



الإمارات العربية المتحدة
UNITED ARAB EMIRATES
هيئة التأمين
INSURANCE AUTHORITY



Insurance Authority United Arab Emirates

Financial Reporting Forms (eForms)

Industry Comments on Version Beta1

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Overview

This report was prepared to summarize all of the comments received by the Insurance Authority with respect to the Beta1 version of the Quarterly Financial Reporting Forms (“eForms”) and the Financial Reporting Forms (eForms) User Instructions & Guidelines (“User Instructions”).

For transparency purposes, and to provide a comprehensive reference for the industry, we included all non-company specific comments, but we removed references to specific company names or data to provide anonymity. Where more than one comment applied to a specific item we grouped them together and replied to the group to avoid redundancy in our responses.

When applicable, following each comment (or group of comments) the Insurance Authority response is noted in [blue](#).

As new forms have been added, where prior form numbers have changed we show both the prior and new form names.

General Comments

1. The data requirements are quite exhaustive & many of the data required (especially on the TP spreadsheets) were not readily available in our insurance software.
2. Our Core Insurance System did not have reports to the detailed level as required in the eForms, hence our IT team had to revert back to our software vendor to obtain various patch updates to fill up many of the spreadsheets especially the claim development tables.
3. We underwent a software upgradation in the years 2009-2010, during which we faced some inconsistencies in the data migration from the old version to the new one. These inconsistencies have had a few minor impact on the figures of few run off premiums/claims.
4. Our current reporting system does not provide the specific information required in these sheets (INV-5, EXP-2, EXP-4, TP-7, TP-8, TP-9, TP-10, TP-13, TP-17). However, we are working on developing applications and reports that will provide us with the required information.
5. Certain Information required in the eForms is not readily available in the same layout / format; as mentioned in the eForms. Such areas require time for bringing into place the data in the required format with the assistance of IT department. Thus, it is difficult to submit such information by 30.06.2015. For Example: TP-6: Total Claim Development Details by Type of Business; TP-7: Loss Development Details by Type of Business; TP-9: Salvage & Subrogation Development Details by Type of Business; Others. Request: Suitable time frame is required in order to bring in place the data in assistance of IT department; in the required format by the Insurance Companies. The time frame can be achieved in consensus with all the Insurance Companies.
6. The forms are being submitted as 'trial draft' as per the instructions of the Insurance Authority. However, as discussed during the workshop, we note that there are a number of assumptions and formula in arriving at the conclusions as well as several inconsistencies in the flow of data in the excel sheets which need to be rectified/clarified. Therefore, no conclusions should be drawn from the results obtained from these sheets. The actual position when all the data is entered in the final amended sheets may vary widely from the result included herein.
7. We have completed the technical provision information in the data triangles for the quarters in 2014 only (refer to Forms TP-6 to TP-10). We will continue to work with our Group actuarial department to improve the historical information in our future submissions.

We understand that not all data is readily available, which is why there is an alignment period in order to provide time to develop data sources and

procedures. During the alignment period we expect each company to work toward having all data available on a quarterly basis starting in Q1 2016.

8. More clarity is required on the forms. Also, it would be a challenge to compile the same forms every quarter.

We hope that the updates to the User Instructions and replies to comments in this document will add the desired clarity, but if not we welcome further more specific comments. Every effort has been made to minimize the effort required to complete the forms on a quarterly basis.

9. It would have been appreciated had the Insurance Authority conducted the workshop on the eForms much before the circular was sent out on 7th May 2015. This would have given all insurance companies ample time to prepare for the same & we could have been comfortably placed to meet the deadline provided. Though we agree that this requirement is at the alignment period; however we need to ensure the accuracy of the data being sent to the Authority which is not only for the year 2014, but also for the previous years. Hence our comment that a workshop at least a month prior to rolling out this circular would have helped a lot.

While we would have liked to have the workshops earlier as you suggest, we have been working diligently to create the new eForms and did not want to hold a workshop until the eForms were ready for release to the industry. We also felt it would be more productive to allow companies time to review the eForms prior to holding a workshop so that they could come prepared with questions. Thus, we released the eForms as soon as they were ready and held the workshops a few weeks later.

10. Though we have a composite license for both Non-Life & Life businesses, our portfolio of Life is only on Group Life policies term of which is only for a year & also it comprises only 3% of the annual turnover of the year 2014. Hence it would not be feasible to split assets & liabilities for such a small component of our business. We would request the Insurance Authority to review this requirement especially for those companies who do not carry on Individual Life activities & whose Life portfolio is say less than 5% of its annual premium production.
11. For those composite companies who are mainly Non-Life and doing a small portion of group life, request you to consider this part of group life. Say keep a limit of 5% of total premiums. If the group life is below that 5% then merge it with Non-Life. Otherwise, some companies will have to go through lot of administrative work to segregate funds for a small portfolio.
12. Currently, all our Balance Sheet and Investments data is consolidated and shown under Property & Liability there is no split available between Property & Liability and Persons & Fund Accumulation (Non-Life and Life). We will undertake the exercise of splitting the figures for our Balance Sheet and Investments in due course with the help of Actuaries and Auditors/Consultants and this is expected to take quite some time.

As per Article (25) of the Federal Law No. 6 of 2007, all Life insurance operations must be separate from Non-Life operations. The Financial Regulations also assume this split. The eForms are designed to consolidate both in the near term while companies finish their compliance with the Law, but in the long term the intent would be for the consolidation portions to only be used by Takaful Life or Takaful Non-Life companies to combine both policyholder and shareholder operations.

13. 2014 file does not read data from prior year file.

Without more details it is hard to understand why this is happening for you. In the Beta 1 version, the directory path where the file is saved and prior file name must be included in the appropriate cells in the Cover sheet. Also, in order for the data from the prior file to be read, the file must be open. Note however that we are revising this for version 1.0.

14. We suggest that the breakdown by LOB may please be kept as separate forms. The main solvency templates can be worked on total numbers & the LOB breakdown forms should tally with the solvency template totals.

The solvency forms include calculations that vary by LOB so we can't revise them to work on total numbers. Also, for transparency purposes we feel it is appropriate to show the details by LOB in the solvency forms so that companies can understand what is driving the capital requirements.

15. Please provide description of what is meant by the following terms and what information is required: Policyholders Dividend, Reinsurance Assumed, Case Reserves, EVG.

Policyholder Dividends – are profits shared with the policyholders, if any.

Reinsurance Assumed – is business not sold directly to customers. Examples include business co-insured with another company or your share of business fronted by another company.

Case Reserves – refers to the Outstanding Loss Reserves as described in Section (3) of the Financial Regulations. The term is commonly used as these are the sum of reserves set for each claim on a case by case basis.

EVG – is an abbreviation for Emirates Vehicle Gate.

16. Firstly the file size is too big to work on. The initial downloaded file is 15 MB. As we keep filling up the forms it becomes 29 MB. System slows down when we need to keep more than one big excel file open (2014 & prior year files). Every time we click save, it takes considerable time to save and revert back to input mode.

17. The file size of the eForms is very large and we are not able to email these as an attachment to the IA. IA to consider a solution where eForms can be separated or a smaller file size is made available to authorized entities.

We have revised the file format by removing all of the links to prior files, but there is only so much we can do to reduce the file size as long as the reporting format remains in Excel. Instead of links, the data from prior files can be

imported into the file so that multiple files will not need to be open at the same time to review annual data (once 4 quarters of data have been prepared). The eformsbeta@ia.gov.ae email can handle attachments up to 35Mb and zipping files is also acceptable. If you are not able to send files this large, some companies have zipped the file into multiple files and sent multiple emails and other companies have loaded the file to an FTP site and sent us instructions on how to download their file.

18. The eForms template is Excel based work file which contains more than 60 sheets and needs to be filled and submitted on quarterly/annual basis. This is a cumbersome process as the template is not system based (web based). Request: The eForms template needs to be made available in a system based (web based) format. This will ease the process of updating of data and timely submission.
19. The forms are comprehensive and covers many areas which the IA needs to monitor. However, due to that reason, the file size has become very large. Currently blank forms are 15Mb and once information is populated it touches a file size of 20Mb. This will be very burdensome on email systems, especially when forms have to go to and fro across departments. Further, it was informed in the workshop that the final forms will also contain basic dashboards which will increase size further. This makes them too cumbersome to fill. A solution might be to have them in a web based system.

