

**Board of Directors Decision No. ( ) of 2011  
On Instructions Pertinent to  
The Principles of Organizing Accounting Books and Records of Each of the  
Takaful Companies, Agents, and Brokers and Determine Data to be Inserted in  
these Books and Records**

**Board of Insurance Authority**

Having considered that:

- Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of its Operations and Executionary Regulations;
- Pursuant to what has been presented by the General Manager of the Authority; and
- Takaful Insurance Regulations.

**It was Decided**

**Article (1)**

This instruction shall be named as (The Principles of Organizing Accounting Books and Records of Each of the Takaful Companies, Agents, and Brokers and Determine Data to be Inserted in these Books and Records).

**Article (2)**

**Definitions**

The following words and expression shall bear the meaning indicated beside each of them unless the context provides otherwise:

<b>State</b>	The United Arab emirates
<b>Ministry</b>	The Ministry of Economy
<b>Minister</b>	The Minister of Economy
<b>Authority</b>	The Insurance Authority established by virtue of the provision of the Federal Law no.6 of 2007.
<b>Executionary Regulations</b>	The Executionary Regulations of the Federal Law No. 6 of 2007 issued by the Insurance Authority Board of Directors' Resolution No. 2 of 2009
<b>Company</b>	The takaful insurance company established and conducting its business according to the provisions of the Law, the Executionary Regulations and the System of Regulations herein which all its transactions are in conformity with the principles of Sharia Law.

<b>Takaful Insurance</b>	A collective contractual system aiming at attaining cooperation between a group of participants to face specific risks whereby each one of them pay certain contribution that leads to formation of an account called the participants account through which the due compensation will be paid to whoever the risks are realized in his respect. The takaful insurance company will manage the account and invest the amounts collected therein against a specified remuneration.
<b>Participant</b>	The person associated with a membership contribution document and concluded takaful insurance contract and obligated to pay the contribution, who has the right, or his legal heirs have the right, or those assigned thereto have the right, in cases an assignment is permitted, to receive the compensation or benefits offered by the participant's account with company.
<b>Takaful Insurance Policy</b>	The policy concluded by and between the company and the participant which embraces the terms of contract, the rights and obligations of the two parties and the beneficiaries of takaful insurance and any endorsements thereto.
<b>Premium/ Policyholder</b>	For the purpose of the regulations discussed below, premium refers to contribution and policyholder refers to participants.
<b>Properties Takaful Insurance and Third Party Liability Takaful Insurance</b>	Property takaful insurance and Third Party Liability takaful insurance shall include the branches referred to in Article (5) of the Executionary Regulation provided they contain no matter in violation of the principles of <i>Sharia</i> Law.
<b>Individuals Takaful Insurance</b>	It includes family takaful insurance of all forms, Medical takaful insurance of all forms and personal accidents takaful insurance associated with family takaful insurance.
<b>Technical Provisions</b>	The provisions which the insurer must deduct and maintain to meet the insured's and accrued financial obligation.
<b>Contribution</b>	The amount which the participants undertakes to pay as an obligation to make donation against his contribution in takaful insurance account with the company to compensate damages or pay benefits to whosoever deserve them.
<b>Unearned Premium Reserves (UPR)/Unexpired Risk Reserves (URR)</b>	Reserves for the premium which represents portion of the premium that covers the liability subsequent to the financial statement date.

<b>Outstanding Loss Reserves (OLSR)</b>	The OLSR is a reserve representing claims that have been reported but not yet settled.
<b>Incurred but Not Reported Claims (IBNR)</b>	Reserves for claims that have been incurred but not reported or not enough reported as on a reporting date to the Company.
<b>Unallocated Loss Adjusted Expense (ULAE) or Allocated Loss adjusted Expense (ALAE)</b>	ULAE/ALAE is a reserve representing future claims expenses and handling costs.
<b>Mathematical Reserve</b>	Reserves created for long term insurance contracts (life products more than one year) to cover all its future claims.
<b>Actuary</b>	The person who estimates values of the insurance contracts, documents and the related accounts.
<b>Insurance Agent</b>	The person approved and authorized by the company to carry out insurance operation on its behalf or in behalf of any branch thereof.
<b>Insurance Broker</b>	The person who independently intermediates in insurance or reinsurance operations between the insurance or reinsurance seeker on one side and any insurance or reinsurance company on the other side and received for his efforts commission from the insurance company or the reinsurance company with which the insurance or reinsurance has been accomplished.
<b>Insurance Consultant</b>	The person, who studies the insurance requirements for his clients, gives advice in respect of the suitable insurance coverage, assists in preparing insurance requisites and receives for his efforts remuneration from his clients.
<b>Beneficiary</b>	The person who acquired the rights of the insurance contract at the start or these rights has been legally transferred thereto.
<b>Solvency Margin</b>	The surplus in the value of the company's real assets over its liabilities that enables it to fulfill its obligations in full and to pay the required indemnities right away when they befall due without impeding the company operations or weakening its financial status.

**Insurance or Underwriting Surplus** Insurance or underwriting surplus is the excess of the total premium contributions paid by participants during the financial period over the total indemnities paid in respect of claims incurred during the period, net of reinsurance and after deducting expenses and changes in technical provisions

**Accounts' Auditor** The accounts' auditor licensed to perform in the UAE.

### **Article (3)**

#### **Types of Accounting Books**

1. Following types of accounting books to be maintained:
  - a. Accounting Books for participants including Technical accounting books;
  - b. Accounting books for the shareholders;
  - c. Wakala and Mudaraba fee accounting books;
  - d. Ledgers and sub-ledgers for participants and shareholders; and
  - e. Journals for participants and shareholders.

Company must maintain adequate accounting and other books to identify and support the contracts and the assets, liabilities, revenues and expenses attributable to its operations.

Company must maintain any other books as required by the Authority.
2. The Company who are carrying on Individual takaful insurance operations and Properties takaful insurance & Third Party Liability takaful insurance operations must maintain separate books in respect of both operations. Transactions relating to each kind of business must be maintained separately. Additionally, the Company must maintain accounting books needed to identify all assets and liabilities relating to the separate businesses.
3. The company shall maintain separate accounts for shareholders and participants.
4. The Authority may from time to time inspect under conditions of secrecy the books, accounts and transactions of any Company and of any of its branch officers.
5. The Company should submit any documents or information requested by the Authority on any Company that has an ownership relationship with the Company, pertaining to the Company's books and within the time period that is set by the Authority.
6. Company shall maintain backup for all records. The backup shall be maintained in a separate location from the original records.
7. Regardless to any information mentioned in other instructions, the electronic information or information generated from the computer system, telefax, fax and e-mail are considered adequate and valid if the authoritative controls were adhered to.
8. The books referred to above shall be in the form of originals, or in any other form of electronic archiving systems.

9. Books and entries reflecting the operations of the Company must be approved appropriately and maintained in order to ensure accountability and sustain an audit trail.
10. The Authority may assign an employee from their end or appoint an external party to inspect, in appropriate times, the books of the Company. The Company shall have all its books available and cooperate with the employee or the external party so that they can fully perform their duties. The Company shall bear all the expenses for the external party as decided by the Authority, unless the Authority deems otherwise.
11. For the purposes of an inspection, the Company shall allow the Authority access to its books, accounts and documents and shall give such information and facilities as may be required to conduct the inspection provided that the books, accounts and documents shall not be required to be produced at such times and at such places as shall interfere with the proper conduct of the normal daily business of that Company.
12. The retention period of the books and backups along with any other related documents and data, should be for seven years or more, as of the end date of the activity or the working relation with insured.
13. The Company will maintain books beyond the normal statute of limitation periods as stipulated in point 11 above, when the books are subject to ongoing investigations or prosecution in court, until such books are no longer needed.

#### **Article (4)**

##### **Insurance Agents and Brokers**

For Guidance on insurance agents and brokers, the following apply.

1. Every insurance broker/agent shall prepare for every accounting year:
  - a) A financial position as at the end of each accounting period;
  - b) A income statement for that period;
  - c) A cash flow statement;
  - d) A change in equity statement; and
  - e) Additional statements and notes to accounts on insurance broking business as may be required by the Regulator.
2. Every insurance broker/agent shall maintain separate ledger accounts for each of its clients.
3. The agent/broker shall keep the books identified in this Article along with the backups for a period of not less than seven years as of the date the duration of the insurance policy ends.
4. The agent/broker will maintain books beyond the normal statute of limitation periods as stipulated in point 3 above, when the books are subject to ongoing investigations or prosecution in court, until such records are no longer needed.
5. The Authority may assign an employee or more from their end or appoint an external party to inspect, in appropriate times, the books of the agent/broker. The agent/broker shall have all his books available and cooperate with the employee or the external party

so that they can fully perform their duties. The agent/broker shall bear all the expenses for the external party as decided by the Authority, unless the Authority deems otherwise.

## **Article (5)**

### **Auditing of Accounting Books**

For Guidance on auditing of accounting books and other related guidelines, the following apply.

1. Every Company shall appoint one or more qualified and experienced accounts' auditors for its accounts for every financial year.
2. If a Company fails to appoint an accounts' auditor within four months from the beginning of the financial year, the Authority shall appoint such accounts' auditor
3. An accounts' auditor shall review actuarial reports that present immediate or future risks facing the Company, and the Authority shall be provided with copies of these reports in a timely manner.
4. The Company's Actuary shall, in the presence of immediate or future risks facing the Company, submit a report on a timely basis directly to the Company's Board of Directors. The Board of Directors shall examine the report and recommend corrective actions, and forward all related information to the Authority within fifteen days from receiving the report.
5. The Company's Board of Directors shall form an audit committee consisting of at least three members from non-executive managers and mostly non-members of the Board of Directors.
6. The Company shall:
  - a) Establish an internal audit department, which shall report directly to the audit committee. The Internal Audit Head in charge of this department must be a holder of a professional certificate in the related discipline and have relevant and adequate experience.
  - b) Appoint a regulatory compliance officer. This office shall verify compliance with all rules, regulations and directives. This office shall be directly affiliated to the audit committee and shall contact the Authority directly and provide it with information according to the procedures that it specifies, and report to the internal audit department any indemnity or claim payments which violate the standard technical claim payments.
7. The Company shall direct submit to the Authority the management letter before publication of the financial statements.
8. The financial statements and the accounts' auditor's report must be published as per the requests from Authority.
9. For further guidance on auditing of accounting books and other related guidelines refer to Addendum (1) and (2) herein.

## **Article (6)**

## **Addendum**

The Addendums attached to these instructions are an integral part of the instructions and to be read along with the instructions.

### **Article (7)**

#### **Penalties**

The Company not abiding with the instructions in this regulation will be penalized as per the penalties stipulated in the laws and as the case requires.

### **Article (8)**

#### **Issuing Decrees**

The General Manager of the Authority issues the required decrees to enforce the instructions of these regulations.

### **Article (9)**

#### **Aligning Operations**

Once these regulations are enforced, each operating company must align its operations with the instructions in these regulations within a period of ( ) from them being enforced.

### **Article (10)**

#### **Publishing the Regulation and Acting on Them**

These regulations are published in the Official Gazette and are acted upon from the publishing date.

**Engineer Sultan Bin Saeed AlMansoori**  
**The Minister of Economy**  
**Chairman of the Board of the Insurance Authority**

Issuing Date: 1432

\_\_/\_\_/2011

**Addendum to the Principles of Organizing Accounting Books and Records of  
Each of the Takaful Companies, Agents, and Brokers and Determine Data to  
be Inserted in these Books and Records**

**Addendum 1:**

This is provided as further guidance to the auditing of accounting books and other related guidelines and to be read along with Article (5).

1. Additional Tasks for the Accounts' auditor
  - a) The Authority may request additional duties from the accounts' auditor concerning Company's. Such tasks may include:
    - (i) Submission of such additional information relating to the audited accounts as the Authority may specify;
    - (ii) Enlarging the scope of the audit;
    - (iii) Notifying the Authority of any financial violations discovered during the course of the audit;
    - (iv) Notifying the Authority of any reservations regarding the accounts or the reserves of the Company;
    - (v) Notifying the Authority of any discrepancy in the financial systems, controls, and of any material inaccuracies or inconsistency in the Company's financial statements; and
    - (vi) Preparing such financial reports and statements as required by the Authority.Accounts' auditor's fees for such additional tasks shall be borne by the Company.
  - b) By carrying out such assignment requested by the Authority under the preceding section, the accounts' auditor shall not be in breach of any duties towards the Company's, the Authority, the shareholders or any third parties.
2. An accounts' auditor shall not be the chairman or a director in the Company's board or a managing director, agent, representative or taking up any administrative work therein, or supervising its accounts, or a next of kin to someone who is responsible for the administration or accounts of a Company, or having an extraordinary interest in a Company as the Authority may determine.
3. If any of the circumstances referred to in the preceding section occurs after the appointment of the accounts' auditor, the Company must appoint another accounts' auditor.
4. The Company shall provide the accounts' auditor with all information and assistance necessary for carrying out his duties.
5. The duties of the accounts' auditor shall include the preparation of a report on the final accounts. The report shall contain a statement on whether the Company's accounts are fairly stated and reflect materially, the actual state of affairs of the Company and whether the Company has provided the accounts' auditor with any required information and clarifications.
6. If the Company is a foreign Company, a copy of its final audited accounts together with the accounts' auditor's report shall be sent to its main office abroad.



7. Accounts' auditor Access to Relevant Information: Outsourcing agreements must ensure that the Company's internal and accounts' auditors have timely access to any relevant information they may require to fulfill their responsibilities.

#### **Addendum 2:**

1. Major Roles and Responsibilities of the Internal Auditor:
  - a) Evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the Company's to meets its objectives and goals;
  - b) Reports risk management issues and internal controls deficiencies identified directly to the audit committee and provides recommendations for improving the Company's operations, in terms of both efficient and effective performance;
  - c) Evaluates information security and associated risk exposures;
  - d) Evaluates regulatory compliance program with consultation from legal counsel;
  - e) Evaluates the Company's readiness in case of business interruption; and
  - f) Teams with other internal and external resources as appropriate.
  
2. Procedures for Internal Auditing:
  - a) Collate information about the Company's organizational structure, business strategy, corporate governance policies and procedures, board and various committees roles and responsibilities, minutes of various committees and board;
  - b) Based on initial understanding of the company and the regulations in force by IA of UAE define the scope of work for the audit;
  - c) Based on the scope of work defined and initial information and discussion with the Company's relevant personnel prepare the audit procedures; and
  - d) Perform the audit procedures and prepare an audit report based on the audit procedures.

