A Guide to Insurance and Reinsurance

in Abu Dhabi Global Market

ADGM

Abu Dhabi's Award Winning
International Financial Centre

ADGM
The International Financial Centre Made for Business

Abu Dhabi Global Market, an international financial centre in the capital of the United Arab Emirates, fully opened for business on 21st October 2015. A financial free zone, ADGM is an independent jurisdiction encompassing the entire 114 hectares (1.14 sq km) of Al Maryah Island with rules and regulations aligned with international best practice. ADGM's four independent authorities (Registration Authority, Financial Services Regulatory Authority and the ADGM Courts) provide a holistic environment enabling registered companies to conduct business and operate with confidence

ADGM's Financial Services Regulatory Authority (FSRA)

ADGM's Financial Services Regulatory Authority (FSRA) has a comprehensive insurance regime that supports a full range of insurance business models and related services. The FSRA operates to recognised international standards and best practice and is a member of the International Association of Insurance Supervisors (IAIS).

ADGM not only caters to both traditional insurance/reinsurance and brokerage models, but as a renowned innovator, is also a jurisdiction where new ideas and approaches can thrive. Whether it is a new approach to a traditional method or a completely new idea, ADGM's flexible and business friendly approach is able to accommodate a variety of needs.

The vast majority of insurance propositions are likely to fall under one of the following categories:

- Insurance and reinsurance providers, including Islamic Insurance
- Insurance intermediaries and managers
- Captives (and captive managers)
- Insurance special purpose vehicles and insurance linked securities
- InsurTech solutions

Why ADGM for Insurance Business

OPPORTUNITY

As a gateway to the GCC, MENA and wider MEASA regions, ADGM is ideally placed for businesses looking to take advantage of the growing demand for insurance from developing economies and to support significant infrastructure development in an environment with a historically high use of reinsurance.

LEGAL AND REGULATORY	
• An independent jurisdiction with its own civil and commercial laws • Common law directly applicable providing high levels of legal certainty • Flexibility for additional amendments to regulations as required • Independent ADGM Courts – the world's first fully digital courtroom	• Internationally recognised regulatory framework, member of the IAIS • Independent risk-based financial services regulator • ADGM Arbitration Centre offers state of the art hearing facilities for alternative dispute resolution • 100% foreign ownership permitted

INNOVATION	
• ADGM is an active advocate and supporter of innovation and FinTech (including InsurTech) • Smart IFC and innovation hub • World's first Digital Regulatory sandbox – ADGM Digital Lab	• FinTech Abu Dhabi is the largest FinTech event in the region • Home to globally renowned accelerator programmes • Tech Start-up Licence available

BUSINESS FRIENDLY	
• Efficient and transparent application processes • Fully digital incorporation and commercial licence application process • Support with visas and government services	• Flexibility to relocate existing businesses • Variety of legal structures available

INFRASTRUCTURE	
• Premium 'Grade A' offices and world-class infrastructure located in a central time zone	• Global connectivity through world-class airlines • Leading hotels, healthcare and lifestyle amenities

WORLD CLASS INSTITUTIONS AND ADVISORS	
• Access to a growing ecosystem of finance, services and talent	• Established community of leading international legal, tax, accounting and consultancy firms

TAX ENVIRONMENT	
• 0% personal and corporate income tax • No withholding of taxes • No restrictions on repatriation of profits	• Substantial number of Double Tax Treaties • BEPS compliant jurisdiction

Abu Dhabi Quick Facts

Accounts for 2/3 of the approx $400 BN economy of UAE

More than half of GDP from non-oil & gas sectors

Average GDP growth of 11% p.a. since 2005

Owns 3% of the world's gas reserves

Stable inflation rate of 2%

Owns 9% of the world's proven oil reserves

Per capita GDP of $98,000

Insurance and Reinsurance Providers

ADGM permits all classes of life and non-life insurance and reinsurance as well as takaful and retakaful. The FSRA has a dedicated prudential rulebook for insurance, which sets out the requirements that must be met and adheres to international standards. The FSRA takes a risk-based approach to capital requirements and supervisory oversight .

