QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

A Guide for Insurance Companies

Contents

Chapter 1

The QFC Regulatory Authority

The QFC Regulatory Authority (Regulatory Authority) is the independent regulatory body of the Qatar Financial Centre (QFC) established to regulate firms that conduct financial services in or from the QFC. It has a broad range of regulatory powers to authorise, supervise and, when necessary, discipline firms and individuals. The Regulatory Authority regulates firms using principles-based legislation of international standard, modelled closely on the laws used in other major financial centres.

This document is a general guide for insurance companies to the various Rulebooks issued by the Regulatory Authority that have particular impact on Insurance Companies.

The principal legislative provisions relating to the conduct of insurance and reinsurance business in or from the QFC are to be found in:

- The Qatar Financial Centre Law: Law No.(7) of 2005 (the "QFC Law")
- The Financial Services Regulations ("FSR")
- The Prudential-Insurance Rulebook ("PINS")
- The General Rulebook ("GENE")
- The Conduct of Business Rulebook ("COND")
- The Controls Rulebook ("CTRL") and
- The Individuals Rulebook ("INDI").

Particular aspects of the above legislative provisions that affect the conduct of insurance and reinsurance business in or from the QFC are referred to in the following sections of this Guide.

The Regulatory Authority has made every effort to ensure that the information contained in this Guide is accurate at the date of publication but does not make any warranty or assume any legal liability for the accuracy or completeness of the information contained in this Guide. This document is intended only to provide a brief outline and is neither a comprehensive nor a complete description of the regulatory requirements for Insurance Companies operating in or from the QFC. No reader should act on the basis of any matter or information contained in this document without first consulting the relevant law and associated materials or obtaining legal advice and confirming that the information published in this Guide remains current and correct.

Chapter 2

Insurance Business in the QFC

This Chapter describes the types of insurance business that may be carried on by a firm authorised by the Regulatory Authority and the prudential and other requirements that must be satisfied by such firms.

The activity of an insurance company in effecting a contract of insurance, carrying out a contract of insurance, arranging a contract of insurance and/or advising clients on contracts of insurance is a Regulated Activity under QFC law and therefore requires authorisation from the Regulatory Authority.

The Regulatory Authority recognises the significant role of insurance companies in the QFC and the importance of ensuring that customers are fully informed of their insurance options. The Regulatory Authority expects insurers to educate customers on the benefits of insurance and to advise the customer of the policy that would afford the best protection to the customer in a manner that is fair and not misleading. The Regulatory Authority expects that the standard of the insurance market within Qatar will be raised based on the quality and type of insurance business provided in or from the QFC.

Specified Activities and Insurance Business

The principal pieces of the regulatory framework relating to insurance business in the QFC are the Financial Services Regulations (FSR), the Regulatory Authority's Prudential – Insurance Rulebook (PINS) and the Conduct of Business Rulebook (COND).

The business activities that can be carried on in or from the QFC are listed in Schedule 3 to the QFC Law. The conduct of Insurance and Reinsurance Business is an activity that may only be carried on by a person authorised by the Regulatory Authority.

The full descriptions of the activities that may be carried on by an authorised firm are listed in Part 2 of Schedule 3 to the FSR: these activities are referred to in the FSR as "Specified Activities".

In the context of insurance business, the relevant Specified Activities are:

(i) Effecting a Contract of Insurance as Principal (i.e. the process of entering into a contract [or binding a contract])

(ii) Carrying out a Contract of Insurance as Principal (i.e. the administration of the contract viz. collecting premiums, paying claims, etc).

(iii) Arranging for another person to buy, sell, subscribe for or underwrite a Contract of Insurance; and

(iv) Advising another person on the merits of buying, selling, subscribing for or underwriting a Contract of Insurance.

Specified Products

The FSR also provides at Part 3 of Schedule 3 to the FSR the range of products which an authorised firm may provide: these products are referred to in the FSR as “Specified Products”.

In the context of insurance business, the relevant Specified Products are contracts of insurance or reinsurance that are either General Insurance Contracts or Long Term Insurance Contracts (or reinsurance): full particulars of the applicable range of insurance and reinsurance contracts are listed at paragraph 10 of Part 3 of Schedule 3 to the FSR.

Detailed provisions relating to the prudential requirements for the conduct of insurance business are set out in the Regulatory Authority’s Prudential – Insurance Rulebook (PINS).

In general terms, this means that an insurance company authorised by the Regulatory Authority may be able to carry on the following types of insurance business in the QFC in accordance with the relevant provisions of the QFC Law, Regulations and Rules:

Insurance (wholesale & retail);
Reinsurance;
Captive insurance;
Islamic insurance (Takaful);
Protected Cell Company; and
Insurance Management.

Takaful

Insurers which carry on Takaful Business are also subject to the specific additional requirements set out in Chapter 6 of PINS relating to Takaful Entities.

