3	12	12	18
(c) Class 4	17	17	26
(d) Class 5	19	19	30
(e) Class 6	27	27	29
(f) Classes 7(a) and 87(b)	90	90	140
(g) Class 98	18	18	27

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A4.11.1 Subject to the other provisions of this section, an Insurer must calculate its reserving risk component as the sum of the amounts obtained by multiplying the Insurer's base

claims reserve under Contracts of Insurance and reinsurance effected by it, for each Class of Business, by the percentage factors set out in the following table.

Class of Business	Percentage factor		
	Direct insurance	Proportional reinsurance	Non-proportional and facultative reinsurance
(a) Classes 1 and 2	28	28	28
(b) Class 3	12	12	12
(c) Class 4	16	16	16
(d) Class 5	22	22	22
(e) Class 6	10	10	10
(f) Classes 7(a) and 87(b)	31.25	31.25	31.25
(g) Class 98	28	28	28

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APP10 REPORTING TO THE REGULATOR

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A10.1.2 In this appendix and the forms, unless the term 'Annual Regulatory Return' or 'Quarterly Regulatory Return' is used, the term 'Return' includes both of those Returns.

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A10.3 Completion of Forms

Guidance

Annual Regulatory Returns follow the cycle of the Insurer's normal statutory reporting, under the Companies Regulations 2015 in ADGM and under equivalent legislation elsewhere. Quarterly Regulatory Returns are presented on a quarter-to-quarter basis at specified dates.

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A10.3.3 Where the format of a form requires the presentation of comparative information, the comparative information shall be presented according to the following principles:

- (a) In the case of a form forming part of the Annual Regulatory Return, the comparative information shall be that presented in the Annual Regulatory Return for the previous reporting period.
- (b) In the case of a form forming part of the Quarterly Regulatory Return, the comparative information shall be that presented in the Quarterly Regulatory Return for the corresponding quarter in the previous calendar year.

...

A10.3.4 The Annual Regulatory Return, including the Statement by Directors, is subject to audit, except where this appendix or the form instruction guidelines states that a form is not subject to audit.

Guidance

This Rule establishes accounting policy in respect of transactions between reporting units. Internal recharges within an Insurer should be shown as such where they are external to a reporting unit of that Insurer. However, where a reporting unit (for example, the Global Return of an Insurer that is not a Cell Company, and that maintains one or more Long-Term Insurance Funds) includes both 'sides' of the internal transaction, the internal transaction must be eliminated by netting the income and expense.

A10.4 Statement by Directors

Guidance

1. The Statement by Directors forms a part of the Annual Regulatory Return or the Quarterly Regulatory Return. By providing these statements, the directors confirm that the Returns have been properly prepared and that the Insurer complies with applicable prudential rules.

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A10.4.2 The Statement by Directors forming part of the Annual Regulatory Return must state that:

- (a) the Annual Regulatory Return has been prepared in accordance with the provisions of PIN, this appendix, and EPRS;
- (b) proper Accounting Records have been maintained and adequate information obtained by the Insurer;
- (c) appropriate systems and controls have been established and maintained by the Insurer over its transactions and records;

- (d) the Insurer has complied with the provisions of PIN Chapter 4 throughout the reporting period; and
- (e) the Insurer complies, as at the date of the statement, with those provisions of PIN that are applicable to it.

A10.4.3 The Statement by Directors forming part of the Quarterly Regulatory Return must state that the Insurer complies, as at the date of the statement, with those provisions of PIN that are applicable to it.