Direct insurance is permitted in relation to risks located outside the UAE (subject to any local requirements of that overseas market) as well as risks located in ADGM. Direct insurance of risks located in UAE is not permitted. Reinsurance of risks in the UAE, ADGM and / or outside the UAE is permitted subject to any local requirements as may be applicable. All classes of insurance may be provided in and from ADGM, but composite insurance models are not permitted i.e. life and non-life business cannot be written by the same entity (separate entities are required), unless the General Insurance Business is restricted to Class 1 (Accident) or Class 2 (Sickness), or both.

ADGM permits 100% of risk located outside of ADGM to be ceded to ADGM based entities. Risk carriers are also able to access the ADGM market through underwriting agents/Managing General Agents/Lloyd's Coverholders, where underwriting authority has been granted (see intermediation, below).

All classes of life and non-life insurance permitted

Takaful and Retakaful

Direct Insurance of risk in ADGM and outside of the UAE.

Reinsurance of risk in ADGM, UAE and outside of the UAE

Can use MGAs, Underwriting Agents and Coverholders

Cedants can place 100% of risk with ADGM entities

[1]The FSRA rule books can be found on our website at
https://www.adgm.com/legal-framework/rules-and-regulations

Insurance Intermediaries and Managers

ADGM supports the development of a growing insurance market in the UAE and wider region. Insurance intermediation and management play a significant role in developing this market and ADGM's regime supports a wide range of business models, including:

- Insurance and Reinsurance Brokers
- Managing General Agents and Underwriting Agents (including Coverholders for Lloyd's syndicates)
- Insurance Managers (including Captive Managers)
- Third Party Administrators.

Insurance Intermediation and Insurance Management require a lower level of capital than Insurance and Reinsurance Providers, reflecting that such entities are not risk carriers, and attract lower application and supervision fees. Delegating underwriting authority to a Managing General Agent, Underwriting Agent or Lloyd's Coverholder allows foreign companies to access ADGM, and in turn the wider region (acting as a regional hub), without the need to set up as a risk carrier.

Insurance Intermediation is permitted in relation to risks located outside the UAE (subject to any local requirements of that overseas market) as well as risks located in ADGM. Insurance Intermediation of risks located in the UAE is not permitted. Reinsurance Intermediation of risks in the UAE, ADGM and / or outside the UAE is permitted subject to any local requirements as may be applicable.

Brokers	MGAs and Under-writing Agents	Insurance Managers and Third Party Administrators	Competitive fees and risk-based capital requirements	No acting on direct insurance of risk in the UAE, unless in ADGM

Captive Insurers and Captive Managers

Captive insurers are insurance companies formed by a parent company, group or groups with the specific purpose of providing risk solutions to cover the risks to which they are exposed. They offer the potential for (usually) large corporates or other bodies to make cost savings, participate in insurance risk, improve risk management, get direct access to the reinsurance market, and provide cover for insurance policy excess/deductibles, a new line of business or unusual risks.

ADGM's risk-based and proportionate approach offers an attractive, flexible, responsive captive insurance framework that is business-focused. The captive insurance regime benefits from a dedicated rulebook and streamlined application process, which is not only quick and efficient, but also robust and credible, with competitive fees.

ADGM's captive insurance regime allows for a comprehensive range of structures, offering four classes of captive insurers to address a wide variety of business needs, from pure captives to associations to captives which cover connected third parties. ADGM also offers a wide range of corporate vehicles for the benefit of captive insurers, from standard structures such as limited companies to protected cell companies and incorporated cell companies, to provide maximum flexibility. ADGM also supports SPVs and ISPVs. Existing captives can be re-domiciled in ADGM, subject to conditions.