**Board of Directors Decision No. ( ) of 2011**  
**On Instructions Pertinent to**  
**Accounting policies to be adopted and the necessary forms needed to prepare reports**  
**and financial statements and presentations thereof - Takaful**

**Board of Insurance Authority**

Having considered that:

- Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of its Operations and Executionary Regulations;
- Pursuant to what has been presented by the General Manager of the Authority; and
- Takaful Insurance Regulations.

**It was Decided**

**Article (1)**

This instruction shall be named as (Accounting policies to be adopted and the necessary forms needed to prepare reports and financial statements and presentations - Takaful).

**Article (2)**

**Definitions**

The following words and expression shall bear the meaning indicated beside each of them unless the context provides otherwise:

<b>State</b>	The United Arab emirates
<b>Ministry</b>	The Ministry of Economy
<b>Minister</b>	The Minister of Economy
<b>Authority</b>	The Insurance Authority established by virtue of the provision of the Federal Law no.6 of 2007.
<b>Executionary Regulations</b>	The Executionary Regulations of the Federal Law No. 6 of 2007 issued by the Insurance Authority Board of Directors' Resolution No. 2 of 2009
<b>Company</b>	The takaful insurance company established and conducting its business according to the provisions of the Law, the Executionary Regulations and the System of Regulations herein which all its transactions are in conformity with the principles of Sharia Law.

<b>Takaful Insurance</b>	A collective contractual system aiming at attaining cooperation between a group of participants to face specific risks whereby each one of them pay certain contribution that leads to formation of an account called the participants account through which the due compensation will be paid to whoever the risks are realized in his respect. The takaful insurance company will manage the account and invest the amounts collected therein against a specified remuneration.
<b>Participant</b>	The person associated with a membership contribution document and concluded takaful insurance contract and obligated to pay the contribution, who has the right, or his legal heirs have the right, or those assigned thereto have the right, in cases an assignment is permitted, to receive the compensation or benefits offered by the participant's account with company.
<b>Takaful Insurance Policy</b>	The policy concluded by and between the company and the participant which embraces the terms of contract, the rights and obligations of the two parties and the beneficiaries of takaful insurance and any endorsements thereto.
<b>Contribution</b>	The amount which the participants undertakes to pay as an obligation to make donation against his contribution in takaful insurance account with the company to compensate damages or pay benefits to whosoever deserve them.
<b>Premium/ Policyholder</b>	For the purpose of the regulations discussed below, premium refers to contribution and policyholder refers to participants.
<b>Properties Takaful Insurance and Third Party Liability Takaful Insurance</b>	Property takaful insurance and Third Party Liability takaful insurance shall include the branches referred to in Article (5) of the Executionary Regulations provided they contain no matter in violation of the principles of <i>Sharia</i> Law.
<b>Individuals Takaful Insurance</b>	It includes family takaful insurance of all forms, Medical takaful insurance of all forms and personal accidents takaful insurance associated with family takaful insurance.
<b>Technical Provisions</b>	The provisions which the insurer must deduct and maintain to meet the insured's and accrued financial obligation.
<b>Unearned Premium Reserves (UPR)/Unexpired Risk Reserves (URR)</b>	Reserves for the premium which represents portion of the premium that covers the liability subsequent to the financial statement date.

<b>Outstanding Loss Reserves (OLSR)</b>	The OLSR is a reserve representing claims that have been reported but not yet settled.
<b>Incurred but Not Reported Claims (IBNR)</b>	Reserves for claims that have been incurred but not reported or not enough reported as on a reporting date to the Company.
<b>Unallocated Loss Adjusted Expense (ULAE) or Allocated Loss adjusted Expense (ALAE)</b>	ULAE/ALAE is a reserve representing future claims expenses and handling costs.
<b>Mathematical Reserve</b>	Reserves created for long term insurance contracts (life products more than one year) to cover all its future claims.
<b>Actuary</b>	The person who estimates values of the insurance contracts, documents and the related accounts.
<b>Insurance Agent</b>	The person approved and authorized by the company to carry out insurance operation on its behalf or in behalf of any branch thereof.
<b>Insurance Broker</b>	The person who independently intermediates in insurance or reinsurance operations between the insurance or reinsurance seeker on one side and any insurance or reinsurance company on the other side and received for his efforts commission from the insurance company or the reinsurance company with which the insurance or reinsurance has been accomplished.
<b>Insurance Consultant</b>	The person, who studies the insurance requirements for his clients, gives advice in respect of the suitable insurance coverage, assists in preparing insurance requisites and receives for his efforts remuneration from his clients.
<b>Beneficiary</b>	The person who acquired the rights of the insurance contract at the start or these rights has been legally transferred thereto.
<b>Solvency Margin</b>	The surplus in the value of the company's real assets over its liabilities that enables it to fulfill its obligations in full and to pay the required indemnities right away when they befall due without impeding the company operations or weakening its financial status.
<b>Insurance or</b>	Insurance or underwriting surplus is the excess of the total premium contributions paid by participants during the financial

<b>Underwriting Surplus</b>	period over the total indemnities paid in respect of claims incurred during the period, net of reinsurance and after deducting expenses and changes in technical provisions
<b>Accounts' Auditor</b>	The accounts' auditor licensed to perform in the UAE.

### **Article (3)**

#### **Guidance on preparation of financial statements**

1. Each Company shall prepare its financial closing statements in accordance with the accounting policies and the financial forms stipulated herein, and shall provide the Authority with a detailed financial report in accordance with article (37) of the Federal Law no.6 of 2007.
2. The Appendix 1 attached to these Instructions shall be considered an integral part of the regulations.
3. All companies that are providing Individual takaful insurance in addition to Properties takaful insurance and Third Party Liability takaful insurance must generate separate financial statements for each type of business and consolidated financial statements according to the attached forms in Appendix 1.
4. The company shall submit its financial and closing statements including their notes to the authority in both languages; Arabic and English.
5. For further guidance on preparation of financial reports refer to Addendum (1) herein.

### **Article (4)**

#### **Amendments to Financial statements**

The Authority shall have the right, to add any items to the forms required to prepare the financial reports and statements, amend or cancel such forms, in addition to adding any other forms

### **Article (5)**

#### **Wakala and Mudaraba Fee**

1. Takaful insurance Companies shall charge fees either based on a Hybrid Model (Wakala fee as a percentage of gross premium and Mudaraba fee as a percentage of investment income) or only a Mudaraba Model (Fees charged as a percentage of Underwriting Surplus and Investment Income).
2. Hybrid Model should have a maximum limit for Wakala fee at 10% of Gross Premium.
3. The model and the limits defined by each takaful insurance company and any subsequent changes in the hybrid or only mudaraba model to be adopted by a takaful insurance company shall be approved by the Shari'a committee of the takaful insurance company and the Authority.

4. Disclosure shall be made in the financial statements of the party that manages insurance operations and the remuneration it receives (a specified fee based on Gross Premium, not exceeding 10% of Gross Premium for Hybrid model, a share of underwriting surplus for Mudaraba model).
5. Disclosure shall be made in the financial statements of the party that manages investment of participants' funds and the shareholders' funds and the remuneration it receives (a percentage of investment profit in case of Hybrid and Mudaraba model).
6. Disclosure shall be made in the financial statements of the basis applied by the Company in determining the remuneration of the party that manages the Company's investments on the basis of Hybrid or Mudaraba.

## **Article (6)**

### **Surplus/ Deficit Allocation**

The company must abide to the following in terms of surplus allocation:

1. There are a number of methods to allocate the insurance surplus, these include:
  - a) Allocation of surplus to all participants, regardless of whether or not they have made claims on the policy during the financial period.
  - b) Allocation of surplus only among participants who have not made any claims during the financial period.
  - c) Allocation of surplus among those who have not made any claims and among those who have made claims of amounts less than their insurance contributions, provided that the latter category of participants shall receive only the difference between their insurance contributions and their claims during the financial periods.
  - d) Allocation of surplus between participants and shareholders.
  - e) Allocation of surplus by using other methods.

**Method (a) mentioned above** is the one which shall be followed when the insurance policy or by-laws are silent on the specification of allocation methods.

Disclosure shall be made in the financial statements for the method used for allocation of surplus.

Disclosure shall be made in the financial statements of the basis used in accounting for any underwriting surplus declared but not collected by some or all of the participants.

2. There are a number of methods to cover the insurance deficit. These include:
  - (i) To settle the deficit from the reserves of participants, if any.
  - (ii) To borrow from the shareholders' funds "Qard Hassan" or from others the amount of deficit, this shall be paid back from future surplus.
  - (iii) To ask the participants to meet the deficit pro rata.
  - (iv) To increase the future premium contribution of participants on a pro-rata basis.

Disclosure shall be made in the financial statements of the method used to cover the deficit.

Disclosure should be made in the financial statements that how does the company plan to repay the deficit in the participants funds.

3. Entire capital of the shareholders shall be made available to participants funds in case of deficit in the participant's funds.
4. Disclosure shall be made in the financial statements of the allocation that would be met of any undistributed underwriting surplus, shall the Company be liquidated.
5. Companies must establish a policy for determining the surplus or deficit arising from its operations. Additionally the policy must determine the basis of distributing the surplus or deficit among the participants and the shareholders and the method of transferring to the participants and shareholders. The policy developed must consider the relevant AAOIFI standards including Financial Accounting Standard No. 13 'Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies'.
6. If the Company offers different types of insurance products it can develop more than one policy for distribution of surplus/deficit.
7. The Company shall develop separate policies for allocation of surplus/ deficit for its Individual Takaful insurance and Property & Third Party Liability takaful insurance.
8. Every Company must determine any surplus or deficit arising on each separate Takaful fund. The surplus/deficit has to be determined in consultation with the actuary for a Individual takaful fund.
9. The policy developed must be approved by the Shari'a supervisory committee and provided to the Authority for approval. Subsequent to its approval by the Authority, the policy may not be amended without the approval of the Shari'a Supervisory Board and the Authority.

## **Article (7)**

### **Accounting for Retakaful**

The company must abide to the following in terms of accounting for retakaful:

1. Premiums relating to proportional treaty reinsurance contracts entered into by an Company as an insurer must be treated as receivable in correspondence with the pattern of the cedant entering into the underlying insurance contracts. The premiums are treated as receivable from the date on which they are due and receivable.
2. Premiums relating to facultative reinsurance contracts and non-proportional treaty contracts entered into by a Company as cedant must be treated as payable from the date of entering into the reinsurance contract. The premiums are treated as payable from the date on which they are due and payable.
3. Premiums in respect of proportional treaty reinsurance contracts entered into by a Company as cedant must be treated as payable in accordance with the pattern affecting the underlying insurance contracts.

4. A liability for outstanding claims shall be recognized in respect of both direct insurance and inward reinsurance. The amount of outstanding claims shall be the best estimate of the expenditure required to settle the present obligation at the financial position date.
5. In an outward reinsurance arrangement, claims recoveries and any related expenses shall be accounted for in the same accounting period as the original policy and claims to which the reinsurance relates.

## **Article (8)**

### **Reporting Requirements**

For Guidance on reporting requirements, the following apply.

- 1- The Company should provide the Authority with the financial statements attached herein of Appendix 1 according to a deadline set by the Law and for each of the following:
  - a. Operations of the Company in the Country
  - b. Operations of the Company in the Country and its foreign Branches if applicable
  - c. Operations of the Company in the Country, its foreign branches and other related companies if applicable
- 2- In case of errors noted in the submitted financial statements as per article 1, the Authority will request from the Company to rectify the identified mistakes and revert to the Authority within the period set by the Authority.
- 3- Each Company should provide the Authority with a copy of the financial statement as per the below instructions:
  - a. Quarterly financial statements:**

The Company should provide the Authority with quarterly financial statements signed by the Company's General Manager and reviewed by the Accounts' Auditor and stamped by the Company. One month period upon the end of the quarter is the submission deadline.
  - b. Annual financial statements:**

The Company should provide the Authority with annual financial statements audited by the Accounts' Auditor and stamped by the Company and signed by the Chairman of the Board and the General Manager. The submission date is determined based on the law governing the submission.

The Annual report to be submitted to the Authority shall include the following:

    - the accounts' auditor report for the Company on audited financial statements and Disclosures based on Appendix 1 of this regulation.
    - the notes to accounts;
    - the report of Board of Directors;
    - the report of the actuary of the Company;
    - a description of the roles of the actuary and the accounts' auditor in the preparation and audit of the annual statement; and
    - the management Report.
4. For further guidance on reporting requirements refer to Addendum (2) herein.



**Article (9)**

**Addendum**

The Addendums attached to these instructions are an integral part of the instructions and to be read along with the instructions.

**Article (10)**

**Penalties**

The Company not abiding with the instructions in this regulation will be penalized as per the penalties stipulated in the laws and as the case requires.

**Article (11)**

**Issuing Decrees**

The General Manager of the Authority issues the required decrees to enforce the instructions of these regulations.

**Article (12)**

**Aligning Operations**

Once these regulations are enforced, each operating company must align its operations with the instructions in these regulations within a period of ( ) from them being enforced.

**Article (13)**

**Publishing the Regulation and Acting on Them**

These regulations are published in the Official Gazette and are acted upon from the publishing date.

**Engineer Sultan Bin Saeed AlMansoori  
The Minister of Economy  
Chairman of the Board of the Insurance Authority**

Issuing Date: 1432

\_\_/\_\_/2011

**Addendum to Accounting policies to be adopted and the necessary forms  
needed to prepare reports and financial statements and presentations -  
Takaful**

**Addendum 1:**

1. Any item required to be shown in a Company's financial statement may be shown in a greater detail than required by the Appendix 1.
2. In the event that any item is added to the formats attached, adequate justification must be given in the notes regards the reasons for the item being disclosed separately.
3. The Company must not include a heading or sub-heading corresponding to an item in the financial statement format used if there is no amount to be shown for that item for the financial year to which the financial statement relates. Where an amount can be shown for the item in question for the immediately preceding financial year that amount must be shown under the heading or sub-heading required by the format for that item.
4. For every item shown in the financial statement the corresponding amount for the immediately preceding financial year must also be shown.
5. Where that corresponding amount is not comparable with the amount to be shown for the item in question in respect of the financial year to which the financial statement relates, the former amount shall be adjusted, and particulars of the non-comparability and of any adjustment must be disclosed in a note to the accounts.