Plans to create a web based system are already underway and have been part of our plan from the beginning. As these systems take time to develop and we want to include time for feedback on what information is available and should be included in such a web based system, we started with an Excel based reporting system. The Excel system allows us to implement a system much quicker than a web based system, while also providing the roadmap for transitioning to a web based system. Once the web based system is ready for use, we will import all of the quarterly data supplied in Excel into the system so that companies will be able to seamlessly switch from the Excel to web based systems without the need to upload prior data.

20. When two different sheets are linked to each other and one particular sheet is left blank; then the other sheet will erroneously compute based on the incomplete sheet. There is no check available to verify if any mandatory field or linked sheet is left blank. Also certain fields to be updated are un-editable. For Example: in SM-5, the UPR for the period 2013 has link from TP-1 sheet. The TP-1 sheet does not allow to enter the details of UPR for the period 2013 (i.e., the cells in TP-1 sheet are non-editable). Thus, the UPR for the period 2013 is not getting captured in the SM-5 sheet, which affects the Earned Premium computation and further the "Capital Requirement for Operational Risk" is arrived incorrectly in SM-1 and SM-5. But there are no checks available to indicate that the UPR for 2013 is unfilled. Request: The linked sheets/cells need to have a verification check which prompts the user about the incomplete data. All the data which needs to be updated; has to be editable and not inactive.

In version 1.0 we have added a new sheet QUAL-1, which provides a large number of data quality checks on the data. For many items it will be impossible

to tell if data is missing or just does not apply, but the data checks will help make sure all of the data that is entered is consistent. With respect to the UPR issue noted for SM-5 and TP-1, the 2013 data column in TP-1 is protected as it was expected to be "linked" to a 2013 file. In version 1.0, it is still protected, so to fill this column (or any protected cells) Companies will need to create prior files with the data they need to import. These "abbreviated" prior files will only need to contain the selected items you need to import and the prior files do not need to be submitted to the Insurance Authority since the imported data will be in the submitted forms.

21. The eForms instruction file - "IA Financial reporting (eForms) instructions" gives overview guideline and is not comprehensively covering the areas mentioned in the eForms Excel template. For Example: For the Sheets INV-4; PRM-4; TP-16; TP-17, the geographical location wise data is required to be filled. But file "IA Financial reporting (eForms) instructions" is silent as to, whether the classification should be based on, place where the policy is written or place where the risk is covered. If the same is based on place where the risk is covered, the "IA Financial reporting (eForms) instructions" is silent as to division of UAE policy to different Emirates. For example, Motor policy risk is covered for the whole UAE and not just one Emirate. Request: The Instruction file needs to be comprehensively covering all the areas mentioned in the eForms excel template.

We appreciate that the User Instructions are not comprehensive. On the one hand, we tried not to be too prescriptive in order to allow companies freedom to manage the data within their own risk management processes. On the other hand, consistency across the industry will help companies understand how they compare with the competition. Thus, we started with basic instructions but expect to improve the instructions over time as specific issues arise and this is a good example of an issue that we have added to the instructions.

With respect to geographic location, ideally both the premiums and claims should both follow the exposure location, but practically speaking that level of detail is not always possible or cost prohibitive. The location where the policy was written or where the risk is primarily located may often be as useful as details on all locations. For example, Cargo policies often include exposure across the globe as cargo is transported, but eForm reporting will be dependent on the level of details reported to the Company by the clients. Similarly, Motor policies within the UAE cover the entire country, but without GPS tracking reporting where the vehicle is garaged is likely to capture a large percentage of where the vehicle is driven (exposed). Companies need to document how they plan to report exposures geographically, so that auditors and the Insurance Authority can review the plan when requested, and then consistently follow the plan.

22. Whilst mapping our internal lines of business to the form we have included Travel Insurance and General Liability within the forms under Miscellaneous class within the return (refer to Form FS-4).

That seems logical.

23. We engage with a number of Travel Agents based in the UAE to sell Travel Insurance and all references within the forms to Agents relates to these distribution relationships.

The sales representative type “Agents” in INFO-6, FS-7, etc. refers to insurance agents. As such, we would expect Travel Agents to be included with “Other” in the appropriate forms. In INFO-6, only the largest travel agents would need to be shown individually, as noted in the User Instructions.

The travel agents are not allowed to sell insurance only brokers or insurance agents or their producers or employees are allowed to do so.

24. To assist in completion and navigation within the IA forms, we would request that the workbook shows the column and line references (i.e., column letter and line number). We believe that this would allow us to ensure that all links and formulas are complete as intended.

Even though the column and row headings are hidden to save screen space and to provide a clean look and feel, the file protection does not prevent you from showing them if you feel they would assist with navigation. To unhide the column and row headings, go to the View menu in Excel and then click the Headings checkbox in the Show area of the ribbon.

25. The IA forms capture a range of information across various aspects of the business (e.g., policies, claims, financials, etc.) and we would request the IA to consider what information can be reduced from the quarterly forms. In our view certain forms such as the analysis by location, by maturity and future expected cash flows may be more meaningful on an annual basis.

Most of the location data (e.g., Part 2 in PRM-4) is only required on an annual basis. Investments by maturity and expected cash flows are used in the Solvency calculations which are required to be updated quarterly, so we can't reduce the frequency of this data. If there are items that you feel should be required only an annual basis, we are happy to consider a more specific request (i.e., detail exactly what you think we should consider).

26. The annual YE submission of the eForms (45 days or together with Annual Financial Statements)?

The annual year end eForms can be submitted together with the financial statements. Quarterly eForms shall be submitted 45 days after the end of the quarter.

27. IA requires for the audited quarterly eForms to be authenticated by auditors. IA to clarify on requirements for authentication by auditors.

We are releasing more details on our expectations for authentication by auditors, as well as certification by the actuaries and endorsements by company management. We will welcome specific comments and suggestions on these issues as soon as they are released.

Specific Comments

The following comments are applicable to a specific section or a specific sheet(s) within that section.

Company Information

1. **INFO-1:** The incorporation dates presented are as per the original license acquired by [Name] Insurance Company. We acquired [Name] Insurance Company in December 2010.

The original license date is appropriate.

2. **INFO-3:** We are unable to input the information of shareholders holding less than 5% of the shares.

The values will be calculated automatically once you enter information for each shareholder with at least 5% of the shares. The total number of shares should be entered in FS-2.

3. **INFO-6:** We were not very clear as to the data entry required herein – whether it relates specifically to policies issued through EVG & Online. We did not have any such transactions in the past year. However, as we understood at the workshop conducted on 17th June that all the production through Broker & Reinsurance Assumed need to be entered, hence we have mentioned the requisite details in this sheet.

If you did not issue any policies through EVG or Online, then these two rows should be left blank. Likewise, if you do not use one or more of the other sales representative types, then the sub-total(s) at the bottom of INFO-6 will all be zero.

4. **INFO-6:** Commission paid per broker / Agent - Is this paid commission (or) booked commission that needs to be mention?

The total of the Commission Paid columns should match the appropriate totals in EXP-2.

5. **INFO-6:** Statement of premiums / commissions by broker - The form rows are not sufficient to mention all brokers that we deal with. Also we feel this is sensitive information which possibly IA may consider excluding.

We added a clarification to the User Instructions to note that only the largest sales representatives need to be listed individually. Like all data in these forms, we maintain confidentiality as appropriate but these details by sales representative are used when we perform financial audits of Agents and Brokers so we can't exclude it.

6. **INFO-6:** The sheet only states 'Policies sold through EVG and online (other than EVG). No description of EVG has been given. What about policies that are not classified in both these categories i.e. EVG and online? Kindly elaborate.
7. **INFO-6:** Please clarify if you require only the online policies or all types of policies by broker.

As noted above, EVG is the Emirates Vehicle Gate. For policies sold through the EVG or another online process, only the totals need to be entered in the appropriate row. For all other sales channels, the largest individual representatives need to be identified and details provided in a separate row for each representative.

8. **INFO-6:** Some of our banking partners may distribute our products through their website (most notably [Name]) although we have reported these as policies sold through the Bank channel. We expect to develop our own direct website offering to be launched in late 2015 or early 2016.

As the banking partner is your distribution channel, reporting by classifying the data as a "Bank" is appropriate even though the partner is using a website. Once your direct website is launched, you can report details for those policies in the "Online" row.

9. **INFO-6:** We have grouped all broker relationships or agents whose premiums are less than AED 250k under "OTHER BROKERS" and have included all direct customers under the classification of "OTHER".

The cutoff for grouping all other agents or brokers should be based on the number of rows in INFO-6 instead of a premium amount. When we do audits of Agents and Brokers we will want to include details from as many companies as possible.