ADGM's captive insurance regime allows for the use of captive managers. An ADGM authorised captive manager is able to administer all of the captive's managerial and operational functions, including filling all mandatory roles. This makes for an efficient and resource-effective alternative to self-management.

Flexible approach offering four classes of captives

Can outsource to ADGM based Captive Managers

Cost savings and benefits for large corporates and other bodies

Corporate vehicles include Ltd, PCC, ICC and ISPV

Fast, efficient and competitive authori-sation process

A link to ADGM's dedicated guide to captive insurance can be found on the ADGM website
https://www.adgm.com/media/publications

Insurance Special Purpose Vehicles (ISPVs) and Insurance Linked Securities (ILS)

Alternative forms of risk transfer and funding are a growing part of the insurance market. ILS are essentially financial instruments, which are sold to investors, whose value is affected by a pre-defined trigger event such as a specified loss occurring. Most commonly known for being used to cover weather and other catastrophe events (Cat Bonds), ILS are increasingly being considered by both traditional risk carriers and new market entrants as a way to increase capacity, recapitalise where necessary, enter new markets or business lines, or cover unusual risks. The use of ILS across the MEASA region may play a significant role in supporting infrastructure and large development projects.

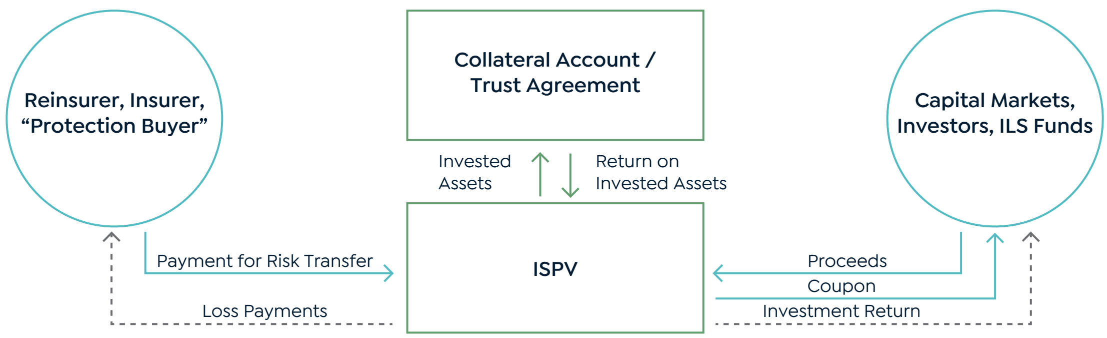
Investors may invest in ILS directly (retail investors are prohibited) or fund managers are also able to set up ILS funds to gain access to this alternative asset class and provide portfolio diversification for investors, allowing them to participate in insurance risk without investing in an insurance company. This enables investors to be selective on the risks they choose to cover, while not being exposed to the credit risk of the issuer.

ADGM has a regime in place to support the development of an ILS market across the region, including ISPVs. Insurers, reinsurers, sponsors, developers, investors, fund managers and other ILS related service providers interested in accessing this market should contact us for further information.

ISPVs are 'bankruptcy remote' entities, which must be fully funded and separate entities from that of a sponsoring insurer/reinsurer. They allow an insurer/reinsurer to move risk 'off-balance sheet' to free up capital, increase capacity and collateralise risk exposures.

In addition, ADGM's regime for Protected Cell Companies and Incorporated Cell Companies can be utilised to streamline the issuance process, where an applicant intends to make multiple issuances.

Basic ILS deal structure:



Dedicated approach to ISPVs

Risk transfer to off balance sheet vehicle

Portfolio diversification for investors

ISPV must be fully funded

Innovative structures and uses considered

Corporate Vehicles

ADGM supports a wide range of corporate vehicles to provide maximum flexibility.