**Addendum 2:**

A management report shall contain the following duly authenticated by the management:

1. Confirmation regarding the continued validity of the registration granted by the Regulator;
2. Certification that all the dues payable to the statutory authorities have been duly paid/ accrued;
3. Confirmation to the effect that the shareholding pattern and any transfer of shares during the year are in accordance with the statutory or regulatory requirements;
4. Confirmation that the required solvency margin have been maintained as per the Solvency and Minimum guarantee Fund Regulation issued by the Authority;
5. Confirmation that the assets have been valued as per the Asset Valuation regulation issued by the Authority;
6. Confirmation to the effect that no part of the various funds maintained by a Company have been directly or indirectly applied in contravention of the provisions of the Investment regulation issued by the Authority;
7. Company's risk management strategies and practices to be disclosed separately for participants and shareholders, must include the following:
  - a. A summary of the significant internal and external risks facing the company;
  - b. A summary of the company's risk management policies (including, but not limited to, underwriting, credit, investment, reserving, legal, operational and group risks); and
  - c. A summary of the company's risk monitoring organisation and processes, including details on the company's risk management and internal audit functions; the use of reinsurance; and controls on underwriting, credit and investment risk.

8. Operations in other countries, if any, with a separate statement giving the management's estimate of country risk and exposure risk and the hedging strategy adopted;
9. Ageing of claims indicating the trends in average claim settlement time during the preceding five years;
10. Review of asset quality and performance of investment in terms of portfolios, i.e., separately in terms of real estate, loans, investments, etc. This has to be disclosed separately for participants funds and shareholders funds.
11. A responsibility statement from the management indicating therein that:
  - a. In the preparation of financial statements, IFRS have been followed along with proper explanations relating to material departures, if any;
  - b. The management has adopted accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating profit or loss and of the profit or loss of the Company for the year;
  - c. The management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Authority, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - d. The management has prepared the financial statements on a going concern basis; and
  - e. The management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.
12. Details of any shares in the company held by its Directors and Chief Executive Officer/General Manager shall be disclosed.
13. The following information relating to corporate governance shall be included:
  - a. Information on the corporate governance (including IT Governance) rules and framework adopted within the Company;
  - b. Information about the Board and Board Committees (if any). This must include details of Board membership (including a summary of each Board member's professional experience, qualifications, date of appointment, remuneration paid and other Directorships held); details of the membership and mandates of any Board Committees; and the number of Board and any Board committee meetings held during the financial year in question;
  - c. Information on the composition and role of various other Board and Management committees;
  - d. Information about the managerial structure. This must include a summary of the Chief Executive Officer's/General Manager's professional experience, qualifications and date of appointment; a summary of any management committees, their mandates and membership; and a summary of the senior management structure and reporting lines; and
  - e. Information about the Company's basic organizational structure. This must include a clear description of the lines of business and legal entity structures.

**Appendix 1**

Takaful Company Financial Statement Forms (with Disclosures) <sup>1</sup>

Consolidated Financial Position for Group Takaful Insurance Company as of Month, 20XX

	Notes	20XX AED	20YY AED
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property and Equipment	3		
Investment in Real Estate	4		
Investment in Subsidiaries			
Investment in Associates	5		
Investments	6c & 6d		
Goodwill			
Total Non-Current Assets			
<b>Current Assets</b>			
Investment	6a & 6b		
Takaful Receivables	7		
Other Receivables and Prepayments	8		
Cash and Bank Balances	9		
<b>Total Current Assets</b>			
<b>Total Takaful Assets</b>			
Less: Inter Fund Balances			
<b>Total Assets</b>			
 <b>Liabilities, Participants' Fund, and Shareholders' Equity</b>			
<b>Liabilities</b>			
<b>Takaful Liabilities:</b>			
Takaful Payables	10		
Takaful Contracts Liabilities			
Technical Provisions			
Unearned Premium Reserve			

1

Consolidated refers to a group of companies running both Individual Takaful insurance and Properties Takaful & Third Party Liability Takaful insurance.

The cash flow and change in shareholders' equity format under consolidated financial statements is applicable to individual financial statements to be prepared for Individual Takaful insurance and Properties takaful and Third Party Liability takaful insurance.

Incurring but Not Reported		
Allocated Loss Adjustment Expenses		
Unallocated Loss Adjustment Expenses		
Mathematical Reserve (net)		
Catastrophic Risk Reserves		
Total Technical Provisions	18	<hr/>
Total Takaful Liabilities		<hr/>
Ijara Payables	11	<hr/>
<b>Shareholders' Liabilities:</b>		
Pension Benefit Obligation	12	<hr/>
Other Payables		<hr/>
<b>Total Liabilities</b>		<hr/>
<b>Participants' fund</b>		
Individual Takaful Fund		
Properties Takaful Fund		
Surplus/ Deficit in Individual Participants' Fund		
Surplus/ Deficit in Properties Participants' Fund		
Loan from Individual Fund Participants		
Loan from Properties Fund Participants		
Proposed Profit Distribution to Individual Fund Participants		
Proposed Profit Distribution to Properties Fund Participants		
Investments Revaluation Reserve Attributable to Individual Fund		
Investments Revaluation Reserve Attributable to Properties Fund		<hr/>
<b>Total Surplus/ Deficit in Participants' Fund</b>		<hr/>
<b>Shareholders' Equity</b>		
Share Capital	13	
Retained Earnings/Loss	14	
Employee Share Options Reserve	15	
Obligatory Reserves	16	
General Reserves	17	
<b>Total Equity Attributable to Shareholders of the Company</b>		
Minority Interest	19	
Foreign Currency Translation Adjustments		<hr/>
<b>Total Equity</b>		<hr/>
<b>Total Liabilities, Participants' Fund, and Shareholders' Equity</b>		<hr/>

Consolidated Income Statement for Group Takaful Insurance Company as of Month, 20XX

	Notes	20XX AED	20YY AED
<b>Takaful Income</b>			
Gross Takaful Contributions			
Retakaful Share of accepted business			
Retakaful Share of ceded business			
<b>Net Takaful contributions</b>			
Net Transfer to Unearned Premium Reserve			
<b>Net Takaful contributions Earned</b>	20		
Commissions Earned			
Commissions Paid			
Gross Takaful Contributions			
<b>Takaful expenses</b>			
Gross Claims Incurred			
Retakaful Share of Accepted Business Claims			
Retakaful Share of Ceded Business Claims			
<b>Net claims incurred</b>	21		
Provision for takaful contract liabilities (outstanding claims)			
Retakaful Share of Outstanding Claims			
Increase/ (Decrease) in Unearned Premium Reserves			
Increase/ (Decrease) in Incurred but Not Reported Claims Reserves			
Increase/ (Decrease) in Unallocated Loss Adjusted Expense Reserve			
Increase/ (Decrease) in Mathematical Reserves			
Increase/ (Decrease) in Catastrophic Reserves			
Net Takaful Claims Incurred			
<b>Net Takaful income</b>			
(Wakala/ Mudaraba Fees)	22		
Income from Investments	23a		
Income from Real Estate			
Foreign Currency Exchange Fluctuation (Gain/Loss)			
Other Income			
<b>Net Income/ (loss) from Takaful operations</b>			
<b>Other Revenues</b>			
Investment Income/(loss) (Shareholders fund)	23b		
Wakala / Mudaraba from Participants	22		

Other Operating Income  
Write Back /(Write-Off) of Loan to Participants' Fund

**Other Expenses**

Other Operating Expenses  
General and Administrative Expenses 24

**Net Profit/(loss) for the year**

---

Net loss on revaluation of available-for-sale investments  
Reclassification adjustment relating to available-for-sale investment impaired during the year  
Transfer to profit or loss on sale of available-for-sale investments  
Board of Directors' remuneration

**Total Comprehensive Profit/Loss for the Year**

---

**Earnings per share:**

---

**Basic**

---

**Diluted**

---

---

Consolidated Cash Flow for Group Takaful Insurance Company as of Month, 20XX

Notes	20XX AED	20YY AED
<b>Income (Loss) for the year</b>		
Adjustments:		
Depreciation		
Unrealized Gain/Loss on Investment in Real Estate		
Unrealized Gain/Loss on Investment		
Unrealized Gain /Loss Foreign Currency Exchange Fluctuation		
Other Gain/ Loss		
<b>Cash flows from operating activities</b>		
Decrease/(Increase) in Takaful Receivable		
(Increase)/Decrease in Other Receivables and Prepayments		
(Decrease)/Increase in Takaful Payable		
(Decrease)/Increase in Takaful Contract Liabilities		
Pension Benefits Paid		
<b>Net Cash from Operating Activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of Property & Equipment		
Proceeds from Sale of Property & Equipment		
Investments		
<b>Net Cash from Investing Activities</b>		
Cash Flows from Financing Activities		
Ijara Payables		
(Decrease)/Increase in Individual Participants' Fund		
(Decrease)/Increase in Properties Participants' Fund		
Loan Payments for Individual Fund Participants		
Loan Payments for Properties Fund Participants		
Profit Distribution to Individual Fund Participants		
Profit Distribution to Properties Fund Participants		
Zakat Paid		
<b>Net Cash from Financing Activities</b>		
(Decrease)/Increase in Cash and Cash Equivalent		
Cash and Cash Equivalent at the End of the Year		



Consolidated Statement of Change in Equity for Group Takaful Insurance Company as of Month, 20XX

	<b>Attributable to Equity Holders of the Parent</b>						
	<b>Other Reserves (AED)</b>						
				<b>Total Equity Attributable to Shareholders of the Company</b>		<b>Foreign currency translation adjustments</b>	<b>Total equity</b>
<b>Notes</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Reserves</b>		<b>Minority Interest</b>		
<b>At XX Month 20XX</b>							
Profit/(Loss) for the year							
Other comprehensive income							
Total comprehensive income							
Transfer to statutory reserve							
Transfer to general reserve							
Zakat							
Dividends distributed							
<b>At XX Month 20XX</b>							

Financial Position for Individual Takaful Insurance Company as of Month, 20XX

Notes	20XX AED	20YY AED
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property and Equipment		
Investment Real Estate		
Investments		
<b>Total Non-Current Assets</b>		
<b>Current Assets</b>		
Takaful Receivables		
Investments		
Other Receivables and Prepayments		
Cash and Bank Balances		
<b>Total Current Assets</b>		
<b>Total Individual Takaful Assets</b>		
<b>Liabilities, Participants' Fund and Shareholders' Fund</b>		
<b>Liabilities</b>		
<b>Takaful Liabilities:</b>		
Takaful Contracts Liabilities		
Technical Provisions		
Unearned Premium Reserve		
Incurred but Not Reported (Short term products only)		
Allocated Loss Adjustment Expenses		
Unallocated Loss Adjustment Expenses		
Mathematical Reserve (net)		
Catastrophic Risk Reserves		
<b>Total Technical Provisions</b>		
Takaful Payables		
<b>Total Takaful Liabilities</b>		
Ijara Payables		
<b>Shareholders' Liabilities:</b>		
Pension Benefit		
Other Payables		
<b>Total Individual Takaful Liabilities</b>		
<b>Participants' Fund</b>		
Individual Takaful Fund		
Surplus/ Deficit in Participants' Fund		
Loan from Shareholders		

Proposed Profit Distribution to Participants  
Investments Revaluation Reserve  
**Total Surplus/Deficit in Participants' Fund**

---

---

**Shareholders' Equity**  
Share Capital  
Retained Earnings/Loss  
Reserves  
**Total Equity Attributable to Shareholders of the Company**

Minority Interest  
Foreign currency translation adjustments  
**Total Equity**

---

**Total Liabilities, Participants' Fund, and Shareholders' Equity**

---

---

Income Statement for Individual Takaful Insurance Company as of Month, 20XX

Notes	20XX AED	20YY AED
<b>Takaful Income</b>		
Gross Takaful Contributions		
Retakaful Share of accepted business		
Retakaful Share of ceded business		
<b>Net Takaful contributions</b>		
Net Transfer to Unearned Premium Reserve		
<b>Net Takaful contributions Earned</b>		
Commissions Earned		
Commissions Paid		
Gross Takaful Contributions		
<b>Takaful expenses</b>		
Gross Claims Incurred		
Retakaful Share of Accepted Business Claims		
Retakaful Share of Ceded Business Claims		
<b>Net claims incurred</b>		
Provision for takaful contract liabilities (outstanding claims)		
Retakaful Share of Outstanding Claims		
Increase/ (Decrease) in Unearned Premium Reserves		
Increase/ (Decrease) in Incurred but Not Reported Claims Reserves		
Increase/ (Decrease) in Unallocated Loss Adjusted Expense Reserve		
Increase/ (Decrease) in Mathematical Reserves		
Increase/ (Decrease) in Catastrophic Reserves		
Net Takaful Claims Incurred		
<b>Net Takaful income</b>		
(Wakala/ Mudaraba Fees)		
Income from Investments		
Income from Real Estate		
Foreign Currency Exchange Fluctuation (Gain/Loss)		
Other Income		
<b>Net Income/ (loss) from Takaful operations</b>		
<b>Other Revenues</b>		
Investment Income/(loss) (shareholders fund)		
Wakala / Mudaraba from Participants		
Other Operating Income		

Write Back /(Write-Off) of Loan to Participants' Fund

**Other Expenses**

Other Operating Expenses  
General and Administrative Expenses

**Net Profit/(loss) for the year**

Net loss on revaluation of available-for-sale investments  
Reclassification adjustment relating to available-for-sale investment impaired during the year  
Transfer to profit or loss on sale of available-for-sale investments  
Board of Directors' remuneration

---

**Total Comprehensive Profit/Loss for the Year**

---

**Earnings per share:**

---

**Basic**

---

**Diluted**

---

---

Financial Position for Properties and Third Party Liability Takaful Insurance Company as of Month, 20XX

	Notes	20XX AED	20YY AED
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property and Equipment			
Investment Real Estate			
Investments			
<b>Total Non-Current Assets</b>			
<b>Current Assets</b>			
Investment	7b		
Takaful Receivables			
Other Receivables and Prepayments			
Cash and Bank Balances			
<b>Total Current Assets</b>			
<b>Total Properties Takaful Assets</b>			
<b>Liabilities, Participants' Fund and Shareholders' Equity</b>			
<b>Liabilities</b>			
<b>Takaful Liabilities:</b>			
Takaful Contracts Liabilities			
Technical Provisions			
Unearned Premium Reserve			
Incurred but Not Reported			
Allocated Loss Adjustment Expenses			
Unallocated Loss Adjustment Expenses			
Mathematical Reserve (net)			
Catastrophic Risk Reserves			
<b>Total Technical Provisions</b>			
Takaful Payables			
<b>Total Takaful Liabilities</b>			
Ijara Payables			
<b>Shareholders' Liabilities:</b>			
Pension Benefit			
Other Payables			
<b>Total Liabilities</b>			
<b>Participants' Fund</b>			
Properties Takaful Fund			
Surplus/Deficit in Participants' Fund			

Loan from Shareholders  
Proposed Profit Distribution to Participants  
Investments Revaluation Reserve  
**Total Surplus/Deficit in Participants' Fund**

---

---

**Shareholders' Equity**  
Share Capital  
Retained Earnings/Loss  
Reserves  
**Total Equity Attributable to Shareholders of the Company**