10. **INFO-7:** This form was previously submitted to the Insurance Authority with the relevant approvals from our auditors.
11. **INFO-7:** We are submitting the same information after 15 days of the year end. Do you still require on that date or just submitting under this form is enough?

Thank you. This form will replace the current Supervision Fees form once you are able to submit data using the eForms in their entirety, and then it is only required on an annual basis. Until then, you can use the current form or INFO-7.

Financial Statements

1. **FS-1:** Investment in Associates: The "investment in associates" is shown separately in line 19. It is not included for computation of the "Total Invested Assets" (i.e. from line 1 to line 9, there is no space to fill investment in associates). Thus we have included "investment in associates" in the line 8; which is for "Other invested assets". Does this imply that Investment in

associates is not to be considered for asset allocation and distribution limits? And do we have to consider it in line 19?

The "Investment in Associates" is excluded from the Total Invested Assets in the Statement of Financial Position (FS-1) as it is currently excluded when calculating required capital (in the SM forms). Accordingly, these amounts should be reported in line 19 and not as "Other Invested Assets". Note, however, that FS-5 (now FS-6) has been revised to include "Investment in Associates" as part of "Other Invested Assets" when calculating the Admissible Assets.

After we receive data from all companies, and during the alignment period, we will be reviewing this issue to determine if a separate investment limit should be established for "Investment in Associates" and whether the Solvency Margin calculations should be revised to include a charge for "Investment in Associates."

2. **FS-1:** We believe it may be appropriate to include a separate line under both assets and liabilities to capture related party balances. We have included any relevant balances under "Accrued expenses and other liabilities".

We understand that some companies report related party assets and liabilities separately, but for consistency across the industry the specific related party asset or liability should be reported as part of the specific asset or liability. For example, related party receivables should be part of receivables and related party payables should be part of payables. The details for each related party are then shown in RP-1.

3. **FS-1:** In accordance with guidance received at the IA training sessions we have included our Head Office account for [Name] within "Retained earnings/loss".

That is correct.

4. **FS-1:** Is receivable part of total invested assets and/or admissible assets?

Insurance and other receivables are not part of invested assets, but they are considered as part of total admissible assets. For details on which assets are considered as invested assets and/or admissible assets, please refer to FS-5 – *Calculation of Admissible Assets*.

5. **FS-1:** Deferred acquisition cost should be under Shareholder's Fund and not in Policyholder's Fund.

We have changed the forms such that deferred policy acquisition cost are added to the Shareholders' Fund portion (Part 3) of FS-1. For Takaful companies, these expenses should be part of the Shareholders' Fund, but for non-Takaful companies, they should be included under Part 1 or Part 2.

6. **FS-2:** Payroll & other related costs are not split by Underwriting LOB's. Hence row 28 & 29 can be moved to row 42 (G & A).

Payroll & other related costs (as well as all other expense types), MUST be split into the major expense categories (i.e., Loss Adjustment, Acquisition, General, Taxes or Investment expenses) in EXP-1. The totals by category should then be part of or match lines 7, 28, 29, 30 or 40, respectively, in FS-2. These totals by category in EXP-1 MUST also allocated to lines of business in EXP-2, EXP-3 or EXP-4. Thus, rows 28 & 29 will not be moved to row 42.

7. **FS-2:** Our submission includes the share capital of our parent company incorporated in [Country] under row 51. This was required to feed the information required under INFO-3.

For foreign branches, the actual shares held by a parent company should be reported as part of Number of Shares Outstanding (line 51), so that the total number of shares ties to the details in INFO-3.

8. **FS-2:** We would request the IA to review the Earnings per Share formulae as this is currently referring to incorrect rows.

The Earnings per Share is calculated using Total Profit / (Loss) excluding Other Comprehensive Income. We checked the formulae and they are correct. We understand that there are other ways to calculate Earnings per Share, such as with average shares, but we feel that this simpler formula will be applicable for most companies.

9. **FS-2:** Amounts are as per audited IFRS financial statements. Part 2, Line 1: Includes direct premiums for Protection and fees/commission income on Unit Linked business, under IFRS basis. Part 2, Line 16: includes change in Mathematical reserves, under IFRS basis. Part 2 Line 60: Revaluation adjustment calculated on all assets and liabilities and not only on Investments. IA to consider modifying form to allow for disclosures in line with IFRS e.g., investment return for unit linked business to precede claims and mathematical reserves.

To our knowledge, IFRS has not issued specific guidelines on the basis of presentation for life insurance companies that states that investment income and other gains must precede claims and mathematical reserves. We understand that this type of income statement format may be general industry practice. For the purposes of these eForms, however, we would like to maintain consistency between the way life and non-life results are presented to the extent possible and that is why these forms have presented in this manner.

10. **FS-2:** Charging Wakala Fee (WF) / Acquisition in Policyholder's (PH) Income Statement (IS) and moving the same in Shareholder's (SH) is not making sense when deposit accounting (Unbundling of deposit component and taking it off Income Statement) are the basis of preparing Income Statement. It gives false impression of very high Wakala fee ratio on GWP. Income Statement numbers should come from other sheets and not to be filled in. There is no sheet where SH operating Expenses can be put in and linked with IS. EXP-1 and EXP-4 do have operating expenses but these have been categorized in Underwriting Expenses and not in Operating Expense of SH.

Under IFRS rules all of the accounting should be done on an accrual basis, not on a deposit basis. The incurred Wakala fees should therefore be compared to earned premiums. While it would be ideal for the FS-2 figures to be derived from other sources, we must allow that not all companies will be ready for this in the short term, which is why the data is currently entered in this form. This issue may be revisited at a later date. All operating expenses for Takaful companies (other than ALAE and ULAE) should be detailed in Part 3 of EXP-1, as the name "Other Underwriting Expenses" was used for all types of companies. The totals from EXP-3 should reconcile with FS-2.

11. **FS-3:** No place to enter the Director's remuneration as appearing in our Cash Flow Statement. Hence we have entered it against line item 10 – Share of (profit)/losses in associate.

Director's remuneration should be reported in EXP-1 line 18. The total expenses by type in EXP-1 should tie to the appropriate row in FS-2. Thus, the Director's remuneration is not shown separately in FS-3, but rather is part of the details of line 1 in FS-3.

12. **FS-3:** Movement in Head office account is not available as a line item. "Others" as a heading can be included as one line item.

13. **FS-3:** Our movement in the Head Office account is shown within "Proceeds from Issuance of Share Capital". We believe the caption is misleading but represents the line item most similar to the effect of the Head Office providing further funds to the Branch.

Thank you for pointing that out. We now have a separate line item for Head Office account and Movement in Head Office accounts for foreign branches. If you select "foreign branch" under type of registration in the cover page, you should be able to see these line items.

14. **FS-3:** The movement in deferred acquisition income (commissions earned on outward reinsurance cessions) has been shown netted off against the line for deferred acquisition costs as there is no separate line for this item.

Correct. The Amortization of Deferred Acquisition Costs in line 6 should be net of reinsurance cessions.

15. **FS-3:** In the future we would anticipate showing the movement in Term Deposits under purchases and sales of Invested Assets. We have not shown this separately in the current submission pending confirmation of our approach with the IA.

Yes, that is correct. Term deposits are classified as invested assets and as such, purchases, sales and maturities of these deposits (i.e. movement) should be classified under purchase of invested assets or proceeds from sale of invested assets in the statement of cash flows.

16. **FS-4 (now FS-5):** The only column in the sheet where data can be entered is 'Policyholder Dividends'. Please provide details of the term and what is the financial treatment.

Policyholder Dividends are profits shared with the policyholders, if any. Similar to other expense items, policyholder dividends should be reported on an accrual basis. The total of any policyholder dividends by line in FS-4 (now FS-5) should match line 49 in FS-2.

17. **FS-4 (now FS-5):** Unable to populate template as cells not available. Require clarification or appropriate formatting to complete. IA to clarify/provide guidance on template.

All of the items in FS-4 (now FS-5) are linked to other forms (except policyholder dividends) as the form gathers all of the details by line such that the Total Profit / (Loss) for all lines combined (totaled) should match the Total Profit / (Loss) in FS-2.

18. **FS-4 (now FS-5):** Figures from sheet PRM-2 are not getting populated.
19. **FS-4 (now FS-5):** Column I to N is not taking data from PRM-2 sheet and that's why results are not showing a correct picture and ratios have not been worked out.