LIMITED COMPANIES:

A standard Limited Company structure:

- Efficient authorisation process with competitive fees
- Fast and responsive processes for incorporation and commercial business licence
- Legal certainty

PROTECTED CELL COMPANY (PCC):

A PCC is a single legal entity, with a central core and a number of ring-fenced, protected cells, with each cell potentially insuring or reinsuring the risk of a different cell owner. Advantages include:

- Avoidance of contagion risk
- Lower cost of establishing new cells
- Faster regulatory consent

INCORPORATED CELL COMPANY (ICC):

An ICC has cells like a PCC, but each cell is a separately incorporated, discrete legal entity. Unlike a PCC, an ICC cell may have a different memorandum and articles of association to another cell. Advantages include:

- Cells may enter into contractual obligations with each other, and with third parties, in their own right
- Reduced costs, including audit
- ICCs can act as incubators of new Captive Insurers
- Bankruptcy remoteness

SPECIAL PURPOSE VEHICLES (SPV) and INSURANCE SPECIAL PURPOSE VEHICLES (ISPV):

ADGM also has a robust, efficient and easy to use regime for SPVs and ISPVs

Classes of insurance

Classes of Life Insurance

Class 1 – Life and annuity

Contracts of Insurance on human life or contracts to pay Annuities on Human Life.

Class 2 – Marriage and birth

Contracts of Insurance to provide a sum on marriage or on the birth of a child, being contracts expressed to be in effect for a period of more than one year.

Class 3 – Linked long term

Contracts of Insurance on human life or contracts to pay Annuities on Human Life where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contracts) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

Class 4 – Permanent health

Contracts of Insurance providing specified benefits against risks of individuals becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity, being contracts that-

a) are expressed to be in effect for a period of not less than five years, or until the normal retirement age for the individuals concerned, or without limit of time; and

b) either are not expressed to be terminable by the insurer, or are expressed to be so terminable only in special circumstances mentioned in the contract.

Class 5 – Tontines

Contracts of insurance which are tontines.

Class 6 – Capital redemption

Contracts to provide a capital sum at the end of a term.

Class 7 – Pension fund management

a) Pension fund management contracts; or

b) Contracts of the kind mentioned in sub-paragraph (a) that are combined with Contracts of Insurance covering either conservation of capital or payment of a minimum interest.

Classes of Non-Life Insurance

Class 1 – Accident

Contracts of Insurance providing fixed pecuniary benefits or benefits in the nature of the indemnity, or a combination of both, against risks of the person insured—

a) sustaining injury as the result of an accident or of an accident of a specified class;

b) dying as the result of an accident or of an accident of a specified class; or

c) becoming incapacitated in the consequence of disease or of disease of a specified class;

inclusive of contracts relating to industrial injury and occupational disease.

Class 2 – Sickness

Contracts of Insurance providing fixed pecuniary benefits or benefits in the nature of indemnity, or a combination of the two, against risks of loss to the persons insured attributable to sickness or infirmity.

Class 3 – Land Vehicles

Contracts of Insurance against loss of or damage to vehicles used on land, including motor vehicles but excluding railway rolling stock.

Class 4 – Marine, aviation and transport

Contracts of Insurance—

(a) against loss of or damage to railway rolling stock;

(b) upon aircraft or upon the machinery, tackle, furniture or equipment of aircraft;

(c) upon vessels used on the sea or on inland water, or upon the machinery, tackle, furniture or equipment of such vessels; or

(d) against loss of or damage to merchandise, baggage and all other goods in transit, irrespective of the form of transport.

Class 5 – Fire and other property damage

Contracts of Insurance against loss of or damage to property, other than property to which either of classes 3 or 4 relates, due to fire, explosion, storm, natural forces other than storm, nuclear energy, land subsidence, hail, frost or any event, such as theft.

Class 6 – Liability

Contracts of Insurance against risks of the persons insured incurring liabilities to third parties, including risks of damage arising out of or in connection with the use of motor vehicles on land, aircraft and vessels on the sea or on inland water, including third-party risks and carrier's liability.