Minority Interest  
Foreign Currency Translation Adjustments  
**Total Equity**

---

---

**Total Liabilities, Participants' Fund, and Shareholders' Equity**

---

---

Income Statement for Properties Takaful Insurance Company as of Month, 20XX

	Notes	20XX AED	20YY AED
<b>Takaful Income</b>			
Gross Takaful Contributions			
Retakaful Share of accepted business			
Retakaful Share of ceded business			
Net Transfer to Unearned Premium Reserve			
<b>Net Takaful contributions Earned</b>			
Commissions Earned			
Commissions Paid			
Gross Takaful Contributions			
<b>Takaful expenses</b>			
Gross Claims Incurred			
Retakaful Share of Accepted Business Claims			
Retakaful Share of Ceded Business Claims			
<b>Net claims incurred</b>			
Provision for takaful contract liabilities (outstanding claims)			
Retakaful Share of Outstanding Claims			
Increase/ (Decrease) in Unearned Premium Reserves			
Increase/ (Decrease) in Incurred but Not Reported Claims Reserves			
Increase/ (Decrease) in Unallocated Loss Adjusted Expense Reserve			
Increase/ (Decrease) in Mathematical Reserves			
Increase/ (Decrease) in Catastrophic Reserves			
Net Takaful Claims Incurred			
<b>Net Takaful income</b>			
(Wakala/ Mudaraba Fees)			
Income from Investments			
Income from Real Estate			
Foreign Currency Exchange Fluctuation (Gain/Loss)			
Other Income			
<b>Net Income/ (loss) from Takaful operations</b>			
<b>Other Revenues</b>			
Investment Income/(loss) (shareholders fund)			
Wakala / Mudaraba from Participants			
Other Operating Income			
Write Back /(Write-Off) of Loan to Participants' Fund			



**Other Expenses**

Other Operating Expenses  
General and Administrative Expenses

**Net Profit/(loss) for the year**

---

Net loss on revaluation of available-for-sale investments  
Reclassification adjustment relating to available-for-sale investment impaired during the year  
Transfer to profit or loss on sale of available-for-sale investments  
Board of Directors' remuneration

**Total Comprehensive Profit/Loss for the Year**

---

**Earnings per share:**

---

**Basic**

---

**Diluted**

---

---

Following guidelines to be followed for accounting treatment and disclosures for Individual Takaful insurance and Properties Takaful insurance and Third Party Liability Takaful insurance:

**1. Corporate Information**  
**(Details to be filled in by the insurance companies)**

**2. Significant Accounting Policies**

**2.1 Basis of Preparation of Financial Statements**

The financial statements have been prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to the extent that these are compatible with International Financial Reporting Standards (IFRS).

The financial statements are presented in UAE Dirhams ("AED"), rounded off to the nearest thousand.

**2.2 Adoption of New and Revised Standards**

Please explain here changes in the existing standards from the prior years or details on new standards introduced.

**For example:**

The accounting policies adopted for the current year are consistent with those applied in the prior year, except for the following:

25.A Standards affecting presentation and disclosure

The following new and revised standards have been adopted in these financial statements for the current period. The details of other Standards and Interpretations that have been adopted but that have had no effect on the financial statements are set out in section 37.B.

**(Note: The Company to list here the standards and their impact.)**

25.B Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements of the Company. Their adoption has not had any significant impact on the amounts or disclosure reported in these financial statements but may affect the accounting for future transactions or arrangements.

**(Note: The Company to list here the standards and their impact)**

25.C Standards and Interpretations in issue not yet effective

At the date of authorization of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

**(Note: The Company to list here the New Standards and Interpretation and amendments to Standards and Interpretation, including effective date for the same.)**

The Company's management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

**Additionally, any changes in the Financial Accounting Standards issued by the AAOIFI and applied in the preparation of the financial statements need to be explained here.**

### **2.3 Accounting Convention**

The financial statements have been prepared according to the historical cost convention except for available-for-sale financial assets which are stated at fair value at the date of the financial statements.

### **2.4 Product Classification**

Takaful contracts are those contracts where a group of participants (the policy holders) mutually cover one another against prescribed uncertain future events of loss or damage. The Company acts as an agent (Wakil) on their behalf in managing the Islamic Takaful operations, in consideration of a Wakala fee or profit share. The Takaful amounts (contributions) paid net of the Wakala fee are considered as Mudaraba capital, where the Company acts as Mudarib, investing these funds in consideration of a pre-agreed share of the realized profit or loss, if any. The participants further donate their contributions (tabarru) to those other participants who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent.

Once a contract has been classified as a Takaful contract, it remains as a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Takaful has been undertaken using different operational models or combinations thereof such as:

a) The Al-Mudaraba model

Under the Al-Mudaraba model investors provide capital and Takaful participants provide contributions (investment funds/premiums) to create a profit sharing model. The contract specifies how the profit (surplus) from the operations is to be shared according to the principle of Al-Mudaraba. Generally the sharing arrangements allow the operator to share in both the underwriting results from the operations as well as any favourable investment performance on the invested contributions.

b) The Al-Wakala model

The Takaful participants pay contributions to the Takaful fund. However, these contributions include the payment of fees and charges due to the operator together with a donation to the community (Takaful) fund. All risks are borne by the fund and the annual operating surplus belongs exclusively to the participants. The Takaful operator does not share directly in either the risk borne by the fund or any surplus/deficit of the fund. Instead, the operator receives a set fee for managing the operations on the participants' behalf. It should however be noted that the operator's remuneration may (depending on the terms of the contract) include a performance fee, charged against any surplus, as an incentive to effectively manage the Takaful fund. Under Al-Wakala model, the operator can only make a profit by ensuring expenses of managing the operations are less than the fees. Those costs and charges that can be charged to the Takaful fund must be provided at the lowest possible cost level that the operator can negotiate.

c) The Hybrid Model

Hybrid model is a combination of Wakala and mudaraba model.

## 2.5 Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment. Moreover, fixed assets are depreciated according to the straight-line method over their estimated useful lives using the following rates:

	<u>Depreciation Rate (%)</u>
Furniture and fixtures	
Vehicles	
Computers	
Equipment	
Decorations	
Buildings	
Others	

Property and equipment are depreciated when ready for their intended use.

When the carrying amounts of property and equipment exceed their recoverable values, assets are written down, and impairment losses are recorded in the statement of income.

The useful lives of property and equipment are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.

The gains or losses resulting from the disposal or de-recognition of property and equipment, representing the difference between the property and equipment sale proceeds and their book value, are recorded in the statement of income.

Property and equipment are derecognized when disposed of or when there is no expected future benefit from their use or disposal.

## 2.6 Impairment of tangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **2.7 Goodwill (for consolidated statements only)**

Amounts representing goodwill are only to be included to the extent that the goodwill was acquired for valuable consideration.

Intangible assets acquired through merger are recorded at fair value upon their acquisition. Additionally, intangible assets acquired other than through a merger are recorded at cost.

Furthermore, intangible assets are classified according to their estimated lives: definite or indefinite. Intangible assets with definite useful lives are amortized over the life of the asset while those with indefinite lives are reviewed for impairment at the date of the financial statements, and the impairment is recorded in the statement of income.

Internally generated intangible assets are not capitalized and are taken to the statement of income in the current year.

Indications of impairment in the value of intangible assets are reviewed at the date of the financial statements. Moreover, their lives are reassessed and adjustments are recorded in the subsequent periods.

## **2.8 Receivables and Payables related to Takaful Contracts**

Receivables and payables are recognized when they are due. These include amounts due to and from Takaful brokers, reinsurers and Takaful contract holders.

If there is objective evidence that the Takaful receivables are impaired, the Company reduces the carrying amount of the Takaful receivables accordingly and realizes the impairment loss in the income statement.

## **2.9 Provision for Doubtful Debts**

A provision for doubtful debts is taken when there is objective evidence that whole or part of these debts has become irrecoverable. The provision is calculated as the difference between the book value and recoverable value. Moreover, debts ageing more than 365 days are fully provided for.

## **2.10 Computer Systems and Programs**

Computer systems and programs are stated at cost upon acquisition and amortized at an annual rate of XX%.

## **2.11 Takaful Contract Liabilities (Outstanding Claims)**

Takaful compensations represent the claims paid during the period and the change in the claims provision. The Takaful compensations represent all the amounts paid during the year whether they relate to the current year or previous years.

Moreover, outstanding claims reserve represents the highest estimated amount for the settlement of all claims resulting from events that took place prior to the financial statements date but were still unsettled at that date.

Moreover, outstanding claims are calculated on the basis of the best information available at the date of the financial statements.

The reinsurer's portion of outstanding claims is classified as "reinsurers' share of outstanding claims".

## **2.12 Technical Provisions**

Accounting policy for Technical Provision to be inserted as per the Technical Provision regulation issued by the Authority.

## **2.13 Deferred Acquisition Costs**

This item is to comprise the costs of acquiring insurance policies which are incurred during a financial year but relate to a subsequent financial year ("deferred acquisition costs"), except in so far as:

- (a) Allowance has been made in the computation of the long-term business provision shown under liabilities in the financial position, for:
  - (i) The explicit recognition of such costs, or
  - (ii) the implicit recognition of such costs by virtue of the anticipation of future income from which such costs may prudently be expected to be recovered, or
- (b) Allowance has been made for such costs in respect of Properties business policies by a deduction from the provision for unearned premiums.

Deferred acquisition costs arising in Properties business must be distinguished from those arising in long-term business.

In the case of Properties business, the amount of any deferred acquisition costs must be established on a basis compatible with that used for unearned premiums.

There must be disclosed in the notes to the accounts:

- (a) How the deferral of acquisition costs has been treated (unless otherwise expressly stated in the accounts);
- (b) Where such costs are included as a deduction from the provisions, the amount of such deduction; or
- (c) Where the actuarial method used in the calculation of the provisions has made allowance for the explicit recognition of such costs, the amount of the costs so recognized.

## **2.14 Solvency Test**

At the statement of financial position date, the adequacy and suitability of the Takaful liabilities are evaluated through the calculation of the present value of the future cash flows relating to the outstanding Takaful policies.

If the evaluation shows that the present value of the Takaful liabilities (various purchase expenses less suitable and related intangible assets) is inadequate compared to the expected future cash flows, the full impairment is recorded in the statement of income.

## **2.15 Financial Liabilities**

Takaful and other payables, bank financings and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction cost. Other financial liabilities are subsequently measured at amortised cost using the effective profit rate method.

## **2.16 Financial assets**

### ***Cash and cash equivalents***

Cash and cash equivalents include cash on hand, in banks and fixed deposits in banks with maturity not more than three months from the date of placement.

### ***Takaful, reinsurance and other receivables***

Takaful, reinsurance and other receivables that have fixed or determinable payments are measured at amortised cost using the effective profit rate method, less any impairment.

### ***Deficit in participants' fund***

Any deficit in the participants' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hasan (a finance cost free loan with no repayment terms). The Company maintains a full provision against the Qard Hasan.

### ***Financial instruments (applying IFRS 9 – current period)***

#### **(i) Initial recognition and subsequent measurement**

##### ***Date of recognition***

All financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

##### ***Classification and initial measurement of financial instruments***

For the purposes of classifying financial assets an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation). All other non-derivative financial assets are 'debt instruments'.

Financial assets are classified into the following categories: 'financial assets measured at amortized cost', 'financial assets measured at fair value through profit or loss', and 'financial assets measured at fair value through other comprehensive income'.

All the financial instruments are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of financial asset, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

##### ***Financial assets at amortized cost and the effective profit rate method***

Debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss – see below). They are subsequently measured at amortised cost using the effective profit rate method less any impairment (see below), with profit revenue recognised on an effective yield basis in interest income.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to fair value through profit or loss, if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective profit rate method is a method of calculating the amortised cost of a debt instrument and of allocating profit income on Islamic products over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at fair value through profit or loss, if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

***Financial assets at fair value through profit or loss (FVTPL)***

Debt instrument financial assets that do not meet the amortised cost criteria described above, or that meet the criteria but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. The Company has not designated a debt instrument financial asset as financial assets at FVTPL except for investments in real estate funds.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from FVTPL to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at FVTPL at initial recognition is not permitted.

Investments in equity instruments are classified as at fair value through profit or loss, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in income statement.

Profit income on debt instruments at FVTPL is included in the net investment income.

Dividend income on investments in equity instruments at fair value through profit or loss is recognised in income statement when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue.

***Financial assets at fair value through other comprehensive income (FVTOCI)***

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.



A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the income statement, but is reclassified to retained earnings.

#### **(ii) Reclassification of financial assets**

The financial assets are required to be reclassified if the objective of the Company's business model for managing those financial assets changes. Such changes are expected to be very infrequent. The Company determines these changes by the Company's Board of Directors as a result of external or internal changes and must be significant to the Company's operations and demonstrable to external parties.

If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. Any previously recognised gains, losses or profit are not required to be restated.

If the Company reclassifies a financial asset so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in the income statement.

If the Company reclassifies a financial asset so that it is measured at amortised cost, its fair value at the reclassification date becomes its new carrying amount.

The reclassification day is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

#### ***Financial assets (applying IAS 39, applicable only to the comparative figures presented and financial assets that have been derecognised at the date of initial application)***

##### **(i) Initial recognition and subsequent measurement**

###### ***Date of recognition***

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

###### ***Initial measurement of financial assets***

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS)

financial assets and 'finances and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All the financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL, which are initially measured at fair value.

***Financial assets at fair value through profit or loss***

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

**Financial assets held for trading**

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

**Financial assets designated as at FVTPL**

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or profit earned on the financial assets.

***Held-to-maturity financial investments***

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are measured at amortised cost using the effective profit rate method less any impairment, with revenue recognised on an effective yield basis.

***Available-for-sale financial investments***

Listed shares and other securities held by the Company that are traded in an active market are classified as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as available-

for-sale financial assets and stated at fair value, because the directors consider that fair value can be reliably measured.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, profit rate calculated using the effective profit rate method, and foreign exchange gains and losses on monetary assets, which are recognised in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognised in the income statement when the Company's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in the income statement are determined based on the amortised cost of the monetary asset.

#### **(ii) Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in profit or principal payments; or
- it becoming probable that the financee will enter bankruptcy or financial re-organisation

#### ***Available-for-sale financial investments***

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to income statement in the period. Impairment losses in respect of available-for-sale equity securities, previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

#### ***Impairment of financial assets carried at amortized costs***

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective profit rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance and advances to customers, where the carrying amount is reduced through the use of an allowance account. When finance or advance to

customers is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

### ***Derecognition of financial assets***

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained profit in the asset and an associated liability for amounts it may have to pay.