PRM-2 is linked to PRM-1 and TP-1. If either of those are incomplete, then FS-4 (now FS-5) may not have proper figures.

20. **FS-5 (now FS-6):** Insurance authority allowance – This can be fixed as the allowance is given by IA & not for the company to input.

The Insurance Authority Allowance (line 2) is an input cell (not fixed) in order to accommodate Section (1), Article (3), paragraph 3 of the Financial Regulations which specify that the Insurance Authority can allow, in specific cases, investments in Real Estate up to 40% of the Total Invested Assets. This line will only be filled in by a Company that has specific permission of the Insurance Authority to exceed the normal 30% allowance.

21. **FS-5 (now FS-6):** We noticed a formula mistake in cell "N48" wherein the Total Liabilities figure is not reflected correctly.
22. **FS-5 (now FS-6):** Total Liabilities: The 'Total liabilities' cell is not getting updated. It is giving NIL value. As the link is incorrectly given for the 'Total liabilities' cell (i.e., FS-1 I55 instead of FS-1 M55). Because of this the "Admissible assets less liabilities" is showing higher value and not showing correct solvency position in the template.

Good catch. That cell has been corrected in version 1.0.

23. **FS-5 (now FS-6):** Cell AW48 is not correctly picking the total liability from Property and Liability Insurance section.

24. **FS-5 (now FS-6):** Cell AW48, Liabilities is not being deducted in arriving at Assets and Liabilities (Cell linked to 2013 column). This has been directly adjusted in the only open cell M25 in SM-1.

This issue is due to the error in cell N48 noted in items 17 and 18 just above.

25. **FS-5 (now FS-6):** DAC of Insurance of Person and Fund accumulation is not correctly picking for admissible asset. Cell reference is AW 39.

Good catch. There were some formula errors in some of the cells in columns Z and AA which have been corrected in version 1.0.

26. **FS-5 (now FS-6):** Other Invested Assets: For Other Invested Assets, the Allowance limit for asset admissibility is 10% of Total Invested Assets. However we noted that, the asset admissibility is not considering the 10% of the Total Invested Assets and only the amount mentioned as Other Invested Asset has been considered as allowed. (For example, in our submission of eForms, the Other Invested Asset in FS-5 is AED 5 million, and the same amount is reflected under the Admissible Asset cell. However the balance of the 10% of the Total Invested Assets should also be allowed.) Thus, there is formula error; which needs to be corrected in order to arrive at correct admissible asset.

You have misinterpreted the Financial Regulations. The limit of 10% for Other Invested Assets is a maximum percentage of the Total Invested Assets. As the AED 5 million (in your case) is less than 10% of the Total Invested Assets the entire amount is admissible. You do not get credit for Other Invested Assets that you don't own just to bring the percent up to 10%.

27. **FS-5 (now FS-6):** The form allows an insurer to claim 10% in the category of other assets if he is touching limits on any other assets. For example, if an insurer has Invested Assets of AED 100 mn as follows: Real Estate - AED 30 mn; UAE Equities - AED 40 mn; Bank Deposits - AED 20 mn; A Rated Bonds – AED 10 mn. The template will apply a limit of 30% on Equities and then allow 10% as Other Invested Assets. However, if that insurer then sells AED 100,000 from A Rated bonds and invest it in a BB rated bond, this goes into other assets. Then it is only allowing AED 100,000 in other assets and not allowing for the balance of 10% as admissible. This can be checked by putting in a bond and first keeping rating as A and then changing it to BB. Another issue linked to this is let's say a company has one A rated and one BB rated bond. Since there is a counterparty sublimit on the A category only 20% of it will be allowed, but if the BB rated bond is within the total invested assets limit of 10% it will be fully admissible.

There was an error in the formula for calculating the admissible Other Invested Assets which has been corrected in version 1.0. In your example, the change in one asset from A to BB would not change the total admissible assets, as long as this did not cause an issue with the counterparty sub-limits.

28. **FS-5 (now FS-6):** For the investment allocation limits, if the maximum limit for example in equity instruments in listed and not listed companies within the UAE is 30% and the sub-limit is 10% which of the following approaches is correct:

- a. Is the sub-limit 10% of the maximum allocation limit (e.g. 30%); or
- b. Is the sub-limit 10% in relation to the total investment amount?

The sub-limit is applied at the asset class level. For example, If you have listed equity instruments of AED 20M in a total investment portfolio worth AED 100M. The 10% asset allocation limit will be applied to the AED 20M of equity instruments.

29. **FS-5 (now FS-6):** The counterparty exposure limits should also have a fixed value above which it will apply. Say an insurer has AED 100m of invested assets and only AED 5m are in a single equity. This will make 90% of that equity portfolio inadmissible. One way of applying the limits could be the sublimit times the asset class limit.

Invested Assets	AED 100m
UAE Equity Limit	AED 30m (30% Asset Class Limit)
Sub limit	AED 3m (10% Sublimit)

The sub-limits are part of investment risk management principles regarding position sizing and diversification. In your example, when holding only one asset in a category there would be an extreme level of concentration which triggers a significant level of inadmissibility. While there is some merit to having the sublimit as a fixed amount as you suggest, at the extreme a company could own only one asset within the class (valued at AED 3m in your example) and end up with no counterparty penalty when there should be a penalty for having no diversification of assets within that class.

As the individual investments are listed in INV-7, the calculations for the counterparty sub-limits are also done in INV-7 (in columns BO to BY). Note also that in FS-5 (now FS-6) the calculation of the admissible assets is done such that penalties for both asset class limits and counterparty limits are not double counted.

30. **FS-5 (now FS-6):** Unable to populate template as cells not available. Current sheet has formula issues (part 2, line 20). IA to clarify. Require clarification or appropriate formatting to complete. IA to clarify/provide guidance on template.

Almost all of FS-5 (now FS-6) (except line 2) is linked to other forms such that FS-5 (now FS-6) is calculated automatically. The calculation issues have been addressed in version 1.0 (see items 18-22 above).

31. **FS-7 (now FS-8):** It also needs to be clarified whether the counterparty sub-limit should be applied on the Total Invested Assets OR on the main limit for that category.

The sub-limits are applied as a percentage of the assets within each category.

32. **FS-7 (now FS-8):** Need a clarification from Insurance Authority (IA) if it is Takaful fund receivable or Shareholders fund receivable? There is no place where SH receivable can be added.

The details in FS-7 (now FS-8) should tie to line 13 of FS-1. Thus, these insurance receivables should only be part of the Policyholders' Fund for Takaful companies.

33. **FS-7 (now FS-8):** We are facing difficulty in providing aging of receivables because in our financial statements receivables are determined according to IFRS 7 which requires that negative balances of payables should be included with receivables. This makes it difficult for us to provide aging for those negative balances, kindly advice the treatment.

While it would be preferable to move the negative balance of payables (i.e., overpayments) to receivables, we understand that IFRS allows them to be shown within payables. The aging of a negative balance should start the day it became a negative balance (e.g., the date of the overpayment) when it is kept as a payable as this would be consistent with the treatment when moved to a receivable.

Solvency Margin Analysis

1. Current eForms are not calculating the impact of Qard Hassan while calculating the solvency. As per the Addendum to Section (4), paragraph 7d on page 64, Qard Hassan will be treated as unsecured and uncovered loan and should form part of Admissible Assets.

Qard Hassan is being included as an admissible asset for the Stockholders Fund (Part 3). In version 1.0, the calculation has been updated to exclude loan balances older than 3 years (as per the Addendum you note) in form TAKF-3.

2. The Solvency template applies a factor of 90% for receivables in excess of 90 days (Line 21 on SM-4). Generally the credit terms are loose in the industry and receivable aging of 90 days is normal. That said, this is a good way of forcing insurers to control receivables. However, in addition to this charge, now there is limit on Admissibility in FS-7. So, if an insurer has a receivable of AED 1,000 overseas aged 120 days, his capital charge for that will be AED 900 and against the admissible asset will be AED 750. This is a dual hit.

We don't view this as a dual hit. In the situation you describe the required capital would be 900 whereas the admissible asset to support that capital is only 750, so the "hit" is the difference of 150. However, this is an extreme case in the sense that the required capital directly attributable to the receivable would generally be less than 900 as it is combined with other assets (line 23 on SM-4). Moreover, to the extent that a Company has collateral for the receivables the required capital can be reduced to zero. That said, we do plan to review the admissibility factors [in FS-7 (now FS-8)] once we have data from the entire industry so we can see the impact on the industry as a whole.

