Update - CP 103 changes

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What we will cover today

Results of public consultation on CP 103

Key changes for:

- Insurers
- Insurance Intermediaries
- Insurance Managers

New Rules operative from 1 August 2016 contain:

- clarifications on when 2 Licences are needed
- a tailored COB approach to reinsurance activities
- lower capital for brokers holding Insurance Monies

Overview of CP 106 proposals
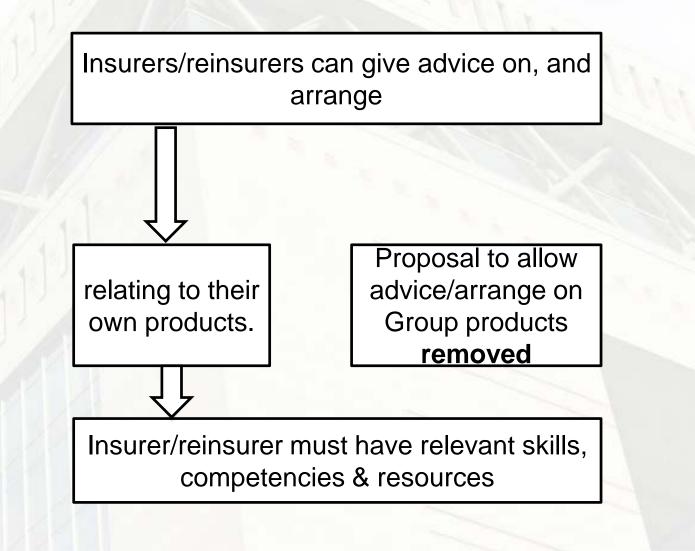
Results of public consultation on CP 103

Received nine sets of public comments

Three were composite submissions:

- the DIFC Insurance Association's submission represented 43 DIFC firms;
- the Lloyd's submission represented 10 DIFC firms;
- three large insurance managers presented a combined submission

We have agreed to some comments – see the discussion on key changes

Changes for insurers/reinsurers

Insurers/reinsurers can give advice on, and arrange

relating to their own products.

Proposal to allow advice/arrange on Group products **removed**

Insurer/reinsurer must have relevant skills, competencies & resources

Key changes for Insurance Intermediaries ("IIs")

Definition of Insurance Intermediation as proposed **retained**

All parties in the chain of reinsurance '**deemed'** as Market Counterparties

Tailored COB Rules for reinsurance activities **enhanced**

Express **carve-out** included for information providers

Definition of Insurance Agents and Insurance Brokers **adopted**

Eligible Bank definition **expanded +** 40 business days to complete formalities

Capital for IIs holding Insurance Monies **reduced** to 9/52

Guidance to avoid aggregation sites breaching the Fed Law prohibition

Key changes for Insurance Managers ("IMs")

Proposed definition of IM **adopted**

Proposed due diligence on insurers/reinsurers **removed**

Permit IMs to advise on products they underwrite or propose to underwrite

DFSA prior approval of insurers needed if IM is underwriting in retail markets

All parties in the chain of reinsurance '**deemed**' as Market Counterparties

No additional prudential reporting for IMs, other than geographic location of risk

Eligible Bank definition **expanded**

From 1 August 2016 …

DFSA will not force firms to give up one if they hold both II and IM Licences

IIs and IMs should consider whether they really need two Licences – or one will do

Insurance Brokers will have the benefit of reduced capital – from 18/52 – 9/52

If acting in dual capacities, i.e. as an IA and IB, adhere to conflicts of interest provisions and new Guidance

If an IM is underwriting in retail markets, obtain DFSA approval of insurers for whom they underwrite

Bird's eye view of the Licence universe

Insurance Intermediation Licence required to:

- advise on insurance products (other than LTI)
- arrange contracts of insurance (other than LTI)
- act as agent of a policyholder/potential policyholder (Insurance Broker)

Insurance Management Licence is required to:

- advise on insurance products it underwrites or proposes to underwrite
- act as agent for insurers/reinsurers for whom they underwrite or propose to underwrite

Both types of Licences are required if acting in dual capacities

Overview of the CP 106 proposals

CP 106 Proposals:

- keep the current regulatory regime substantially intact
- firm-up boundaries of 'arranging' and Rep Office definitions
- give extensive perimeter Guidance to remove ambiguities – using practical examples
- deal with Long-Term Insurance related issues
- refine Financial Promotions regime to minimise its abuse
- remove unnecessary regulation in one instance

Questions

Thank You