### **Investment in Subsidiaries**

A subsidiary is an entity that is controlled by another entity (known as the parent). An entity is defined as a subsidiary when the parent is deemed to have control over the operations of the investee company. If an investor holds directly or indirectly 51% or more of the voting powers of the investee, it is presumed that investor has control over that other entity (known as subsidiary).

### **Investment in Associate**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but has no control or joint control over those policies.

### **Investments in Real Estate**

Investment in real estate is carried at historical cost less accumulated depreciation and impairment losses. Depreciation is charged on a straight line method over their estimated useful lives at annual rates ranging from xx% to xx%.

Impairment losses are recorded in the income statement

Revenues and operational expenses are recorded in the income statement.

The valuation of the investment in real estate is performed at the date of the financial statement and the fair value is disclosed in the notes of the investment in real estate.

### **2.17 Deficit in Participants' Fund**

Any deficit in the participants' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hassan (a finance cost free loan with no repayment terms). The Company maintains a full provision against the Qard Hassan.

### **2.18 Dividend Distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## **2.19 Foreign Currency Transactions**

Transactions in foreign currencies are recorded at the exchange rates of the UAE Dirham prevailing at the transaction date.

Financial assets and financial liabilities denominated in foreign currencies are translated to UAE Dirham according to the average exchange rates issued by the Central Bank of UAE at the date of the statements of financial position.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies are translated at fair value at the date of the determination of their fair value.

Exchange gains or losses resulting therefrom are taken to the statement of income.

## **2.20 Revenue Recognition**

### ***Takaful Contracts Income***

Takaful contributions arising from Takaful contracts are recorded as revenue for the year (earned Takaful contributions) on the basis of the maturities of time periods and in accordance with the Takaful coverage periods. Takaful contributions from Takaful contracts unearned at the date of the financial statements are recorded as unearned Takaful contributions within liabilities.

Claims and incurred losses settlement expenses are recorded in the statement of income based on the expected liability amount of the compensation relating to the Takaful participants or other affected parties.

### ***Commission on Re-Takaful***

Commission is recognized on the accrual basis taking into account effective interest rates on the instruments, on a time proportional basis.

### ***Rental Income***

Rental income from investment property is recognized on a straight-line basis over the term of the lease.

### ***Investment Income, expenses***

Investment income, expenses and charges must, to the extent that they arise in the long-term fund, be disclosed in the long-term business technical account. Other investment income, expenses and charges must either be disclosed in the non-technical account or attributed between the appropriate technical and non-technical accounts. Where the Company makes such an attribution it must disclose the basis for it in the notes to the accounts

Fair value gains and losses are recognized in accordance with specific policies for different classes of financial instruments.

### ***Dividends and Interest***

Dividends from investments are recorded when the right of the shareholder to receive dividends arises upon the related resolution of the General Assembly of Shareholders.

Interest income is calculated according to the accrual method based on the maturities of the time periods, original principals, and earned interest rate.

## **2.21 Gross Contribution**

This item is to comprise all amounts due during the financial year in respect of Takaful contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year, and must include inter alia:

- (i) Contributions yet to be determined, where the contribution calculation can be done only at the end of the year;
- (ii) Single contributions, including annuity contributions, and, in long-term business, single contributions resulting from bonus and rebate provisions in so far as they must be considered as contributions under the terms of the contract;
- (iii) Additional contributions in the case of half-yearly, quarterly or monthly payments and additional payments from participants for expenses borne by the Company;
- (iv) in the case of co-Takaful, the Company's portion of total contributions;
- (v) re-Takaful contributions due from ceding and retroceding Takaful undertakings, including portfolio entries, after deduction of cancellations and portfolio withdrawals credited to ceding and retroceding Takaful undertakings.

Contribution shall be recognised as soon as the amount of the contribution can be reliably measured. Contribution is recognised from the inception date and subsequent contribution is recognised when it is due. At the end of the financial period of the **Company**, all due contributions shall be accounted for to the extent that they can be reliably measured.

In the case of policies where the contribution is subject to later adjustment, a provisional contribution must be used as the base and the amount shall be adjusted for any other relevant information as soon as it becomes available.

## **2.22 Re-Takaful Share of Contributions (Ceded and Accepted Business)**

In an outward re-Takaful arrangement contribution and commission shall be accounted for in the same accounting period as the original policy to which the re-Takaful relates.

Facultative and proportional re-Takaful cessions and retrocessions do not involve deposits and accordingly, contributions payable on proportional re-Takaful cessions and retrocessions are accounted for in the same period in which the original contributions are recognised. However, non-proportional re-Takaful entails that the contribution payable covers an insurer against the risk of loss on an individual risk or on a portfolio in a particular class or classes in excess of an agreed figure and usually to a predetermined limit. Most of these non-proportional arrangements require the payment of a deposit contribution with a subsequent adjustment. The non-proportional re-Takaful contribution in an accounting period is thus the sum of the deposit contributions paid and any expected future adjustments to those contributions

Commission recovered or recoverable from re-Takaful is accounted for in the same period in which the re-Takaful contribution is accounted. Commission from re-Takaful is to be accounted for separately from commission paid.

For re-Takaful ceded, contribution is to be accounted for on an original gross rate (OGR) basis.

## **2.23 Gross Claims Paid**

This item is to comprise all payments made in respect of the financial year with the addition of the provision for claims (but after deducting the provision for claims for the preceding financial year).

These amounts must include annuities, surrenders, entries and withdrawals of loss provisions to and from ceding Takaful undertakings and reinsurers and external and internal claims

management costs and charges for claims incurred but not reported such as are referred to in sections 2.13 above.

Salvage and subrogation reimbursements (within the meaning of section 2.32 below) must be deducted. Where the difference between:

- (a) the loss provision made at the beginning of the year for outstanding claims incurred in previous years; and
- (b) the payments made during the year on account of claims incurred in previous years and the loss provision shown at the end of the year for such outstanding claims, is material, it must be shown in the notes to the accounts, broken down by category and amount.

#### **2.24 Re-Takaful Share of Claims (Ceded and Accepted Business)**

In an outward re-Takaful arrangement, claims recoveries and any related expenses shall be accounted for in the same accounting period as the original policy and claims to which the re-Takaful relates.

#### **2.25 Bonuses and Rebates (Net of Re-Takaful)**

Bonuses are to comprise all amounts chargeable for the financial year which are paid or payable to participants and other insured parties or provided for their benefit, including amounts used to increase technical provisions or applied to the reduction of future contributions, to the extent that such amounts represent an allocation of surplus or profit arising on business as a whole or a section of business, after deduction of amounts provided in previous years which are no longer required.

Rebates are to comprise such amounts to the extent that they represent a partial refund of contributions resulting from the experience of individual contracts.

Where material, the amount charged for bonuses and that charged for rebates must be disclosed separately in the notes to the accounts.

#### **2.26 Acquisition costs (Commissions, Others)**

This item is to comprise the costs arising from the conclusion of insurance contracts. They must cover both direct costs, such as acquisition commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

In the case of long-term business, policy renewal commissions must be included in the long-term business technical account line item.

#### **2.27 Re-Takaful Accounts**

Reinsurers' shares of Takaful contributions, paid claims, technical provisions, and all other rights and obligations resulting from Re-Takaful based on contracts concluded between the Company and reinsurers are accounted for as those for the related direct Takaful, and are calculated in accordance with Re-Takaful arrangements in place.

#### **2.28 Deposits with ceding undertakings**

Where the Company accepts re-Takaful, this item is to comprise amounts, owed by the ceding undertakings and corresponding to guarantees, which are deposited with those ceding undertakings or with third parties or which are retained by those undertakings.

These amounts may not be combined with other amounts owed by the ceding insurer to the reinsurer or set off against amounts owed by the reinsurer to the ceding insurer.

Securities deposited with ceding undertakings or third parties which remain the property of the Company must be entered in the Company's accounts as an investment, under the appropriate item.

### **2.29 Pension Benefit Obligation**

In compliance with UAE Labour Law, the Company had bonus benefits covering all of its non-national employees who have been with the Company for more than one year. The provision for employee benefits is based on the liability that would arise of the employment of all the employees terminated at the financial position statement date.

The UAE Government has introduced Federal Labour Law No. 7 of 1999 for pension and social security. Under this law employers are required to contribute 12.5% of the "contribution calculation salary" (basic salary plus allowances) of those employees who are UAE nationals. The employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The Company's contribution is recognized as an expense in the income statement as incurred.

### **2.30 Offsetting**

Financial assets and financial liabilities are offset, and the net amount is reflected in the financial position statement only when there are legal rights to offset the recognized amounts, the Company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

### **2.31 Expense Recognition**

All commissions and other costs relating to the acquisition of new or renewed Takaful policies are amortized in the statement of income upon their occurrence. Other expenses are recognized on the accrued basis.

### **2.32 Salvage and Subrogation Reimbursements**

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the Takaful liability for claims.

### **2.33 General and Administrative Expenses**

All distributable general and administrative expenses are loaded on Takaful branches separately XX% of the general and administrative expenses have been allocated to the various Takaful departments on the basis of the earned contributions of each department in proportion to total contributions.

### **2.34 Zakat**

Zakat is calculated on the basis of the rates prescribed according to the prevailing laws, regulations, and instructions in UAE.

### **2.35 Use of Estimates**

Preparation of the financial statements and application of the accounting policies require the Company's management to perform estimates and judgments that affect the amounts of the financial assets and liabilities, and disclosures relating to contingent liabilities. These estimates and judgments also affect revenues, expenses, provisions and changes in the fair value shown within shareholders' equity. In particular, management is required to issue significant judgments



to assess future cash flows and their timing. The above-mentioned estimates are based on several assumptions and factors with varying degrees of estimation and uncertainty. Moreover, the actual results may differ from the estimates due to changes resulting from the circumstances and situations of those estimates in the future.

Management believes that the estimates within the financial statements are reasonable.

### **2.36 Fatwa and Sharia' Supervisory Board**

The Company's business activities are subject to the supervision of its Fatwa and Sharia'a Supervisory Board consisting of three members appointed by the shareholders. The Fatwa and Sharia'a Supervisory Board perform a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Sharia'a rules and principles.

### **2.37 Sector Information**

The business sector represents a set of assets and operations that jointly provide products and services subject to risks and returns different from those of other business sectors. (List here the types and classes of insurance based on the types and classes of Insurance defined by the Authority in the Law no.6 of 2007 and Regulations thereto.)

The geographic sector relates to the provision of products and services in a defined economic environment subject to risks and returns different from those of other economic environments

### **2.39 Critical accounting judgements and key sources of estimation uncertainty.**

The Company has to detail here the critical accounting judgments that have the most significant effect on the amounts recognized in the financial statements and applied certain assumptions concerning the future, and key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

### **2.40 Treasury Shares.**

The cost of the Parent Company's own shares purchased, including directly attributable costs, is classified under equity. Gains and losses arising on sale are separately disclosed under equity and these amounts are not available for distribution. These shares are not entitled to cash dividends and right issues. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

### 3. Property and Equipment

This item consists of the following:

Particulars	Cost/Gross Block				Depreciation				Net Block	
	Opening	Additions	Deductions	Closing	Up to Last Year	For The Year	On Sales/ Adjustments	To Date	As at year end	Previous Year
Goodwill										
Land- Freehold										
Leasehold Property										
Buildings										
Furniture & Fittings										
Information Technology										
Equipment										
Vehicles										
Office Equipment										
Others (Specify nature)										
<b>TOTAL</b>										
<b>PREVIOUS YEAR</b>										

### 4. Investment Real Estate

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Buildings – net		
Land		

The fair value of property investments amounted to AED XX according to the last valuation as of Month XX, 20XX.

## 5. Investment in Associate

The investment in XYZ Company is as follows

Name of Associate	Percentage of Share	20XX AED	20YY AED
<b>Share of associate's Financial Position</b>			
Current assets			
Non-current assets			
Current liabilities			
Non-current liabilities			
<b>Net assets</b>			
<b>Share of associate's revenue and profit</b>			
Revenue			
Profit			
<b>Carrying amount of investment in an associate</b>			

## 6. Investments

### a. Current Assets Participants

#### ***Deposits at Banks***

This item consists of the following:

	Month XX, 20XX		Month XX, 20XX	
	Deposits Maturing Within One Month	Deposits Maturing Within Three Months	Total	Total
	AED	AED	AED	AED
Inside UAE				
Outside UAE				
Total				

The interest rates on deposits in AED during the year 20XX ranged from XX% to YY%.

Type of Class	Amount (AED)
<i>Insurance of Persons and Fund Accumulations Operations</i>	
<i>(List of all classes of Properties Insurance and Liability Insurance)</i>	
<b>Total</b>	

As per the Federal Law No. 6 of 2007, the Company shall deposit into one of the banks operating in the State a deposit to stand as guarantee for fulfilling its obligations amounting to Four Million Dirham for Insurance of Persons and Fund Accumulations Operations and Two Million Dirham for each line of business for the Properties insurance and Liability insurance provided that the total amount shall not exceed Six Million Dirham.

The following is the distribution of the Company's deposits to banks:

	December 31,	
	20XX	20YY
	AED	AED
XXX Bank		
YYY Bank		
Total		

#### **Available-for-sale Financial Assets**

This item consists of the following:

	Number of Shares /Bonds	December 31	
		20XX	20YY
		AED	AED
<u>Inside UAE</u>			
Listed Shares			
Unlisted Sukuks			
Government Securities			
Unlisted Shares			
<u>Outside UAE</u>			
<u>Listed Shares</u>			
Government Securities			
Unlisted Shares			
<u>Unlisted Sukuks</u>			

Sukuks are stated at a cost amount to AED XX as their fair value cannot be reliably estimated. The maturities of sukuks are as follows:

Sukuks	Less Than One Year AED	For More than One Year AED
Sukuk (a)		
Other than Sukuk (b)		
Total		

These Sukuks mature on Month XX, 20XX and bear a return of XX%. An amount of AED XX is amortized annually during the years 20XX and 20YY, representing XX% of the total value of Sukuks.