3. The calculation was performed based on the model disclosed by IA before eForms were disclosed. Thus, it is not linked to other eForms, but it will be going forward. The calculation of admissible assets was done according to the asset limits as per the table shown page 16 of the new regulation.

This was acceptable for the initial reporting in the Beta1 version of the forms, but will not be allowed going forward as there are additional admissible asset calculations beyond the invested asset limitations.

4. We did not factor any SCR investment charge for Unit-Linked without guarantees as the risk is on the policyholder, not on the company.

That is correct. All of the formulas in SM-3 have been updated to remove Unit-Linked investments as appropriate in version 1.0.

5. Real Estate has charge on two counts, i.e., 1) in the calculation of Admissible Assets (in terms of investment limits) in FS-5 (now FS-6) and 2) Real Estate shock value in the calculation of SCR in SM-3. This appears to be duplication for the same asset.

These are not a duplication. The shock values in SM-3 are used as part of calculating required capital (SCR), whereas the admissible assets in FS-5 (now FS-6) are used to determine if the Company has enough assets to meet the capital requirements.

6. **SM-1:** As per Law, paid up capital should be AED 100m. However, as per solvency model, net admissible asset should be AED 100m which to some extent is conflicting. We would recommend that Paid up Capital should remain at AED 100m and MCR should not be relevant. Additionally, the companies are also required to maintain the equity at 50% or more of the paid up capital.

The MCR requirement and the paid up capital requirement in the Law are consistent, but the MCR requirement will supersede the paid up capital requirement once the alignment period is over. The SCR and MGF requirements will add a risk based element to solvency requirements which is missing in the Law.

7. **SM-1:** Cell M22 is not picking the Admissible assets less liability from FS-5 (now FS-6).
8. **SM-1:** Basis own funds – in cell M22 Admissible Assets and Liabilities is not getting picked up from FS-5 (now FS-6). This has also been manually input in the only open cell M25.
9. **SM-1:** Admissible assets less liabilities (Line 10), Treasury Shares (Line 11), Proposed Policyholder Dividends (Line 12). The cells mentioned above are neither auto fill nor editable (i.e., the cell does not have any formula). Hence the basic own fund value is computed incorrectly.

The cells M22:M23 are linked to FS-5 (now FS-6) and FS-1, respectively, in version 1.0. The proposed dividends (lines 12 & 13) have been clarified in version 1.0.

10. **SM-1:** We would recommend that Ancillary Own Funds should also be considered while calculating the surplus or deficit on MCR.

As per the Financial Regulations, the Ancillary Own Funds are only considered when calculating the surplus / (deficit) in the SCR or MGF.

11. **SM-1:** The Head Office account balance is not included in the current form as our interpretation of the solvency calculations currently excludes this amount. Any guidance on the appropriate treatment of these amounts included in retained earnings would be welcome.

Head office account balance is factored into the solvency forms while calculating the basic own funds through the admissible assets form (FS-6). Therefore, there is no requirement to input the head office account balance elsewhere in the solvency forms as this has already been taken into account.

12. **SM-3:** Takes cash flow value (Minimum) only for Developed RE whereas in INV-5, the entire amount is shown against Real Estate Investments without any split. Therefore, we have shown all investments as Developed RE although AED XX million of our RE is Undeveloped RE.

The cash flow section of SM-3 is used to calculate the portion of the SCR for Interest Rate Shocks (based on any mismatch in the liability and asset cash flows), so the expected rental income for Real Estate does not need to be split into the Developed and Undeveloped portions (although we would expect most of the expected rental income to be from Developed Real Estate). The section of SM-3 which calculates the portion of the SCR for Real Estate Shocks does not require cash flows, but the Real Estate investments must be categorized as Developed, Under Development or Undeveloped in INV-1 and INV-2. If the Real Estate investments are not correctly categorized in INV 1- and INV-2, then the Auditor should not be authenticating the eForms.

13. **SM-5:** Unearned Premium Reserve. The UPR for the period 2013 has link from TP-1 sheet. The TP-1 sheet does not allow to enter the details of UPR for the period 2013 (i.e., the cells in TP-1 sheet are non-editable). Thus, the UPR for the period 2013 is not getting captured in the SM-5 sheet, which affects the Earned Premium computation and further the "Capital Requirement for Operational Risk" is arrived incorrectly.
14. **SM-5:** We would request the IA to review the formulae in column 7 of the form as this does not seem to be capturing the earned premium for the period although the relevant input cells have data.
15. **SM-5:** We are not able to update unearned premium reserve at 31.12.2013 in column I in SM-5 because it is linked to TP-1 and in TP-1 2013 column is locked for editing. Moreover, earned premium in column K is zero despite the fact that written premium and closing UPR are updated.
16. **SM-6:** We would request the IA to review the formulae in column 4 of the form as this does not seem to be capturing the earned premium for the period although the relevant input cells have data.

17. **SM-6:** MGF – Property & Liability cells K11 to K30 are not getting the result intended in the formulae, hence in column P, value is being picked up as 0. Property & Liability Column I – unable to populate opening UPR.
18. **SM-6:** Unearned Premium Reserve. The UPR for the period 2013 has link from TP-1 sheet. The TP-1 sheet does not allow to enter the details of UPR for the period 2013 (i.e., the cells in TP-1 sheet are non-editable). Thus, the UPR for the period 2013 is not getting captured in the SM-5 sheet, which affects the Earned Premium computation and further the "Minimum Guarantee Fund (MGF)" is arrived incorrectly.

The UPR for the prior period (in TP-1) in version 1.0 will need to be imported from a file with data for the prior period. The UPR for the prior period will impact the calculations in both SM-5 and SM-6. The User Instructions have been updated to describe this more clearly.

19. **SM-6:** MGF based on the business written is not calculating correctly. By default it is picking 1/3rd of SCR.

As per the Financial Regulations, the MGF can't be less than 1/3 of the SCR. If the calculated amount of the MGF (line 37) is greater than 1/3 of the SCR (line 38), then the larger amount will be used as the MGF.

20. **SM-6:** Sum at Risk. The sheet does not allow to enter the details of Net Sum at Risk for the period 2014 (i.e., the cells in SM-6 sheet are non-editable). Thus, the "Minimum Guarantee Fund (MGF)" is arrived incorrectly.
21. **SM-6:** MGF –Persons & Fund accumulation - Sum at Risk values not populated in cells H37 to H48 despite entering in TP12 – cells AK 137-141.

In version 1.0 these cells have been linked to TP-12, Part 3-B.

Investment Analysis

1. Please advise the definition of Government in context of securities and sukuks issued by Government in the allocation limits of investments. We strongly recommend that the entities which are directly or indirectly owned by Investment Corporation of Dubai (ICD) and Abu Dhabi Investment Authority (ADIA) should also be included. To encourage the Insurance Companies to invest in the Sukuks issued in UAE, we would request to the Authority to widen the scope of Government.

The definition of Government securities to address quasi-Government and semi-Government entities has been added to the User Instructions.

2. If an instrument is classified differently in the balance sheet then it appears on two rows. Let's say part is OCI and part is FVTPL. When entered on two lines the forms will apply counterparty sublimit on both separately. Even if the classification is same, if someone enters the same instrument on separate lines in parts, from the perspective of the form they can avoid the counterparty

submit. Also this is prone to error, e.g., in case of deposits and accounts with the same bank.

The investments are classified as Amortized Cost, FVTPL or OCI to comply with IFRS, so these details are required in various forms (e.g., FS-1, INV-1, etc.). However, when calculating the counterparty sub-limits for FS-5 (now FS-6), these classifications are ignored and only the asset types are considered.

3. Commercial bonds with ratings below A are only admissible to the limit of 10% of total invested assets (as per "other invested assets"). We believe it is much too low and could go against the protection of the policyholders which is the purpose of this regulation.

We do not believe that this is against the protection of the policyholders as investments below an A rating are riskier than investments at or above an A rating. However, we assume you mean that some investments below an A could provide significantly increased returns compared to other investments at or above an A with only a minimal increase in risk, so proper risk management would balance risk and reward. While we agree with this in principle, for now we need to follow the Financial Regulations, but sometime after we get good data for the entire industry we will revisit the investment limits as a whole.

4. Domiciling guidelines require "real" UAE investments or just holding in UAE Deposits?

Regulations regarding domiciling of investments applies to all asset classes such as debt securities, equity securities, real estate as well as cash and deposits. Domiciling guidelines, however, are not applicable to unit-linked investments.