Class 7 – Credit

Contracts of Insurance against risks of loss to the persons insured arising from the insolvency of debtors of theirs or from the failure, otherwise than through insolvency, of debtors of theirs to pay their debts when due.

Class 8 – Suretyship

(a) Contracts of Insurance against risks of loss to the persons insured arising from their having to perform contracts of guarantee entered into by them; or

(b) Contracts for fidelity bonds, performance bonds, administration bonds, bail bonds or customs bonds or similar contracts of guarantee.

Class 9 – Other

Contracts of Insurance—

(a) against risks of loss to the persons insured attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on;

(b) against risks of loss to the persons insured attributable to their incurring unforeseen expense;

(c) against risks of loss to the persons insured attributable to their incurring legal expenses, including costs of litigation; and

(d) providing assistance, whether in cash or in kind, for persons who get into difficulties, whether while travelling, while away from home, while away from their permanent residence, or otherwise.

Prudential Requirements and Fees*

Regulated Activity	Authorisation Fee	Annual Supervision Fee	Basic Requirement**	Minimum Capital Requirement**
Effecting and/or Carrying Out Contracts of Insurance as Principal	USD 30,000	USD 30,000	Adequate Capital Resources	Adjusted Capital Resources (ACR) equal to or higher than the Minimum Capital Requirement (MCR): See PIN APP 3 and APP 4
Effecting and/or Carrying Out Contracts of Insurance, limited to acting as a Captive Insurer	USD 5,000	USD 5,000	Class 1: USD150,000 Class 2: USD 250,000 Class 3: USD 500,000 Class 4: USD 1 million	The higher of A, B or C, below: **A.** Premium Risk Component: • 18% X Net Written Premium up to USD 5 million • 16% x Net Written Premium in excess of USD 5 million **B.** Technical Provision Risk Component (General Insurance): • 5% x net claims reserve **C.** Technical Provision Risk Component (Long-term Insurance): • 2.5% x policyholder liabilities
Effecting and/or Carrying Out Contracts of Insurance, limited to acting as an Insurance Special Purpose Vehicle (ISPV)	USD 5,000	USD 5,000	N/A	Assets must be equal to or greater than liabilities at all times. The ISPV must be fully funded i.e. have received the proceeds of the debt issuance or other mechanism by which it is financed
Effecting and/or Carrying Out Contracts of Insurance, limited to acting as a Cell Company	USD 5,000 Plus USD 1,000 per cell	USD 5,000 Plus USD 1,000 per cell	Basic requirements linked to whether acting as Principal, as a Captive or as an ISPV	Minimum capital requirements linked to whether acting as Principal, as a Captive or as an ISPV
Insurance Intermediation	USD 5,000 Plus USD 5,000 per additional activity	USD 5,000 Plus USD 5,000 per additional activity	USD 10,000	18/52 of audited annual expenditure if holding insurance monies otherwise 6/52 of annual audited expenditure
Insurance Management	USD 5,000 Plus USD 5,000 per additional activity	USD 5,000 Plus USD 5,000 per additional activity	USD 10,000	18/52 of audited annual expenditure if holding insurance monies otherwise 6/52 of annual audited expenditure
Captive Management	USD 5,000 Plus USD 5,000 per additional activity	USD 5,000 Plus USD 5,000 per additional activity	USD 10,000	18/52 of audited annual expenditure if holding insurance monies otherwise 6/52 of annual audited expenditure

* Separate fees are payable to the Registration Authority to incorporate the entity and obtain a commercial licence.
** Unless operating as a branch. In such cases the FSRA will look to the parent entity when assessing financial soundness.