**Held-To-Maturity Financial Assets:**

This item consists of the following:

	Number of Bonds	December 31	
		20XX AED	20YY AED
<u>Inside UAE</u>			
Unlisted Sukuks:			
Listed Sukuks:			
Secured Loans:			
Loans Secured by Policies			
Total held-to-maturity financial assets inside UAE			
<u>Outside UAE</u>			
Unlisted Sukuks:			
Listed Sukuks:			
Secured Loans:			
Loans Secured by Policies			
Total held-to-maturity financial assets outside UAE			

**b. Current Assets Shareholders**

**Deposits at Banks**

This item consists of the following:

	Month XX, 20XX		Month XX, 20XX	
	Deposits Maturing Within One Month AED	Deposits Maturing Within Three Months AED	Total AED	Total AED
Inside UAE				
Outside UAE				
Total				

The following is the distribution of the Company's deposits to banks:

	December 31,	
	20XX	20YY
	AED	AED
XXX Bank		
YYY Bank		
Total		

**Available-for-sale Financial Assets**

This item consists of the following:

	Number of Shares /Bonds	December 31	
		20XX	20YY
		AED	AED
<u>Inside UAE</u>			
Listed Shares			
Unlisted Sukuks			
Government Securities			
Unlisted Shares			
<u>Outside UAE</u>			
<u>Listed Shares</u>			
Government Securities			
Unlisted Shares			
<u>Unlisted Sukuks</u>			

Sukuks are stated at a cost amount to AED XX as their fair value cannot be reliably estimated. The maturities of sukuks are as follows:

Sukuks	Less Than One Year	For More than One Year
	AED	AED
Sukuk (a)		
Other than Sukuk (b)		
Total		

These Sukuks mature on Month XX, 20XX and bear a return of XX%. An amount of AED XX is amortized annually during the years 20XX and 20YY, representing XX% of the total value of Sukuks.

**Held-To-Maturity Financial Assets:**

This item consists of the following:

	Number of Bonds	December 31	
		20XX AED	20YY AED
<u>Inside UAE</u>			
Unlisted Sukuks:			
Listed Sukuks:			
Secured Loans:			
Loans Secured by Policies			
Total held-to-maturity financial assets inside UAE			
<u>Outside UAE</u>			
Unlisted Sukuks:			
Listed Sukuks:			
Secured Loans:			
Loans Secured by Policies			
Total held-to-maturity financial assets outside UAE			
<b>Investments in Currents Assets (a+b)</b>			

**c. Non Current Assets Participants****Available-for-sale Financial Assets**

This item consists of the following:

	Number of Shares /Sukuks	December 31	
		20XX AED	20YY AED
<u>Inside UAE</u>			
Listed Shares			
Unlisted Sukuks			
Government Securities			
Unlisted Shares			
<u>Outside UAE</u>			
Listed Shares			
Government Securities			
Unlisted Shares			
<u>Unlisted Sukuks</u>			

Sukuks are stated at a cost amount to AED XX as their fair value cannot be reliably estimated.

The maturities of sukuku are as follows:

Sukuku	Less Than One Year AED	For More than One Year AED
Sukuku (a)		
Other than Sukuku (b)		
Total		

These Sukuku mature on Month XX, 20XX and bear a return of XX%. An amount of AED XX is amortized annually during the years 20XX and 20YY, representing XX% of the total value of Sukuku.

***Held-To-Maturity Financial Assets:***

This item consists of the following:

	Number of Sukuku	December 31	
		20XX AED	20YY AED
<u>Inside UAE</u>			
Unlisted Sukuku:			
Listed Sukuku:			
Secured Loans:			
Loans Secured by Policies			
Total held-to-maturity financial assets inside UAE			
<u>Outside UAE</u>			
Unlisted Sukuku:			
Listed Sukuku:			
Secured Loans:			
Loans Secured by Policies			
Total held-to-maturity financial assets outside UAE			

**d. Non Current Assets Participants**

***Available-for-sale Financial Assets***

This item consists of the following:

	Number of Shares / Sukuku	December 31	
		20XX AED	20YY AED
<u>Inside UAE</u>			
Listed Shares			
Unlisted Sukuku			
Government Securities			
Unlisted Shares			



<u>Outside UAE</u>	_____	_____
<u>Listed Shares</u>	_____	_____
Government Securities		
Unlisted Shares	_____	_____
<u>Unlisted Sukuks</u>	_____	_____

Sukuks are stated at a cost amount to AED XX as their fair value cannot be reliably estimated. The maturities of sukuks are as follows:

Sukuks	Less Than One Year AED	For More than One Year AED
Sukuk (a)		
Other than Sukuk (b)	_____	_____
Total	=====	=====

These Sukuks mature on Month XX, 20XX and bear a return of XX%. An amount of AED XX is amortized annually during the years 20XX and 20YY, representing XX% of the total value of Sukuks.

***Held-To-Maturity Financial Assets:***

This item consists of the following:

	Number of Bonds	December 31	
		20XX AED	20YY AED
<u>Inside UAE</u>			
Unlisted Sukuks:			
Listed Sukuks:			
Secured Loans:			
Loans Secured by Policies		_____	_____
Total held-to-maturity financial assets inside UAE		=====	=====
<u>Outside UAE</u>			
Unlisted Sukuks:			
Listed Sukuks:			
Secured Loans:			
Loans Secured by Policies		_____	_____
Total held-to-maturity financial assets outside UAE		=====	=====

**Investments in Non Currents Assets (c+d)**

---



---

Investment in Subsidiary and Associates

Company Name	Establishment Date	Country of Origin	Percentage of Ownership	Type of Business	Investment Amount (AED)	Share of Profit/Loss (AED)	Investment Fair Value (AED)

**7. Takaful Receivables**

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Due from Participants		
Less: Allowance for Doubtful Debts		
Due from insurance/ retakaful companies		
Due from brokers/ agents		
Less: Allowance for Doubtful Debts		
Insurance Receivable - Net		

Inside UAE:

	December 31,	
	20XX	20YY
	AED	AED
Due from Participants		
Less: Allowance for Doubtful Debts		
Due from insurance/ retakaful companies		
Due from brokers/ agents		
Less: Allowance for Doubtful Debts		
Insurance Receivable - Net		

Outside UAE:

	December 31,	
	20XX	20YY
	AED	AED
Due from Participants		
Less: Allowance for Doubtful Debts		

Due from insurance/ retakaful companies  
 Due from brokers/ agents  
 Less: Allowance for Doubtful Debts

Insurance Receivable - Net


Note: The receivables ageing details to be disclosed separately for policyholders, reinsurance inward, reinsurance outward, brokers and agents in the below format:

Inside UAE

	December 31,	
	20XX AED	20YY AED
Less than 30 days		
30 – 90 days		
91 – 180 days		
181 – 270 days		
271 – 360 days		
More than 360 days		
Total		

Outside UAE

	December 31,	
	20XX AED	20YY AED
Less than 30 days		
30 – 90 days		
91 – 180 days		
181 – 270 days		
271 – 360 days		
More than 360 days		
Total		

Movement on the provision for doubtful debts during the year was as follows:

	2009 AED	2008 AED
Balance at the beginning of the year		
Additions		
Balance at year end		

## 8. Other Receivables and Prepayments

	December 31,	
	20XX	20YY
	AED	AED
Receivable from Employees		
Refundable Deposits		
Prepayments		
Others		
Other Receivables and Prepayments		

## 9. Cash and Cash Equivalents

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Cash on hand		
Cash at banks (current accounts)		

## 10. Takaful Payables

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Item 1 payable		
Item 2 payable		
Insurance Authority Payables		
Other payables		
<b>Total</b>		

Inside UAE:

	December 31,	
	20XX	20YY
	AED	AED
Item 1 payable		
Item 2 payable		
Insurance Authority Payables		
Other payables		
<b>Total</b>		

Outside UAE:

	December 31,	
	20XX	20YY
	AED	AED
Item 1 payable		
Item 2 payable		
Other payables		
<b>Total</b>		

#### 11. Ijara Payables

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Ijara payables		
<b>Total</b>		

#### 12. Pension benefit obligation

Movements in the net liability were as follows:

	December 31,	
	20XX	20YY
	AED	AED
Balance, at the beginning of the year		
Amounts charged to income		
Amounts paid		
<b>Balance, at the end of the year</b>		

#### 13. Share Capital

Subscribed and paid – up capital amounted to AED XX distributed over XX shares, the par value of each is AED 1 as of December 31, 20XX (against AED XX million shares of AED 1 each as of December 31, 20YY).

#### 14. Retained Earnings

This item consists of the following:

	December 31,	
	20XX	20YY
	AED	AED
Beginning balance		
<u>(Less):</u> Earnings capitalized		
<u>Add:</u> Net income for the year		
<u>(Less):</u> Appropriated to reserves		
Balance end of the year		

**15. Employee Share Options Reserve**

The disclosure will be determined based on the policy of the Company.

**16. Statutory Reserve**

In accordance with the UAE Federal Law No (8) of 1984, as amended, xx% of the annual profit of the Company is transferred to a non-distributable legal reserve. Transfers to this reserve are required to be made until such time as it is equivalent to 50% of the paid up share capital of the Company.

**17. Regulatory Reserve**

This reserve is established by appropriations from net profits, as proposed by the Board of Directors and is subject to approval by the General Assembly.

*Dividend*

**(The reserve will be calculated based on the approved dividend payment of the company)**

**18. Technical Provisions**

This item consists of the following:

December 31,	
20XX	20YY
AED	AED

**Individual Business:**

Unearned Premium Reserve:

Total Unearned Premium Reserve

Incurred but Not Reported Reserve (Short term life products of one year)

Total Incurred but Not Reported Reserve (Short term life products of one year)

Mathematical Reserve

Total Mathematical Reserve

Unallocated Loss Adjusted Expense Reserve

Total Unallocated Loss Adjusted Expense Reserve

Catastrophic Reserve

Total Catastrophic Risk Reserve

**Total Insurance of Person and Fund Accumulation Operations**

**Technical Provisions**

**Note: Technical provisions details in the above format to be provided for each class of insurance as defined by the Authority through Law no.6 of 2007 and Regulations thereto.**

Adequate explanation for the method adopted should be given and the method should be consistent from year to year for technical provisions. In case the actuary decides to change the method being used from previous years, sufficient explanation to the same needs to be provided.

## 19. Minority Interest

	20XX	20YY
	AED	AED
<b>Balance at Beginning of Year</b>		
Share of Profit for the Year		
Minority interests arising on the acquisition of XXX Company		
Additional Minority interests arising on disposal of Interest on XXX Company		
<b>Balance at End of Year</b>		

## 20. Net Takaful Contributions

### (a) Gross Contributions

	20XX	20Y
	AED	Y AED
Individual Takaful		
Total Gross Contribution Individual Takaful insurance		
Properties takaful insurance and Third Party Liability takaful insurance		
Total Gross Contributions for Properties takaful insurance and Third Party Liability takaful insurance		
Change in unearned premiums reserves		
Total Gross Contributions		

Note: Gross Contribution details in the above format to be provided for each class of insurance as defined by the Authority through Law no.6 of 2007 and Regulations thereto.

### (b) Contributions ceded to retakaful

	20XX	20YY
	AED	AED
Individual Takaful		
Total Individual takaful insurance Contributions Ceded to Retakaful		
Properties takaful insurance and Third Party Liability takaful insurance		
Total Properties takaful insurance and Third Party Liability Liability insurance Contributions Ceded to Retakaful		
Change in unearned premiums reserves		
Total Contributions Ceded to Retakaful		

Note: Contribution ceded to retakaful details in the above format to be provided for each class of insurance as defined by the Authority through Law no.6 of 2007 and Regulations thereto.

**(c) Reinsurance share of accepted business premiums**

	20	20
	XX	YY
	AE	AE
	D	D
Individual takaful		
Total Individual takaful insurance Contributions for accepted share of retakaful business		
Properties takaful insurance and Third Party Liability takaful insurance		
Total Properties takaful insurance and Third Party Liability takaful insurance Contributions for accepted share of retakaful business		
Change in unearned premiums reserves		
Total Contributions for accepted share of retakaful business		

Note: Retakaful share of accepted business contributions details in the above format to be provided for each class of insurance as defined by the Authority through Law no.6 of 2007 and Regulations thereto.

Total Net Contribution (a-b+c)		
--------------------------------	--	--



## 21. Net Claims Incurred

### (a) Gross claims incurred

	20X	20Y
	X	Y
	AED	AED
Individual Takaful		
Total Gross Claims Individual takaful insurance		
Properties takaful insurance and Third Party Liability takaful insurance		
Total Gross Claims for Properties takaful insurance and Third Party Liability takaful insurance		
Total Gross Claims		

Note: Gross Claims Paid details in the above format to be provided for each class of insurance as defined by the Authority through Law no.6 of 2007 and Regulations thereto.

### (b) Retakaful share of claims

	20X	20Y
	X	Y
	AE	AE
	D	D
Individual Takaful		
Total Individual takaful insurance Claims Ceded to Retakaful		
Properties takaful insurance and Third Party Liability takaful insurance		
Total Properties takaful insurance and Third Party Liability takaful insurance Claims Ceded to Retakaful		
Total Claims Ceded to Retakaful		

Note: Claims ceded to retakul details in the above format to be provided for each class of insurance as defined by the Authority through Law no.6 of 2007 and Regulations thereto.

**(c) Retakaful share of accepted business claims**

	<u>20XX</u>	<u>20YY</u>
	AED	AED
Individual Takaful		
Total Individual takaful insurance Claims for accepted share of retakaful business		
Properties takaful insurance and Third Party Liability takaful insurance		
Total Properties takaful insurance and Third Party Liability takaful insurance Claims for accepted share of retakaful business		
Total Claims for accepted share of retakaful business		
Note: Retakaful share of accepted business claims details in the above format to be provided for each class of insurance as defined by the Authority through Law no.6 of 2007 and Regulations thereto.		
<b>Total Net Claims (a-b+c)</b>		

**22. Wakala Fees and Mudaraba Share**

This item is to be determined according to the model adopted either Hybrid model or only Mudaraba model.

**23. Investment Income/(Loss)**

**a. Investment Income/(Loss) Participants**

This item consists of the following:

	<u>20XX</u>	<u>20YY</u>
	AED	AED
Dividends received		
Gains from the sale of trading investments – net		
Gains from the sale of investments available for sale – net		
Change in the fair value of trading investments		
Rental income – net		

**b. Investment Income/(Loss) Shareholders**

This item consists of the following:

	<u>20XX</u>	<u>20YY</u>
	AED	AED
Dividends received		

Gains from the sale of trading investments – net	
Gains from the sale of investments available for sale – net	
Change in the fair value of trading investments	
Rental income – net	
	_____
	_____

**24. General and Administrative Expenses**

	20XX	20YY
	AED	AED
Item 1 Expense		
Item 2 Expense		
<b>Total</b>		
	_____	_____
	_____	_____

**25. Related party transactions**

At the reporting date, amounts due from/to related parties included under due from policy holders and gross outstanding claims were as follows:

	20XX	20YY
	AED	AED
Due from policy holders		
Gross outstanding claims		

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given and no expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

**Transactions:**

During the year, the Company entered into the following transactions with related parties:

	20XX	20YY
	AED	AED
Gross premium		
Claims paid		

Premiums are charged to related parties at rates agreed with the management.