Takaful Entities are also subject to the requirements set out in the Islamic Finance Rulebook (ISFI) and AAOIFI FAS 11, 12, 13 and 18 in relation to the conduct of Takaful Business either as Islamic Financial Institutions or by operating an Islamic Window.

“Islamic Financial Institution” means an authorised firm whose entire business operations are conducted in accordance with Shari’a.

“Islamic Window” means an authorised firm which conducts Islamic financial business as a part of its business operations.

An authorised firm intending to conduct Takaful Business through an Islamic Window should apply to the Regulatory Authority.

Protected Cell Companies

The Regulatory Authority will consider each application by a Protected Cell Company (“PCC”) to conduct insurance business on a case by case basis. The Regulatory Authority considers that where a PCC is authorised, its authorised business will generally be restricted to establishing Cells carrying on insurance business as a Class 1 Captive Insurer.

Chapter 7 of PINS sets out additional requirements for a PCC. PINS, rule 7.3.1 requires an insurer which is a PCC to hold at all times eligible capital equal to or higher than its Non-Cellular Base Capital Requirement.

The Non-Cellular Base Capital Requirement is US$ 50,000. (PINS, rule 7.2.2.)

Captives

Captive are insurance companies that are formed to underwrite the insurance risks of their owners and other related parties. The Regulatory Authority’s rules define three categories of captive insurance companies:

Class 1 Captives may only carry out contracts of insurance in respect of risks related to the operations of its owner and affiliates.

Class 2 Captives primarily carry out contracts of insurance for their owners and affiliates but can underwrite up to 20% of gross written premiums from third party risks.

Class 3 Captives may only carry out contracts of insurance in respect of risks related to or arising out of the business of persons who engage in similar activities (e.g. associated captives).

Chapter 3

Applications for Authorisation and ongoing Regulatory Requirements

Introduction

This Chapter describes the application process to be followed by an insurance company seeking authorisation by the Regulatory Authority and the ongoing requirements that it will need to satisfy following authorisation.

A firm wishing to conduct insurance business in or from the QFC must apply to be authorised by the Regulatory Authority. The application form required for these purposes (Form Q02) is available to download through the Regulatory Authority website at www.qfcra.com. Further information and guidance regarding the application and authorisation process is also available in the Regulatory Authority's guide: "The Application Process - Frequently Asked Questions".

Prudential requirements for the conduct of Insurance Business in the QFC

Detailed provisions relating to the prudential requirements for Insurance Business are set out in the Regulatory Authority's Prudential – Insurance Rulebook (PINS).

Restrictions on Insurance Business

PINS, rule 1.5.1 states that an insurer must not carry on, in or from the QFC, both long term insurance business and general insurance unless the general insurance business is restricted to category 1 (accident) and category 2 (sickness).

Restriction on Ownership

An insurance company operating in or from the QFC can be 100% foreign–owned.

Fitness and Propriety of Authorised Firm

All applicants for authorisation are required to satisfy the Regulatory Authority that they are fit and proper. The factors that will be taken into account by the Regulatory Authority in applying this test include the Controllers' close links and other connections of the applicant, the location of its offices, the applicant's background and history, its resources, systems and controls and the collective suitability of persons connected to the applicant. Further details of these matters are set out in Appendix 1 to the General Rulebook (GENE).

Application Fees

Direct insurance:	US$ 40,000
Captive Insurance:	US$ 10,000

Annual Fees

Direct Insurance:	US$ 40,000
Captive Insurance:	US$ 10,000

Corporate Tax Regime

It is anticipated that the current tax holiday from corporate tax on profits for QFC insurers will cease to apply from 1 January 2010. The revised regulations providing for these matters have not yet been published but it is understood that with effect from 1 January 2010, QFC insurers will be subject to tax on their profits at a rate not exceeding 10%. Please note however that captive insurers and reinsurers are not subject to this tax.

While this reflects the general position, the situation applicable to a firm may be affected by its individual circumstances and each firm should seek its own professional advice on the liability to tax in respect of the insurance business it intends to carry on in or from the QFC.

Controlled Functions

Certain functions are considered to be particularly important in the financial services field in general and in the insurance sector in particular: these functions include the Senior Executive Function, the Compliance Oversight Function, Risk Management Function and the Money Laundering Reporting Officer function. These roles are referred to in the Regulatory Authority's Rulebooks as "Controlled Functions".

Because of their importance, Authorised Firms have to demonstrate that the persons performing these functions have the necessary expertise and experience. Further details of these requirements are set out at Section 2 of the Individuals Rulebook (INDI) which prescribes the Controlled Functions and the Required Controlled Functions for every Authorised Firm.

Applicants for Authorisation to conduct Insurance Business must submit an application for Approved Individual status on Form Q03 to the QFCRA for each of the individuals who will be performing these Controlled Functions and, where applicable, the actuarial function described in the following section.