5. Would the rating of the parent also apply to its subsidiaries (in the event that there is no rating for the subsidiary)?

If there is no rating for the subsidiaries, it should be classified as unrated. The rating of the parent does not apply to the subsidiary.

6. Would the rating of the issuer apply for all the non-related securities issued by it?

According to Para (8), Article (3), Section (1) of the financial regulations, the rating refers to the actual instruments and/or securities.

7. Is this regulation applicable for shareholder funds also or does it only apply for policyholder funds?

The investment regulations are applicable for all investments held by the Company. The only exception is for unit-linked funds. The asset allocation limits referred to in Article (3) of Section (1) are not applicable to unit-linked funds held by the Company. The allocation limits are applied separately for policyholder funds and shareholder funds.

8. For Life Takaful, where should Unit Linked Mutual fund investments (multi class) be classified? If these are classified as equity or sukuks, these assets get a charge in solvency calculations. Whereas investment risk of participant funds is with participants hence should not have any impact on Solvency Margin.

For both Takaful and non-Takaful Life companies, all unit linked investments are separately identified in INV-7 and excluded from the Solvency calculations.

9. **INV-2:** Real Estate Investment is accounted for using the Cost Model and are stated in the Financial Statements at Cost less Accumulated Depreciation. The Fair Value of these properties are reflected in the Balance Sheet for information purposes only & the changes in Fair Value are not routed through the Other Comprehensive Income. Since in the eForm there is no provision to state the Fair Value of the Real Estate Investments, we have entered the difference between the Book Value & Fair Value against Unrealized Gains/(Losses) on Revaluation.

When real estate investments are accounted for using the cost model, they are stated at cost less accumulated depreciation as per IAS 16 guidelines. In INV-2, you may enter the beginning and ending cost value of the real estate investment in column (1) and column (8) respectively, accumulated depreciation in column (6) – unrealized gains/losses, disposals can be entered as sales in column (4) and related gains or losses in column (10) and purchases in column (2). Under this method, there is no requirement to state the fair value of the investments other than for informational purposes, as you mentioned.

10. **INV-2:** Unit Trusts and OEICS have been included in row 28 of the unit linked section as “Others”, within the “Other securities” group, as there isn’t a category for pooled investment vehicles, managed funds, OEICS or Unit Trusts. IA to clarify whether classification is appropriate.

The treatment of investment funds or vehicles such as OEICS or ICVCs, PE funds, mutual funds and other such instruments can be classified based on their underlying asset class under the single entry or multiple entry method.

For more details on how they should be classified, please refer to paragraph 11 and 12 in the investment analysis section of the User Instructions.

11. **INV-3:** No investment in derivative Financial Instruments.

In this case, form INV-3 can be left blank. In the Contents sheet you can mark this form as “No” (the “N/A” response would be if the form is not applicable such as the TAKF forms for Non-Takaful companies) and include a simple reason such as “None”.

12. **INV-5:** 1% return taken for Share portfolio and unit link investment. Investment property market value will increase by 1%.

13. **INV-5:** The "IA Financial reporting (eForms) instructions" does not give clarity/details as to calculation of the investment cash flow. For example: 1) whether we need to consider all of the following for computation of cash flow?

The income arising from the investment, the profit/loss arising from disposal of asset and the maturity value of the asset. 2) For more than 30 years we need to give discounted future cash flow?

A clarification of the expected cash flows has been added to the User Instructions.

14. **INV-6:** For the dividend income received in row 30 (within the Unit-Linked section) – an assumption has been taken that these securities are listed.

The dividend income (and other items in INV-6) should come from the assets themselves as categorized in INV-7, so an assumption should not be needed.

15. **INV-6:** For column 23 (Income Due & Accrued at 31/12/2014) within the Unit-Linked section, an assumption has been taken that Equity income derived from unit linked mirror funds should be shown gross (i.e. before withholding tax has been deducted) and therefore the income due is shown as unfranked.

Dividend income, whether franked or unfranked, is not taxable in the UAE. As such, the accrued income is what has been earned so far of any equity income. This is the amount that should be shown in INV-6. If the company is liable for any taxes elsewhere as a result of unfranked dividends received, these need to be classified as investment related expenses in EXP-1.

16. **INV-7:** How to differentiate between the duration if the deposits of different duration is placed with one bank?

A duration value (in column 5) is not required for Equities or Cash Deposits in Banks.

17. **INV-7:** Types are not in sync with the regulations.

We are not clear whether your investment details are not in sync with the regulations or if something in INV-7 is not in sync with the regulation. If INV-7, please clarify more precisely so we can address it.

Premium Analysis

1. **PRM-2:** Protected Sheet / Non Editable. Complete sheet is protected and data cannot be updated. This affects the earned premium computation.

Correct. In version 1.0, the prior data will need to be imported so that the earned premium calculations will be correct.

2. **PRM-2:** Calculation is not happening correctly in column L.

In the Beta1 version, if the prior file was not open so that the prior period UPR was “linked” then the calculation would be in error. In version 1.0, the prior data will need to be imported.

3. **PRM-3:** We are unable to calculate the Earned Exposures per lines of business from our Core Insurance System; these would require Actuarial assistance.

That is acceptable for now, but earned exposures should be available by the end of the alignment period.

4. **PRM-3:** The "IA Financial reporting (eForms) instructions" does not give clarity as to whether the policy count needs to be filled as a complete number or the same needs to be presented in 000's?

In version 1.0, all amounts will be entered as complete numbers and not rounded to 000's. During the transfer of a Beta1 file to a 1.0 file, only the amounts in Dirhams will be multiplied by 1,000, so any values for counts, exposures or similar items that were entered in 000's will need to be manually adjusted.

5. **PRM-3:** The policy count includes each individually identifiable policy within this form. For example if we issued 10 marine shipment certificates under 1 master policy this would be recorded as 1 policy for the purposes of this form.

Companies can decide the most appropriate way to count policies for each type of policy, but once determined it should be documented for audit and not changed in future reporting periods to maintain consistency between periods.

6. **PRM-3:** Please clarify what earned exposures are?

Earned exposures are defined in the User Instruction Manual.

7. **PRM-4:** We are unable to calculate the Earned Exposures per lines of business from our Core Insurance System; these would require Actuarial assistance.

That is acceptable for now, but earned exposures should be available by the end of the alignment period.

8. **PRM-5:** We will provide you No. of policies later.

That is acceptable for now, but number of policies should be available by the end of the alignment period.

Commission & Expense Analysis

1. **EXP-1:** Costs include direct and allocated costs for services provided by head office/Group functions. Acquisition costs include net amounts charged to the Income statement.

All expenses must be included in one of the overall categories and line items in EXP-1 so that they tie back to the Income Statement. Ideally, head office / group function costs should be allocated to the individual line items, but to the extent the details are not available these costs can be part of the All Other Expenses (line 31).

2. **EXP-1:** Please rename the “other underwriting expenses” as “general and admin expenses”. It is confusing as the other UW expenses are part of the PH side.

While the names selected can cause some confusion, we tried to select names that would be consistent between Takaful and non-Takaful wherever possible. As “general” is a sub-category of “other underwriting” we would need to make other name changes if we were to accommodate this change. Rather than focus on the names, please keep in mind that ALL expenses must be detailed in EXP-1 as appropriate for either a Takaful or non-Takaful company.

3. **EXP-3:** Not completed as is not applicable for Branch.

Allocating expenses by type of business is applicable to a Branch just like every other company and must be available by the end of the alignment period.

4. **EXP-3:** Not applicable. The assessment of URR, Unallocated loss adjusted expenses/reserve (ULAE) or Allocated Loss Adjusted expenses/reserve (ALAE) have been done on a combined basis. The conclusion is that no additional requirement is needed for these technical provisions.

Not correct. These technical provisions should be calculated separately and reported separately, especially URR and ULAE. Ideally, ALAE should be separate too, but it can be combined with loss reserves if it can't be split out from loss reserves. The technical provisions are normally calculated by type of business so the details should therefore be available for reporting by type of business. When types of business are combined for the purposes of calculating the technical provisions, the actuary should then recommend a methodology for allocating the technical provisions to the individual types of business.

5. **EXP-4:** No allocation of Other Underwriting Expenses by Type of Business.

The allocation of all expenses in EXP-1 by type of business must be completed by the end of the alignment period.

6. **EXP-4:** Require clarification/guidance on the disclosure required for underwriting expenses (general, etc.).