**Compensation of key management personnel:**

	20XX	20YY
	AED	AED
Short-term benefits		
Long-term benefits		

## 26. Capital risk management

In U.A.E., Insurance Authority specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarises the minimum required capital of the Company and the total capital held.

	December 31,	
	20XX	20YY
	AED	AED
Total capital held		
Own funds		
Basic own funds		
Ancillary own funds		
Solvency Margin		
Minimum Capital		

## 27. Contingent Liability

List here all the contingent liabilities its description and potential amount in AED.

## 28. Risks

This section should describe the risks faced by the company and how are they measured for the risk categories detailed below:

***Underwriting risk:***

***Market risk:***

***Liquidity risk:***

**December 31, 20XX:**

	<u>Less than 30 days</u>	<u>30-90 day</u>	<u>90-180 days</u>	<u>180 - 365 days</u>	<u>Above 365 days</u>	<u>Total</u>
	AED	AED	AED	AED	AED	AED
<b>Financial assets</b>						
Available-for-sale investments						
Insurance and other Receivables						

Held for trading  
investments

Bank balances and  
cash - non interest  
bearing

Bank balances and  
cash - interest bearing

**Financial liabilities**

Insurance and other  
payables

Bank overdrafts

**December 31, 20XX:**

	<u>Less than 30 days</u> AED	<u>30-90 day</u> AED	<u>90-180 days</u> AED	<u>180 - 365 days</u> AED	<u>Above 365 days</u> AED	<u>Total</u> AED
--	-------------------------------------	-------------------------	-------------------------------	----------------------------------	----------------------------------	---------------------

**Financial Assets**

Available-for-sale  
investments

Insurance and other  
receivables

Held for trading  
investments

Bank balances and  
cash

**Financial Liabilities**

Insurance and other  
payables

Bank overdrafts

**Credit risk:**  
**Operational risk:**

**Board of Directors Decision No. ( ) of 2011  
On Instructions Pertinent to  
Determining the Takaful Companies assets that meet the accrued insuring  
obligations**

**Board of Insurance Authority**

Having considered that:

- Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the insurance Operations and Executionary Regulations;
- Pursuant to what has been presented by the General Manager of the Authority; and
- Takaful Insurance Regulations.

**It was Decided**

**Article (1)**

This instruction shall be named as (Determining the Takaful Companies assets that meet the accrued insuring obligations ).

**Article (2)**

**Definitions**

The following words and expression shall bear the meaning indicated beside each of them unless the context provides otherwise:

<b>State</b>	The United Arab emirates
<b>Ministry</b>	The Ministry of Economy
<b>Minister</b>	The Minister of Economy
<b>Authority</b>	The Insurance Authority established by virtue of the provision of the Federal Law no.6 of 2007.
<b>Executionary Regulations</b>	The Executionary Regulations of the Federal Law No. 6 of 2007 issued by the Insurance Authority Board of Directors' Resolution No. 2 of 2009
<b>Company</b>	The takaful insurance company established and conducting its business according to the provisions of the Law, the Executionary Regulations and the System of Regulations herein which all its transactions are in conformity with the principles of Sharia Law.
<b>Takaful Insurance</b>	A collective contractual system aiming at attaining cooperation between a group of participants to face specific risks whereby each one of them pay certain contribution that leads to formation of an account called the participants account through which the due compensation will be paid to whoever the risks are realized in his respect. The takaful insurance company will manage the account

and invest the amounts collected therein against a specified remuneration.

<b>Participant</b>	The person associated with a membership contribution document and concluded takaful insurance contract and obligated to pay the contribution, who has the right, or his legal heirs have the right, or those assigned thereto have the right, in cases an assignment is permitted, to receive the compensation or benefits offered by the participant's account with company.
<b>Takaful Insurance Policy</b>	The policy concluded by and between the company and the participant which embraces the terms of contract, the rights and obligations of the two parties and the beneficiaries of takaful insurance and any endorsements thereto.
<b>Contribution</b>	The amount which the participant undertakes to pay as an obligation to make donation against his contribution in takaful insurance account with the company to compensate damages or pay benefits to whosoever deserve them.
<b>Properties Takaful Insurance and Third Party Liability Takaful Insurance</b>	Property takaful insurance and Third Party Liability takaful insurance shall include the branches referred to in Article (5) of the Executionary Regulations provided they contain no matter in violation of the principles of <i>Sharia</i> Law.
<b>Individuals Takaful Insurance</b>	It includes family takaful insurance of all forms, Medical takaful insurance of all forms and personal accidents takaful insurance associated with family takaful insurance.
<b>Technical Provisions</b>	The provisions which the insurer must deduct and maintain to meet the insured's and accrued financial obligation.
<b>Actuary</b>	The person who estimates values of the insurance contracts, documents and the related accounts.
<b>Solvency Margin</b>	The surplus in the value of the company's real assets over its liabilities that enables it to fulfill its obligations in full and to pay the required indemnities right away when they befall due without impeding the company operations or weakening its financial status.
<b>Minimum Capital Requirement</b>	The minimum capital required to be maintained by a Company at all times as directed by Authority.
<b>Prudent Person</b>	A person or Company entrusted with funds for investment may invest such funds only in Securities that any reasonable individual interested in receiving a good return of income while preserving his or her capital would purchase.
<b>Own funds</b>	Own funds is defined as the available capital (and reserves) that an insurance Company has for capital adequacy measurement.
<b>Premium/ Policyholder</b>	For the purpose of the regulations mentioned herein premium refers to contributions and policyholder refers to participants.



## **Article (3)**

### **General Rules for Asset Valuation**

For Guidance on general rules for asset valuation, the following apply.

1. Companies shall invest all their assets in accordance with the prudent person principle, as specified in subsection 2 and 3. The investment shall be in accordance to Shari'a law.
2. With respect to the whole portfolio of assets, Companies shall only invest in assets and instruments whose risks can be properly identified, measured, monitored, managed, controlled and reported, and appropriately take into account in the assessment of their overall solvency needs by the Company.

All assets, in particular those covering the Minimum Capital Requirement and the Solvency Capital Requirement, shall be invested in such a manner to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition the localization of those assets shall be such as to ensure their availability.

In case of a conflict of interest, the Company, or the entity which manages its asset portfolio, shall ensure that the investment is made in the best interest of policyholders and beneficiaries.

Without prejudice to subsection 2 above, and with respect to assets held in respect of Individual Takaful linked insurance, where the investment risk is borne by the policy holders, the following shall apply:

- a. Where the benefits provided by a contract are directly linked to the value of units, or to the value of assets contained in an internal fund held by the Company, usually divided into units, the technical provisions with respect to those benefits must be represented as closely as possible by those units or, in the case where units are not established, by those assets.
  - b. Where the benefits provided by a contract are directly linked to a share index or some other reference value other than those referred to above, the technical provisions with respect to those benefits must be represented as closely as possible either by the units deemed to represent the reference value or, in the case where units are not established, by assets of appropriate security and marketability which correspond as closely as possible with those on which the particular reference value is based.
  - c. Where the benefits referred to above include a guarantee of investment performance or some other guaranteed benefit, the assets held to cover the corresponding additional technical provisions shall be subject to subsection 4.
3. Without prejudice to subsection 2, with respect to assets, Basis of Investing the Rights of the Policyholders - Takaful Regulation shall apply.
  4. For further guidance on general rule for asset valuation refer to Addendum (1) herein.

#### **Article (4)**

##### **Limits for assets to be considered for Solvency**

The admissible value to be considered towards calculation of solvency for all the assets shall be restricted as per the limits defined in the Basis of Investing the Rights of the Policyholders - Takaful Regulation.

#### **Article (5)**

##### **Addendum**

The Addendums attached to these instructions are an integral part of the instructions and to be read along with the instructions.

#### **Article (6)**

##### **Penalties**

The Company not abiding with the instructions in this regulation will be penalized as per the penalties stipulated in the laws and as the case requires.

#### **Article (7)**

##### **Issuing Decrees**

The General Manager of the Authority issues the required decrees to enforce the instructions of these regulations.

#### **Article (8)**

##### **Aligning Operations**

Once these regulations are enforced, each operating company must align its operations with the instructions in these regulations within a period of ( ) from them being enforced.

#### **Article (9)**

##### **Publishing the Regulation and Acting on Them**

These regulations are published in the Official Gazette and are acted upon from the publishing date.

**Engineer Sultan Bin Saeed AlMansoori**  
**The Minister of Economy**  
**Chairman of the Board of the Insurance Authority**

Issuing Date: 1432

\_\_\_/\_\_\_/2011

## **Addendum to Determining the Takaful Companies assets that meet the accrued insuring obligations**

### **Addendum 1:**

This is provided as further guidance to the general rule for asset valuation and to be read along with Article (3).

Assets for the purpose of calculation of the solvency margin needs to be measured as detailed below for classes of assets:

#### **1. Investments in Non-Insurance Subsidiaries and Associates**

- a) Investments in subsidiaries and associates that are not carrying out regulated insurance services, must be valued at an amount not exceeding the Company's proportionate share of the subsidiary's or associate's net asset value, determined as if that subsidiary or associate applied these rules in determining its net asset value.
- b) The net asset value determined in subsection (a) must be reduced for any amounts that cannot be made available to the Company in the ordinary course of business. This includes but is not limited to:
  - Required solvency margins, base capital requirements or any other amounts required to be maintained in order to comply with regulatory requirements applicable to the subsidiary or associate in the UAE or any other jurisdiction. This restriction applies to any subsidiary or associate (including banks and investment firms) subject to regulation in any jurisdiction;
  - Assets subject to currency control restrictions; and
  - Surplus assets in long-term insurance funds, as these assets belong to the long-term policyholders.
- c) Where a subsidiary or associate carries on a regulated activity either in the UAE or any other jurisdiction, a Company may, with the consent of the Authority, determine the net asset value of that subsidiary or associate (as specified in subsection (a) in accordance with the rules applicable in the jurisdiction where that subsidiary or associate has both its head office and principal supervisor.
- d) In determining the net asset value of a subsidiary or associate (as specified in subsection (a) where that subsidiary or associate is not carrying out regulated insurance services.

#### **2. Real Estate Investments**

- a) Real estate assets such as land and buildings must be valued at market value as assessed by an independent qualified value at a date no earlier than 2 years from the end of the financial year under consideration. Company may elect to use book value where that value is less than market value however where no proper valuation exists the value is deemed to be nil.
- b) The admissibility test is to be applied in total to both land and building, in instances where the realizable value of the asset is dependent on both the land and the building.

#### **3. Debt/ Government Securities**

- a) Government securities/sukuk must be valued at:

- In the case of listed securities, the closing market quotation or the latest available market quotation;
  - In the case of securities which are not transferable, the amount payable on surrender or redemption of such securities as at the date the security is being valued; and
  - In any other case, the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof.
- b) Debt securities not covered above must be valued at:
- In the case of listed securities, the closing market quotation;
  - In the case of securities which are not transferable, the amount payable on surrender or redemption of such securities as at the date the security is being valued; and
  - In any other case, the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof.

#### **4. Equity Shares**

- a) Equity shares that are listed securities must be valued on the closing market quotation or the latest available market quotation for the purpose of solvency calculations
- b) Equity shares that are not listed securities must be valued at the lower of:
- The carrying value of these shares on the books of the Company;
  - 75% of the net asset value for each share owned by the Company (based on the most recently available financial information); and
  - The amount which would reasonably be paid by way of consideration for an immediate transfer or assignment of the investment.

#### **5. Traded Derivative Contract**

A traded derivative contract (as allowed by the Shari'a Board) that is a listed security, for a share or a debenture must be valued at the closing market quotation, and otherwise at the amount which would reasonably be paid by way of consideration for an immediate transfer or assignment thereof. .

#### **6. Loans Secured by Policies of Insurance Issued by the Company.**

A loan secured by a policy of insurance issued by the Company must be valued as the amount of the loan but not exceeding the amount payable on a surrender of the policy as at the date the policy is being valued.

#### **7. Other Assets**

- a) Deposits and current account balances with approved financial institutions must be valued at their carrying value. The admissible value of these assets is their carrying value.
- b) The admissible value of any cash holding is its carrying value.
- c) Amounts due under contracts of Takaful and Re-Takaful (either ceded or accepted), including salvage and subrogation rights, must be valued at the amounts that can be expected to be recovered. The exceptions being:
- All debts which have been due for more than 6 months, in which case they must be valued at nil;
  - Advance commission paid to intermediaries which must be valued at nil; and
  - Amounts that pertain to a subsidiary or associate of the Company must be valued in accordance with subsection 1 above.

- d) Investments, except investments that are specifically covered above, must be valued as follows:
- If the investment is due, or will become due, within twelve months from the date at which the investment is being valued at (or would become so due if the company exercised some right), the amount which can reasonably be expected to be recovered in respect of the investment, taking due account of any security held in respect thereof.

## **8. Total Assets**

For the purposes of asset valuation regulations, 'Total Assets' is defined as follows:

- a) In terms of the Properties takaful insurance business and Liability takaful insurance business, the Properties insurance and liability insurance total assets are the value of the Company's PRF assets (other than Family insurance business assets), excluding Re-Takaful recoveries; and
- b) In terms of the Individual Takaful insurance business, the Family insurance total assets are the value of the Company's PRF assets (other than those relating to Properties insurance business and liability insurance business), excluding Re-Takaful recoveries and assets required to match linked liabilities.

**Board of Directors Decision No. ( ) of 2011  
On Instructions Pertinent to  
The Records which the Takaful Companies shall be Obligated to Organize and  
Maintain as well as the Data and Documents shall be made Available to the  
Authority**

**Board of Insurance Authority**

Having considered that:

- Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organization of the insurance Operations and Executionary Regulations;
- Pursuant to what has been presented by the General Manager of the Authority; and
- Takaful Insurance Regulations.

**It was Decided**

**Article (1)**

This instruction shall be named as (The Records which the Takaful Companies shall be obliged to organize and maintain as well as the data and documents shall be made available to the Authority).

**Article (2)**

**Definitions**

The following words and expression shall bear the meaning indicated beside each of them unless the context provides otherwise:

<b>State</b>	The United Arab emirates
<b>Ministry</b>	The Ministry of Economy
<b>Minister</b>	The Minister of Economy
<b>Authority</b>	The Insurance Authority established by virtue of the provision of the Federal Law no.6 of 2007.
<b>Executionary Regulations</b>	The Executionary Regulations of the Federal Law No. 6 of 2007 issued by the Insurance Authority Board of Directors' Resolution No. 2 of 2009
<b>Company</b>	The takaful insurance company established and conducting its business according to the provisions of the Law, the Executionary Regulations and the System of Regulations herein which all its transactions are in conformity with the principles of Sharia Law.
<b>Takaful Insurance</b>	A collective contractual system aiming at attaining cooperation between a group of participants to face specific risks whereby each one of them pay certain contribution that leads to formation of an

account called the participants account through which the due compensation will be paid to whoever the risks are realized in his respect. The takaful insurance company will manage the account and invest the amounts collected therein against a specified remuneration.