The Approved Actuary

In addition to the functions described above, an insurer conducting Long Term Insurance Business and certain insurers conducting general insurance business must also appoint an individual with responsibility for the actuarial function. The primary role of the actuarial function is to advise on the valuation of the insurer's insurance liabilities and to provide an impartial assessment of the overall financial condition of the insurer.

For purposes of PINS, an Approved Individual registered by the Regulatory Authority to perform the Actuarial Function is referred to as the Approved Actuary. Chapter 9 of PINS outlines the key reporting requirements to be performed by the Approved Actuary.

The Approved Actuary must undertake an annual investigation to enable the preparation of the Financial Condition Report required by Chapter 9 of PINS. In special circumstances, the Regulatory Authority may permit an Authorised Firm to provide for the actuarial function to be performed by a third party provider of actuarial services. Any such outsourcing arrangement will require the specific approval of the Regulatory Authority and will not affect the primary responsibility of the firm for ensuring that the relevant requirements are satisfied.

Residency Requirements

The Senior Executive Officer of a company or a partnership incorporated in the QFC must be ordinarily resident in the State of Qatar. The Money Laundering Reporting Officer is also required to be ordinarily resident in the State of Qatar.

An individual may carry on more than one controlled function provided that the authorised firm and the Regulatory Authority are satisfied with the performance of such controlled functions does not give rise to any conflicts of interest. For example, an individual may be allowed to perform the roles of Money Laundering Reporting Officer and Compliance Officer subject to the specific approval of the Regulatory Authority.

Risk Management

Chapter 2 of PINS requires an insurer to draft and implement a written risk management strategy. It also sets out the various risks that an insurer must specifically address in its risk management policy.

Prudential Returns to the Regulatory Authority

PINS, 1.4, sets out the reporting requirements in respect of the preparation and submission of the prudential returns to the Regulatory Authority. Please note that the Regulatory Authority may require additional returns or submissions, as appropriate, over and above those listed in PINS, 1.4.

Insurers are required to use Form Q 200 for submission of its prudential returns.

Minimum Capital Requirement

The Minimum Capital Requirements for Insurers incorporated in the QFC and carrying on business in or from the QFC are set out in Chapter 3 of PINS.

An Insurer's Minimum Capital Requirement is the higher of:

a) the applicable Base Capital Requirement as determined in accordance with PINS, 3.4; or
b) the Risk Based Capital Requirement as determined in accordance with PINS, 3.5.

The Base Capital Requirement for all Insurers *other* than Captives is:

a)	Direct insurance	-	US$ 10 million
b)	Reinsurance	-	US$ 20 million.

The Base Capital Requirement for the different classes of Captives is:

a)	Class 1	Captive	-	US$ 150,000
b)	Class 2	Captive	-	US$ 1 million
c)	Class 3	Captive	-	US$ 250,000.

For a Protected Cell Company whilst the base Non-Cellular Capital Requirement is US$ 50,000 (PINS, rule 7.2.2), the QFCRA will normally require an insurer of this type to maintain cellular capital that is equivalent to the higher of the Base Capital Requirement determined in accordance with PINS, 3.4 above or the Risk Based Capital Requirement determined in accordance with PINS, 3.5.

Please note that in addition to satisfying the applicable Minimum Capital Requirement, each Insurer must ensure that it has adequate financial resources at all times for the nature, scale and complexity of its business.

Eligible Capital and Limits on the use of different forms of capital

Chapter 4 of PINS specifies those capital instruments that can be included as Eligible Capital to meet the Insurer's Minimum Capital Requirements.

The Table at PINS rule 4.2.2 provides details on what is acceptable as capital and PINS, 4.7 provides details on the limits on the use of different forms of capital.

The provisions in Chapter 4 of PINS do not apply to an Insurer authorised to conduct Insurance Business in or from the QFC as a Branch of a non-QFC insurer: in such cases the applicable regulatory capital requirements will be those to which the entity is subject in its home jurisdiction. An applicant intending to establish a branch to conduct insurance or reinsurance in or from the QFC should discuss the position with the Regulatory Authority and provide relevant information regarding the minimum capital and other regulatory requirements applicable to it in its home jurisdiction.

Chapter 4

Other Applicable Rulebooks

The previous Chapter summarised the regulations and rules that were of primary importance to a firm intending to conduct insurance business in or from the QFC. This Chapter describes other regulations and rules which are of more general application to authorised firms operating in the QFC.

Conduct of Business Rulebook (COND)

COND applies to all Authorised Firms and outlines rules regarding the relationship and dealings with Clients and disclosure of information to Clients.

Areas of interest to Insurance Companies

Authorised Firms conducting Insurance Business should familiarise themselves with COND**:** the following paragraphs identify the provisions in this Rulebook that are of particular importance to Insurers.

