Decision No. E/18/2022

Amendments to certain provisions of the Executive Regulations for Implementation of the Insurance Companies Law

Based on the Insurance Companies Law promulgated by Royal Decree No. 12/79; and
The Executive Regulation for Implementation of the Insurance Companies Law issued by Ministerial Decision No. 5/80; and
The approval of the Board of Directors of the Capital Market Authority;

In the interest of the public

It has been decided

First Article
The attached amendment to the Executive Regulation for Implementation of the Insurance Companies Law shall have effect.

Second Article
Anything infringing the attached amendments or inconsistent with their provisions shall be repealed.

Third Article
This decision shall be published in the Official Gazette and shall have effect on the day following the date of publication

Issued on: Jamada Al Thani 27, 1443 H
Corresponding to: January 30, 2022

Abdullah Salim Abdullah Al Salmi

Executive President of the Capital Market Authority

Amendments to certain provisions of the Executive Regulations for Implementation of the Insurance Companies Law

Article (1)

The texts of Articles 3, 9/K, 10 (bis), 22, 23, 24 and 43 of the Executive Regulation for Implementation of the Insurance Companies law shall be replaced by the following texts:

“Article (3)

The insurance company shall appoint an actuary or contract with a firm accredited by the CMA in accordance with requirements specified by the CMA in this regard.”

“Article (9) (k)

k. Solvency margin computation in accordance with the Law and its implementation decisions and the CMA’s instructions supported by documentary evidence separately for each of the general insurance, life insurance and health insurance activities.”

“Article 10 (bis)

Every insurance company shall maintain and keep the following provisions and technical reserves for each class of insurance:

a. Provisions for unexpired risks
b. Provisions for outstanding claims
c. Emergency reserves

Computation of such provisions and technical reserves shall be specified by decision of the CMA.

No dividends shall be declared in any year until the deficit in the reserve is covered from the retained profits. The reserve shall not be used unless by prior approval of the CMA."

"Article (22)

The proceeds of investment of the deposit shall be entered in the revenue and expenditure account of the insurance group on behalf of which the deposit stipulated in Clause (2/e) of Article (3) of the Law and Article 9 (bis) of this Regulation was made."

"Article (23)

Computation of the solvency margin and maintaining it shall be in accordance with Annexure No. (18) attached with this Regulation."

"Article (24)

If the insurance company is not satisfying maintaining the minimum requirements of the solvency margin in any of its licensed activities, it shall not distribute available dividends to the shareholders or the head office for foreign companies through the branch unless it fulfill the requirements of the previous year, on condition of the insurance company has sufficient amount of surplus margin of solvency separately for each of the general insurance, life insurance and health insurance after the distribution."

"Article (43)

The insurance company shall not lend its employees, management or agents unless it has free funds exceeding the amount required to be kept and also sufficient surplus in the solvency margin separately for general insurance, life insurance and health insurance in accordance with the laws and regulations.

Loans on the life assurance policies shall be exempted from the above up to an amount not exceeding the surrender value of the policy.”

Article (2)

Articles 11, 22 (bis), 25 and 26 of the Executive regulation of the Insurance Companies Law shall be repealed.

Annexure No. (18)

Computation of Solvency Margin on Risk Based Capital

First: Definitions:

Solvency margin: Minimum limit of the insurance company's solvency to measure and protect its ability to meet its obligations toward insurance policyholders when they fall due.

Risk based capital: Adequacy of the financial resources of the insurance company to enhance the protection of insurance policyholders through linking the capital adequacy with the company risks.

Second: Computation of solvency margin

Solvency margin is computed according to the following equation

$\frac{\text{Total available capital}}{\text{Total required capital}}$	×100

The company shall compute its solvency margin separately for each licensed activity based on its respective balance sheet under insurance returns. The company shall be obliged to maintain a solvency margin at all times at not less than 100%.

Third: Available capital

1. Total available capital of the insurance company is the aggregate of the total available primary capital plus available complementary capital less the assets stipulated in Paragraph (4) of this Clause provided however, the aggregate shall not be less than the statutory minimum limit of the company's capital before the deduction.

2. The available primary capital shall include the following sources:

a. Paid up capital (net treasury shares (if any))
b. Head office accounts
c. Shares premium
d. preference shares
e. Capital reserves (general and special)
f. Legal reserves
g. Contingency reserves
h. Accumulated profits or losses
i. Shares discount
j. Any other sources the CMA sees to list.

3. Available complementary capital shall include the following sources:

a. Subordinated loans or debt
b. Revaluation reserve for operating fixed assets
c. Fair value reserve
d. Foreign exchange reserves
e. Any other sources the CMA sees to list.

In all cased the values of available complementary capital source shall be taken as 80% if the aggregate values are positive and as 100% if the aggregate values are negative.

4. The following sources shall be excluded from the computation of solvency margin:

a. The goodwill (if any)
b. Formation expenses and other expenses paid in advance or on account or deferred
c. Loans, advances and debts owed by others and unsecured by any financial guarantee

d. Value of any shares from company's capital treated as one of the assets
e. Value of loans the payment of which is guaranteed by the company
f. Doubtful debt unless adequate provision is made in the financial statements
g. Any loss of falling market value below the book value forany asset(other than assets held for maturity) unless a provision is made in the financial statements
h. Any asset which is encumbered or under guarantee or pledged or provided as collateral where there is no offsetting liability except assets under lien with the CMA or where the available credit facilities are not utilized.
i. Deferred tax expenses
j. Deferred business acquisition cost including deferred commission
k. Any investments, loan to or debt balance with a corporate related parties other than due to ordinary insurance business excluding investments in the bonds of the related party before the effective date of this regulation and until the time of its maturity and the deposits and balances in local banks.
l. Any amount due from reinsurers who are unrated or below rated as specified by the CMA
m. Any asset invested above the allowed maximum limit placed by the Regulation for Investments of the Assets of Insurance and Takaful Companies
n. Operational fixed assets
o. Any other assets the CMA sees to exclude.

Fourth: Required Capital

1. The total required capital shall be the "minimum solvency capital" or" risk based solvency capital "whichever is higher.
2. An insurance company must maintain the minimum solvency capital as follows:

S	Type of licensed activity	Minimum solvency margin in Omani Riyal
1	General Insurance	RO 4,000,000 (four million Omani Riyals
2	Life insurance	RO 1,000,000 (One million Omani Riyals)

3	Health insurance	RO 2,000,000 (Two million Omani Riyals

3. Risk based solvency capital shall be based on the balance sheet of the insurance company for each type of the following risks:

a. Concentration risk solvency capital
b. Credit risk solvency capital
c. Market risk solvency capital
d. Operational risk solvency capital
e. Insurance liability risk solvency capital, if the company is carrying out general insurance or health insurance:
1. Premium liability risk solvency capital
2. Claims liability risk solvency capital

f. Insurance liability risk solvency capital, if the company is carrying out life insurance:
   1. Liability risk solvency capital
   2. Sum assured risk solvency capital

g. Catastrophic risk solvency capital
h. Any other risk CMA specifies.

The company must be obliged to compute the risk stipulated in the Article in accordance with the Annexure approved by the CMA.

Fifth: Solvency Margin Report

1. An insurance company must calculate the solvency margin at the end of its financial year in accordance with the form prepared by the CMA.

2. An insurance company must submit to the CMA solvency margin report that is audited by the external auditor and including the details related to solvency margin with the insurance returns, to be submitted at least thirty

(30) days before convening the annual general meeting of the company if it is Omani company, or latest by end of February every year if it is a branch of a foreign company or if the CMA requests at any time.