<b>Participant</b>	The person associated with a membership contribution document and concluded takaful insurance contract and obligated to pay the contribution, who has the right, or his legal heirs have the right, or those assigned thereto have the right, in cases an assignment is permitted, to receive the compensation or benefits offered by the participant's account with company.
<b>Takaful Insurance Policy</b>	The policy concluded by and between the company and the participant which embraces the terms of contract, the rights and obligations of the two parties and the beneficiaries of takaful insurance and any endorsements thereto.
<b>Contribution</b>	The amount which the participants undertakes to pay as an obligation to make donation against his contribution in takaful insurance account with the company to compensate damages or pay benefits to whosoever deserve them.
<b>Membership Contribution Document</b>	The documents containing the fundamentals and principles of takaful insurance as approved by the company in respect of the participants' relation therewith which the participant has to agree thereto upon his contribution.
<b>Premium/ Policyholder</b>	For the purpose of the regulations mentioned herein, premium refers to contributions and policyholder refers to participant.
<b>Properties Takaful Insurance and Third Party Liability Takaful Insurance</b>	Property takaful insurance and Third Party Liability takaful insurance shall include the branches referred to in Article (5) of the Executionary Regulations provided they contain no matter in violation of the principles of <i>Sharia</i> Law.
<b>Individuals Takaful Insurance</b>	It includes family takaful insurance of all forms, Medical takaful insurance of all forms and personal accidents takaful insurance associated with family takaful insurance.
<b>Technical Provisions</b>	The provisions which the insurer must deduct and maintain to meet the insured's and accrued financial obligation.
<b>Actuary</b>	The person, who estimates values of the insurance contracts, documents and the related accounts.
<b>Loss &amp; Damage Adjustor</b>	The person who examines the damages occurred to the subject matter of the insurance, and assesses them.
<b>Underwriting</b>	The process of selecting risks for insurance and classifying them according to their degrees of insurability so that the appropriate rates may be assigned. The process also includes rejection of those risks that do not qualify.
<b>Authority Examiners</b>	The employees with Authority authorized to perform examination and inspection of insurance records.

**Subrogate**

The Company replaces the participant in his/her rights towards third parties upon the settlement of the claims by the Company.



**Article (3)**  
**General Requirements**

1. The Company must maintain complete transaction records for all local and international operations for as long as they are deemed relevant for the purposes for which they were made. Records of completed transactions may be retained in either hard copy and/or electronic format, but must be kept in their original form. Completed transaction records for business booked in the UAE must be maintained in the UAE and be easily accessible to the Authority.
2. For those Company's who are carrying on Individual Takaful Insurance and Properties & Third Party Liability Takaful Insurance operations, separate records must be maintained in respect of both takaful insurance operations. The transactions relating to each kind of business must be maintained separately. The Company must maintain such accounting and other records as necessary to identify all assets and liabilities in respect of each kind of business.
3. Company shall maintain backup for all records. The backup shall be maintained in a separate location from the original records.
4. Regardless to any information mentioned in other instructions, the electronic information or information generated from the computer system, fax and e-mail are considered adequate and valid if the authoritative controls were adhered to.
5. For further guidance on general requirements for records refer to Addendum (1) herein.

**Article (4)**  
**Period of Retention for Records**

1. The retention period of the records and backups along with any other related documents and data, should be for seven years or more, as of the end date of the activity or the working relation with insured.
2. The Company will maintain records beyond the normal statute of limitation periods as stipulated in subsection 1 above, when the records are subject to ongoing investigations or prosecution in court, until such records are no longer needed.

## **Article (5)**

### **Types of Records**

Takaful Company must maintain adequate records for all lines of business and shall include:

- Underwriting, Policy Issuance and Policy Servicing records.
- Claims records.
- Technical Provisions records
- Financial Solvency records
- Product related records
- Reinsurance contracts and related records
- Investment records.
- Actuarial records.
- Records of Company's transactions with its subsidiaries and affiliates.
- Records for the participants funds under management
- Records for shareholders funds
- Main agreements of a Company.
- Policies and Procedures for all the processes within a Company including Risk Management Policy and Procedures.
- A report from the actuary showing the findings of the examination and the assessment referred to in Article (59) and (60) of the Federal Law no. 6 of 2007 as from the expiry of the period for which the examination was conducted along with supporting data and documents.
- Any other records mentioned in the regulations issued by Authority.

For further guidance on types of records refer to Addendum (2) herein.

## **Article (6)**

### **Examination of Records**

1. The Authority examiners or any person assigned by it shall have the right to conduct office and field examinations of all accounts, records, documents, and transactions related to the Takaful affairs of the Company and the Takaful and Re-Takaful Services Provider. The Company employees shall provide all information, particulars, and documents required by the examiners.
2. Any Company that appoints a Registered Actuary or Signing Actuary shall waive any duty of confidentiality on the part of the actuary, such that the Actuary may report to the Authority any concerns held regarding material failures by the Company to comply with Authority requirements.
3. The Authority may from time to time inspect under conditions of secrecy the records of any Company and of any of its branch offices.
4. The Authority has the right to submit a formal letter to any Company employee for the following reasons:
  - a) furnish Authority with any information; or

- b) appear before the Authority to discuss any topic that the Authority may request.
5. An examiner authorized by Authority shall examine, without any prior notice, the documents of:
    - a) The Company, or its agent, in or outside UAE; or
    - b) The Company in liquidation or an insurance company whose license has been suspended.
  6. For the purpose of Article (6), a reference to a Company or its agent, in the case of a licensed foreign Company, is a reference to its business, or business of its agents, in UAE.
  7. The examiner may examine the Company or a person whom he believes to be acquainted with the facts and circumstances of the case, including the accounts auditor or the actuary of the Company, the Company or the person shall give such document or information as the examiner may require within such time as he may specify.
  8. An accounts auditor or an actuary shall not be liable for breach of a contract relating to, or duty of, confidentiality for giving a document or information to the examiner.
  9. In case it becomes evident to Authority that the actuary report does not reflect the correct financial status of the Company, Authority may order a re-examination by an actuary appointed by Authority and the expenses to be borne by the Company for re-examination ordered by Authority.
  10. In case of any material discrepancies in the data or the records provided by the Company, Authority may request to amend them within a specified period. However, the Company is entitled to reject the amendment and the same would be referred to the Board of Directors of Authority, their decision would be final.
  11. The Company should submit any documents or information requested by the Authority or any Company that has an ownership relationship with the Company, pertaining to the Company's records and within the time period that is set by the Authority.
  12. For further guidance on examination of records refer to Addendum (3) herein.

## **Article (7)**

### **Records for Agents and Brokers**

For Guidance on agents and brokers records, the following apply.

1. The agent/broker shall document all the data, information and papers related to the Takaful agency/brokerage business he is practicing on behalf of the Company or any of its branches in records, as the case may be, including the following:
  - a) Name and address of the Company or any of its branches he is practicing the Takaful business for.
  - b) A copy of the agency/broker agreement concluded between him and the Company.
  - c) Memos and correspondences related to his business.
  - d) The proposals received on behalf of the Company or any of its branches.
  - e) Name of the proposer of Takaful, the insured and the beneficiary, as well as the date of issuance and the subscription collected in respect thereof.
  - f) Where the agent/broker is entitled to underwrite and issue a policy on behalf of the Company. The agent/broker shall document Takaful policies and their endorsements concluded by him on behalf of the Company .
  - g) A copy of takaful policies that the participant concludes with the Company.
  - h) Documents with serial numbers related to collecting, paying, recording, settling claims and any financial transactions regarding the Takaful agency/brokerage business practiced.
  - i) Bank records regarding the Takaful agency/brokerage business practiced.
  - j) Agent/ broker shall maintain separate records for each Company.
2. The records referred to above shall be in the form of originals or in any other form of electronic archiving systems.
3. The agent/broker shall keep the records for a period of not less than seven years as of the date the duration of the Takaful policy ends.
4. The Authority may assign an employee or more from their end or appoint an external party to inspect, in appropriate times, the records of the agent/broker. The agent/broker shall have all his records available and cooperate with the employee or the external party so that they can fully perform their duties. The agent/broker shall bear all the expenses for the external party as decided by the Authority, unless the Authority deems otherwise.
5. It is the responsibility of the Company to ensure that all the needed documents are received from the agent/broker on timely basis.

## **Article (8)**

### **Addendum**

The Addendums attached to these instructions are an integral part of the instructions and to be read along with the instructions.

**Article (9)**

**Penalties**

The Company not abiding with the instructions in this regulation will be penalized as per the penalties stipulated in the laws and as the case requires.

**Article (10)**

**Issuing Decrees**

The General Manager of the Authority issues the required decrees to enforce the instructions of these regulations.

**Article (11)**

**Aligning Operations**

Once these regulations are enforced, each operating company must align its operations with the instructions in these regulations within a period of ( ) from them being enforced.

**Article (12)**

**Publishing the Regulation and Acting on Them**

These regulations are published in the Official Gazette and are acted upon from the publishing date.

**Engineer Sultan Bin Saeed AlMansoori**

**The Minister of Economy**

**Chairman of the Board of the Insurance Authority**

Issuing Date: 1432

\_\_\_/\_\_\_/2011

## **Addendum to the Records which the Takaful Companies shall be obliged to organize and maintain as well as the data and documents shall be made available to the Authority**

### **Addendum 1:**

This is provided as further guidance to the general requirements for records and to be read along with Article (3).

1. If the original documents are paper, they must be kept in their original form. Electronic payments and receipts may be kept electronically without the need for hard copies. The Company needs to ensure that they have appropriate procedures to ensure the integrity of the information stored electronically. The record format selected must be capable of producing complete and accurate financial, management and regulatory reports, and allow monitoring and review of all transactions.
2. The Company should establish appropriate measures to support records management, maintenance, and archiving. Access to records should be well controlled.
3. Where a firm outsources the storage of some or all of its records to a third party service provider, it should ensure that these records are readily accessible and can be reproduced within a reasonable time period upon request by the Authority.

### **Addendum 2:**

This is provided as further guidance to the types of records and to be read along with Article (5)

1. The Company will maintain the following as a minimum for Policy Issuance, Underwriting and Policy Servicing records:
  - a) Takaful application and proposal;
  - b) Takaful policy;
  - c) Wakala and Mudaraba fee details;
  - d) Agreement on any terms of re-Takaful cover;
  - e) Re-Takaful contracts;
  - f) The insured and beneficiary's proof of identification;
  - g) Underwriting policy and procedures;
  - h) List of insured personnel for group policies;
  - i) Medical declaration for family and healthcare Takaful;
  - j) Participantss register;
  - k) Re-Takaful registers for assumptions and cessions showing details of underwriting information by treaty, subscriptions, losses, commissions, etc., balances due to/from re-Takaful companies, and supporting source documents; and
  - l) Customer Complaints register.
2. The Company shall maintain claim records pertaining to participant's claims and classify them into paid, unpaid, and rejected claims. Each record shall include the following:
  - a) Takaful application and proposal, if available;
  - b) Copy of the Takaful policy;
  - c) Claims policy and procedures;
  - d) Participant's claim's information;
  - e) Claims register;

- f) Adjusters and assessor's report and any other documents pertaining to the claim and the direct reason leading to the covered loss;
  - g) Proportional share of any other Takaful and re-Takaful policies in effect;
  - h) Action taken by the Company and the status of the claim;
  - i) A power-of-attorney from the insured to the Company to subrogate it in the following cases;
    - Third party liability for the loss; and
    - Defending the insured in repudiate liability or in determining the indemnity amount.
  - j) Signed settlement agreement by a person for a paid claim.
3. The Company shall maintain the following sub-records in relation to the calculations of Technical Provisions:
- a) The methods and assumptions used in establishing the Company's reserves, including the margins for adverse deviation, and the reasons for their use;
  - b) The nature of, reasons for, and effect of, any change in approach, including the amount by which the change in approach increases or decreases its reserves;
  - c) Stress testing and scenario analysis prepared as required; and
  - d) Reserves calculation performed for each period.
5. In case of investment records following sub-records to be maintained, summary of investment income from Takaful and other operations, details of derivatives and pledged assets, supporting documentation including securities registers (including information regarding securities held by the Company outside UAE), Ijara register and Ijara documents.
6. In support of the above records, the Company shall maintain the following records:
- a) Working papers, with properly referenced audit trails, to support the financial statements/ regulatory data required to be submitted to the Authority;
  - b) Bank statements, cheque registers, monthly banks reconciliations, vouchers and receipts pertaining to the operations of the UAE, and adequate documentation to confirm that amounts due in respect of the Takaful operations of the Company flow to the bank account in UAE;
  - c) Records supporting amounts due to or from the home office and affiliated entities (if any);
  - d) Policy movement reports and reserve amounts;
  - e) Subscription registers detailing subscriptions written, earned, and unearned; and
  - f) Listing of policy loans, amounts on deposit by policy, related income or expense, and originals or copies of policy loan applications.
  - g) A description of the accounting system;
  - h) All agreements, including outsourcing agreements with third party and affiliates;
  - i) All signed contracts, which are material to the Company, that relate to the administrative operation of the Company;
  - j) Policies and practices governing the Company's operations in the UAE;
  - k) Risk management policies and procedures;
  - l) Details of Board minutes and other committee minutes;
  - m) Details of any current litigation matters; and

- n) Actuarial reports, including valuation reports, external review reports, experience studies, etc., and supporting documentation.

**Addendum 3:**

This is provided as further guidance to the examination of records and to be read along with Article (6)

1. For the purposes of an inspection, the Company shall allow the Authority access to its records and shall give such information and facilities as may be required to conduct the inspection provided that the records and documents shall not be required to be produced at such times and at such places as shall interfere with the proper conduct of the normal daily business of that Company.
2. Based upon the results of the inspections conducted, the Authority may appoint experts, consultants, actuaries, or accounts auditors to audit the business of the Company, evaluate its status and submit a report in this respect. The Company shall cooperate to enable them to perform their work in a complete form, provided that the Company shall bear the fees determined by the Authority for any of them.
3. Examiner, Actuary, Consultants, Account's Auditor or any other third party appointed by Authority should maintain confidentiality of information and not disclose any information to third party without prior written approval of Authority.
4. The reporting Company must ensure that the retained documents and records are able to create an audit trail on individual transactions that are traceable by Authority and any relevant supervisory and law enforcement agencies.
5. In addition, the records maintained must enable the reporting institution to establish the history, circumstances and reconstruction of each transaction.