As per the User Instructions, each Company must determine the appropriate methods for allocating expenses by type of expense (i.e., the lines in EXP-1), by type of insurance operation (i.e., the columns in EXP-1) and by type of business (i.e., the lines in EXP-2, EXP-3 and EXP-4). The methods should be documented for audit and applied consistently for each reporting period. Once the methodology has been established (by the end of the alignment period) it must not be changed without permission from the Insurance Authority.

7. **EXP-4:** There is no mention of prepaid /advance commission though deferred acquisition cost is shown in balance sheet. In absence of advance commission there is no way commission expense can be worked out. Formats seem to cater dripped based commission but in case of Life Takaful Company usually following indemnified commission then advance commission is required to be

incorporated in the formats or otherwise advance commission movement can be included in deferred acquisition movement.

Commissions paid and deferred acquisition costs are allocated by type of business in EXP-2. The total of these allocated expenses should sum to the total in line 11, column 2 in EXP-1. The other acquisition expenses being allocated in EXP-4 should total to line 32, column 2 in EXP-1.

Technical Provision Analysis

1. For the sections containing triangles, the entire square should be unprotected. This will allow the user to copy paste the entire box of 21 x 20 cells. Right now the user has to paste each and every row.

This is a good suggestion. The greyed out area next to each of the data input triangles in TP-7, TP-8, TP-9, TP-10, TP-13 and TP-18 have been unprotected so that an entire triangle can be copied and pasted into these areas. Note that once the triangles are entered, there are "Import Data" buttons on each of these sheets which will copy the triangle data from the prior quarter for that sheet. When importing all data for a prior quarter (i.e., using the button on the Cover sheet) the triangles in all of these sheets will be copied.

2. **TP-1:** UPR for motor comprehensive and TPL not available separately. Segregated based on premium proportions.
3. **TP-1:** The Company does not perform separate workings for Direct and Assumed business UPR. The segregation was done in premium proportions.

Allocation of UPR is acceptable, but the procedure should be documented for audit and not changed in future periods unless approved by the Insurance Authority.

4. **TP-1:** There is no ability to enter information for UPR as at 31 December 2013 and consequently this has a corresponding impact on the solvency calculations included in forms SM-5 and SM-6.

The intent was for companies to create a separate file for 31 December 2013 with only the data (like UPR) needed for 31 December 2014 and then it could be linked by appropriately identifying the file in the Cover sheet. In version 1.0, the process is similar except than instead of linking with another open file, the appropriate data can be imported from the prior file.

5. **TP-2:** It is assumed that URR refers to the reserves set aside in addition to the UPR. The company does not maintain any PDR as all its lines have an underwriting surplus.

If all lines are indeed expected to earn a profit then no Unexpired Risk Reserves are required. The actuary must sign off on these reserves along with the rest of the technical provisions.

6. **TP-2:** Under the current actuarial methodology we are using in reviewing our reserves the URR if any is all entered under IBNR for general insurance lines

The URR is not part of IBNR and should be entered separately.

7. **TP-4:** Loss reserves are not determined separately for direct and assumed business. The segregation performed in premium proportions.

When the direct and assumed data is combined internally, then the loss reserves may be allocated into the direct and assumed portions. However, the allocation of loss reserves is more typically done using claim data rather than premiums. As this is part of the technical provisions, the actuary must sign off on the allocation along with the totals.

8. **TP-4:** No ALAE Reserves set aside by the company for any line.

If reserves for ALAE are included with the loss reserves (i.e., the loss reserves are for Loss and ALAE) then this is acceptable. In the short term, the ALAE can be part of the loss reserves in the appropriate forms, but the Company should work toward separating all parts of ALAE during the alignment period. However, if the loss reserves do not include ALAE, then the Company must start setting up ALAE reserves for each line.

9. **TP-4:** The forms have a single section for group life and individual life. Under this section the column heads require mathematical reserves however for group life UPR has been supplied.

For Life business, the UPR should be part of TP-1 and the mathematical reserves will be entered in Part 5 of TP-4.

10. **TP-4:** The majority of this form is for short-term business only. The template would perhaps be clearer if there was a separate form for long-term business which only contained the reserve categories applicable.

That is a good suggestion, but we don't want to create additional sheets just to separate out the MATH reserves in this case. We did revise the User Instructions to note that Part 5 of TP-4 is for Life only.

11. **TP-4:** For unit linked plans, the reserves kept by [Name] Life are equal to the unit fund and unearned contribution. We would like to know if the entire unit fund is to be kept under mathematical reserves? We believe this is not applicable for unit linked plans since [Name] does not bear any investment risk on these reserves and these are returned to clients at market values as and when requested by clients. In case, these reserves are to be kept in TP-4 under mathematical reserves, these should not be considered for SCR calculation in SM-2. Further, if we are required to hold unit fund as mathematical reserves, are we also required to project future cash flows (and specifically include surrenders and partial withdrawals) in TP-15?

Reserves for unit linked funds are required in TP-4, as well as cash flows in TP-15. These should be recorded in the lines designated for unit linked business so

that the totals will reconcile with the Statement of Financial Position. As noted elsewhere, the unit linked reserves, cash flows and investments are all excluded from the SCR calculations.

12. **TP-5:** Certain estimations are involved in calculating the Earned Premiums on Gross Reinsurance (Direct Business & Reinsurance Assumed) & Reinsurance Ceded as it is not readily available from our Core Insurance system – We have ensured that the net resultant Earned premium ties up with our quarterly financial statements.

That is acceptable for now, but direct, assumed and ceded earned premiums should be available by the end of the alignment period.

13. **TP-5:** No reserves were set aside for unallocated loss adjustment expenses. It is not possible to segregate the unallocated loss adjustment expenses paid during each quarter.

The salaries and overhead for the claims department should be reported in the Loss Adjustment Expenses column of EXP-1 which will equal the ULAE paid (i.e., the Total Other Expenses, line 32, column 1). The ALAE paid should tie to line 4, column 1 of EXP-1. The ALAE paid is typically tracked at the claim level by line so those details will be summed to match the values in EXP-1. The ULAE paid is by its nature at the Company level, so it will need to be allocated by line. After the ULAE paid is allocated to lines, the Company must begin setting up a ULAE reserve for each line.

14. **TP-6:** We would request the IA to review the formulae in column PZ as this does not appear to be pulling through the data correctly from TP-7, TP-8 and TP-9.

There are #VALUE! errors in your forms in some cells as some of the cells being added have been filled with a text value instead of a number so the SUM formulas do not work. We also notice that it appears you have entered the triangle data as incremental values instead of cumulative values. Finally, we note that the reinsurance ceded amounts should be entered as positive values as they are subtracted to arrive at net of reinsurance amounts. [See User Instructions]

15. **TP-7:** Since our medical claims are handled by TPA's we are unable to provide the outstanding loss development table against each quarter similar to the other lines of business. Hence, the outstanding claim provision made for the specific quarter is entirely reflected against that quarter in the eForm attached.

That is acceptable for now, but the TPA should provide the development triangles by accident quarter by the end of the alignment period.

16. **TP-7:** We are unable to provide the IBNR split across all segments against each specific quarter as required by the eForm for the quarters prior to 31st December 2014. But for the last quarter of 2014 we have manually worked it out & we will continue to do so in 2015 data which will be reflected in our submissions for 2015. Also the IBNR provided is on the Net Outstanding Claims

(gross less reinsurance ceded) hence it is reflected only on the Direct Business columns in this submission. We will endeavor to bring it as per the requisite format from the 2015 submissions.

That is acceptable for now, but the appropriate details by accident quarter should be available by the end of the alignment period.

17. **TP-7:** IBNR reserves are not based on triangulation techniques. Therefore, the split of IBNR reserves based on accident quarter not available.

Even if the IBNR is not based on triangulation techniques, the actuary should be able to split the total IBNR by line into accident quarters.

18. **TP-7:** Motor business is written with XOL treaty and no XOL details were provided in the outstanding claims data therefore reinsurance ceded portion is left blank.

That is acceptable for now, but the ceded reinsurance details should be available by the end of the alignment period.

19. **TP-7:** The data for group medical used for determining the quarterly IBNR triangles related to 3 three years only.

It is up to the actuary to sign off on how many quarters of data to use when calculating the IBNR. However, even when only 3 years are used to calculate the IBNR, the remaining data for older years should still be included in the appropriate forms.

20. **TP-7:** For life companies with various lines of business that do not have enough credible data for a particular line to develop IBNR basis, it is recommended that the Insurance Authority prescribes IBNR basis.