Additional Requirements

Mandatory Appointments	Must be resident in the UAE	Roles can be combined:	Fee
Senior Executive Officer	Yes	No	USD 500
Compliance Officer	Yes	Yes	Nil
Money Laundering Reporting Officer	Yes	Yes	Nil
Chief Financial Officer	No	No	Nil

Must have a **physical presence** in ADGM.
ADGM does not mandate office size.
A variety of office space is available to suit needs

* A Board of Directors (Licensed Directors USD500 per Director) is also required unless operating as a branch
* Some roles may be outsourced, depending on regulated activity, size and complexity
* Additional roles may be required, depending on the size and nature of the business

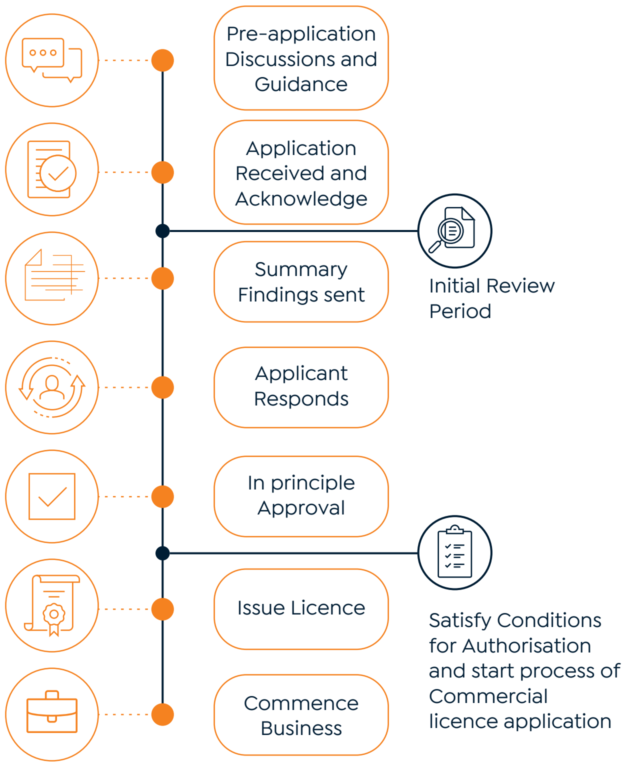
Authorisation Process

Approach

The FSRA's process has been designed with efficiency in mind. We invite potential Applicants to submit a draft Regulatory Business Plan in advance of a formal submission, so that we can provide initial feedback and ensure there is clarity on the business model and the corresponding regulated activities required. We aim to review and comment upon such a draft within 10 working days. We have a more streamlined approach for captive insurance applications, using a separate form and no draft regulatory business plan stage.

Following the initial review and feedback on the draft regulatory business plan, applicants would then make an application and pay the application fees. We would then complete our review process, which may involve further interaction (typically taking 6-8 weeks for a complete application) and, on the basis that the application was accepted, we would provide in-principle approval.

The application will cover things such as ownership structure and controllers, regulated activities, business model (including products and services to be offered, target markets and customer base), governance, oversight and controls (including risk, compliance, internal audit, AML/CTF, IT and BCP) financial information, and approved and recognised person roles.



The in-principle approval comes with a number of conditions, such as incorporating and registering the company with the ADGM Registration Authority (which is a separate process and for which fees are payable), leasing appropriate office space, appointing staff to required roles and completing anything else necessary to set up the business and comply with regulatory requirements. How long this phase lasts will depend on how quickly an applicant can meet the conditions. Once the Applicant has met all of the conditions, the FSRA would grant the financial services permission and regulated activity can commence.

Forms

To ensure a quick and efficient process, the FSRA has set out detailed forms, which theApplicant or their advisors must complete. For most insurance activities, this would mean completing the core application form; the General Information for Regulated Activities (GIRA) and an Insurance Business Supplement (IBS). Captive Insurance Business has a discrete application form (CIBF) that replaces the GIRA and IBS forms. Forms are also required for individuals proposing to exercise Controlled and Recognised Persons.

Require more information?

The The FSRA Authorisation Team is available to provide more information and assist you in understanding the ADGM insurance regime. Please contact us to arrange for a discussion and to better understand the application process.

CONTACT US

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