We do not expect to prescribe a basis for calculation as we expect the actuary to follow industry best practices and professional standards of practice when calculating the reserves, which includes business that does not yet have enough credible data.

21. **TP-7:** For general insurance, our actuarial methodology is Underwriting year basis as such we don't have the IBNR distribution and some of the information by Accident year. If we provide the actuarial report for the period, will that be enough?

No. The data must be provided on an accident quarter basis. The actuarial report is a separate, by related, requirement so that the Insurance Authority can review the work done by the actuary. During the alignment period, until the data has been converted from underwriting period to accident period, the actuary should be able to adjust the underwriting period IBNR to an accident period basis.

22. **TP-8:** In the outstanding claims data, no details were provided for the loss adjustment expenses therefore outstanding triangles for loss adjustments are

left blank. Similarly the paid data for medical and IBNR reserves triangles for all lines are also left blank due to the above mentioned reason.

It is acceptable to include the ALAE data with the loss data (as noted elsewhere in this document`), but the paid data and IBNR should be provided for all types of business written by the Company.

23. **TP-9:** In the outstanding claims data, details of salvage recovery is provided for Motor business only therefore only motor business triangles are filled while the rest are left blank. The IBNR reserves also don't explicitly clarify the salvage recovery therefore these triangles are also left blank.

That is acceptable for now, but the salvage & subrogation details should be available for all types of business by the end of the alignment period. If separate components for salvage & subrogation (i.e., recoveries, case reserves and IBNR) are not yet available, then it is acceptable to net the salvage & subrogation components against the corresponding loss components until the details are separated.

24. **TP-10:** Unable to provide the Intimated & Closed Claim counts on Medical lines since it is handled by the TPA's.

That is acceptable for now, but the TPA should provide the claim count triangles by accident quarter by the end of the alignment period.

25. **TP-11:** Our software vendor is working to incorporate this requirement; however since we do not have the information at the moment this sheet is not completed in the current submission.

26. **TP-11:** In the outstanding claims data, details of salvage recovery is provided for Motor business only, therefore only motor business recoveries by days outstanding are mentioned in this form while the rest are left blank.

That is acceptable for now, but the number of days outstanding should be available by the end of the alignment period.

27. **TP-11:** For finding out the days outstanding – December 31, 2014 is taken as valuation date and the numbers of days are calculated as the period elapsed from the loss date till the valuation date.

It is acceptable to use the date of loss to calculate the number of days outstanding, but it would be to your advantage to use the date the salvage or subrogation was obtained as this is often later than the date of loss. Once a method for calculating the number of days outstanding has been settled upon (by the end of the alignment period), it may not be changed without permission of the Insurance Authority.

28. **TP-12:** "Annual Contribution Policies" may be re-named as "Regular Contribution Policies" so that other modes of payment (Monthly, Quarterly and semiannually) are also catered.

Good suggestion. This has been changed.

29. **TP-12:** Instead of Sum Insured, Sum at Risk should be captured to reflect the current risk exposure.

Good suggestion. This is consistent with our intent and has been changed.

30. **TP-12:** For single contribution, we have taken 10% of Single Contribution as annual office contribution. Please confirm if this is appropriate?

For Single contribution, the entire 100% should be taken. Annual Office contribution should exclude Single Premium policies.

31. **TP-13:** We recommend taking annual data for individual life business persistency instead of quarterly. Further, we recommend including development data for decrements only with yearly returns (and not quarterly).

Given that we have done everything quarterly, we believe that this should also be quarterly.

32. **TP-13:** The title may be replaced from 'Lapses' to 'Decrement' since the data requires terminations due to lapses, surrenders, withdrawals, deaths etc.

Good suggestion. This has been changed.

33. **TP-14:** Universal life products have been assumed under fund accumulation category (all others).

No, Universal Life should fall under Whole Life, specifically under "Individual Life unit linked without (or with) guaranteed return".

34. **TP-14:** Conventional endowment products (having reversionary and terminal bonuses) assumed under Individual Life participating without guarantee.

Agreed, to the extent that reversionary and terminal bonus are not guaranteed.

35. **TP-14:** For term business, Present Value of Expenses is used as a balancing item. For unit linked business, it is not possible for us to separate out the present values of income from units and present value of increases to the unit reserve. These two items have been calculated as a single balancing item that has been added to the present value of benefits as this was deemed to be the most applicable section of the form to these items.

For Unit Linked business, if the valuation method does not allow the separation of the present value of expenses then this is acceptable. However, in cases where a Gross Premium Valuation is higher than a Net Premium Valuation, the present value of expenses is expected to be filled in.

36. **TP-15:** Assumptions for claims payout pattern were made based on claims development for Non-Life, medical and group life.

The claims payment patterns should be determined by the actuary at the same level of detail (i.e., by type of business) as their IBNR calculations. If appropriate, the payment pattern for grouped types of business can then be allocated to the types of business in the eForms.

37. **TP-15:** For life business, actual projection for run-off liabilities has been done (except unit-linked).
38. **TP-15:** For undiscounted cash flow used in Actuarial Present value statistics, we have assumed undiscounted change in mathematical reserves for future years.

The results of the present value of cash flows would only match with actuarial reserves if the company is using annual cash flows and interpolated values for mid-year. We expect actuaries would be performing monthly cash flow projections and would populate undiscounted cash flows such that it matches with the mathematical reserves.

39. **TP-15:** For this submission we have not populated the information with respect to claims payment patterns and expected future cash outflows. We will be working with our Group actuarial department to use our historic payment patterns to complete this form with meaningful data.

That is acceptable for now, but the expected future cash flows should be available by the end of the alignment period otherwise the SCR can't be properly calculated.

40. **TP-17:** We notice a formula error in cell BQ114 & all the other corresponding rows where data entry is restricted – The cell reference for BQ114 should be retrieving the data from TP-1!M111; instead of TP-1!M112 as mentioned in the sheet.

Good catch. The formulas in BQ to BV have been reviewed and corrected as needed.

41. **TP-18:** Please provide further details of the information required, i.e., National Ambulance Program?

This is a new program that started in 1 March 2015 for Motor policies only. Every Company that writes Motor insurance can charge an extra premium per vehicle to cover the costs. Whenever an ambulance is used in response to an auto accident the Company will be charged for use of the ambulance (a claims expense). The TP-18 forms are used to capture the premiums and claims expense by Emirate as the program details may vary by Emirate.

Reinsurance Analysis

1. **REINS-3:** Analysis of Reinsurance Recoverable by Counterparty / Rating we have provided recoverable however we will provide the rating later.

That is acceptable for now, but the reinsurance ratings should be available by the end of the alignment period.

2. **REINS-3:** In this sheet under reinsurance recoverable, there is no column to include reinsurance share of UPR due to which it does not match with the financials. Therefore, we have included RI share of UPR under reinsurance recoverable in order to match figures with financials.

Good catch. Form REINS-3 has been revised to more clearly include all technical provisions so that the totals should now match REINS-4 and the financials. Note that the admissibility of reinsurance recoverable remains focused on the ceded provisions that are “at risk”.

3. **REINS-4:** In spite of entering the credit rating of all Reinsurers, the sum at line 109 is still in red.

The conditional format for line 109 was incorrect in version Beta1. It has been corrected in version 1.0.

4. **REINS-4:** We will provide this later.
5. **REINS-4:** We have input the details of UPR, OSLR and IBNR by main class of business or by prorating or under Miscellaneous, as currently the split of these by Reinsurer and by Sub class are not available. We are currently working on the automation of these and will try to provide these from Q1 2016.

That is acceptable for now, but the reinsurance ratings should be available by the end of the alignment period.

Payables Analysis

1. Aging by counterparty / related parties is a challenge and is not readily available.

As these are amounts the Company owes to others, we assume this will be available by the end of the alignment period.

Related Party Transactions

1. **RP-1:** For columns 24 through 28, 36 through 40 and 48 through 52 these refer to the 2013 financial year whereas we believe the intention is for these cells to refer to the 2014 financial year.

Yes, those were incorrectly labeled in version Beta1 and have been fixed in version 1.0.

2. **RP-1:** With respect to related party expenses, in the column heading it is mentioned as 31/12/2013 (column L) instead of 31/12/2014. Hence we have updated 2013 figures.

As noted in the previous comment, the column labels were incorrect for some of the columns.

Takaful Transactions Analysis

No comments were received with respect to the TAKF Forms, but questions related to Takaful vs. non-Takaful are noted in other parts of this report.