> *Chapter 2: Obligations of all Authorised Firms*
>
> This Chapter sets out the general obligations of all Authorised Firms, including language of disclosure, client classification, conflicts, material interests, inducements and customer complaints.
>
> *Chapter 3: Financial Promotions*
>
> This Chapter sets out the general requirements for Financial Promotions, the content of Financial Promotions, internal review and approval of any Financial Promotion provided to Clients and withdrawal of a Financial Promotion.
>
> *Chapter 4: Conduct of Investment Business*
>
> This Chapter applies to an Authorised Firm that conducts investment business in or from the QFC. The requirements relevant to insurance companies conducting insurance mediation business in relation to life policies including: initial client contact, retail investment services, additional disclosure relating to packaged products, post-contractual obligations and personal account transactions.

Chapters 5 and 6: Conduct of non-investment insurance mediation business and insurance business

These Chapters apply to Authorised Firms that are conducting Insurance Mediation Business in relation to non-investment insurance contracts (Chapter 5) or Insurance Business in or from the QFC respectively (Chapter 6). The definition of Insurance Mediation Business means that these provisions will apply to an insurance company which sells its own products. Particular provisions to note include the sections relating to status disclosure, advice to retail customers, product disclosures, post-contractual obligations and record keeping requirements.

General Rulebook (GENE)

The GENE Rulebook applies to all Authorised Firms and Applicants where specified.

Areas of interest to Insurance Companies

Authorised Firms conducting Insurance Business should familiarise themselves with all sections of GENE: the following paragraphs identify the provisions in this Rulebook that are of particular importance to Insurers.

Chapter 2: Fitness and Propriety

In order to become and remain an Authorised Firm, a Person must be able to demonstrate to the Regulatory Authority's satisfaction both initially and on an ongoing basis that it satisfies the Fitness and Propriety criteria outlined in this Chapter.

Chapter 3: Disclosure of Regulatory Status

This Chapter imposes the requirement on an Authorised Firm not to misrepresent its regulatory status expressly or by implication. There are requirements that all business documents (as defined in GENE) must include one of the following disclosures:

- "Authorised by the Qatar Financial Centre Regulatory Authority"; or
- "Authorised by the QFC Regulatory Authority".

Further this chapter addresses communications with the Regulatory Authority, Complaints against the Regulatory Authority and Registers of Public Information.

Chapter 4: Notices to the Regulatory Authority

This Chapter lists the circumstances, significant events or changes that an Authorised Firm must notify to the Regulatory Authority. For example:

- the Regulatory Authority must be given reasonable notice in advance if there are any changes to an authorised firm's name or address or other matters listed in GENE 4.3;
- the Regulatory Authority must be advised immediately if the Authorised Firm becomes aware or has reasonable grounds to believe that any of the matters in GENE 4.4 have occurred or may be about to occur; and
- the Regulatory Authority must be notified immediately in relation to matters outlined in GENE 4.5, 4.6, 4.7 or 4.8.

Controls Rulebook (CTRL)

This Rulebook applies to all Authorised Firms in respect of the conduct of Regulated Activities in or from the QFC.

Areas of interest to Insurance Companies

Authorised Firms conducting Insurance Business should familiarise themselves with CTRL: the following paragraphs identify the provisions in this Rulebook that are of particular importance to Insurers.

Chapter 3: Allocation of Responsibilities

An Authorised Firm must allocate responsibility for all aspects of its business amongst the Senior Management so that all significant areas are subject to appropriate management and supervision. Responsibilities and duties should be clear and written records of those duties retained by the Firm.

Chapter 4: Systems, Resources, Procedures and Controls

An Authorised Firm must take adequate steps to ensure that its systems, resources, procedures and controls are at all times appropriate to its business having regard to all relevant factors including the nature, scale and complexity of its business, the diversity of the business and the volume of transactions it executes and the degree of risk associated with its operations. This is subject to an annual review. Such areas of relevance which are covered by these requirements include:

- Organisational: for example, mapping out of reporting lines, procedures for reporting information to all relevant levels of the firm, segregation of duties;

- Compliance: such as having a Compliance Officer appointed with responsibility for establishing systems, controls and written compliance policies and procedures to ensure compliance with applicable regulatory requirements and to reduce as far as possible the risk that the Authorised Firm or its facilities may be used for the furtherance of financial crime;

- Risk Management and Risk Control: for example, the establishment of a written risk management policy that identifies and assesses the key risks relating to an authorised firm's processes and systems, determining the Firm's risk tolerance to certain risks and arrangements for the management of risks;

- Employees and Agents: such as review of employee suitability and providing appropriate training;

- Business Plan: establishment of a written business plan that is updated on a periodic basis;

- Business Continuity: establishment of a written Business Continuity Plan and periodic testing of those procedures;

- Anti Money Laundering: please refer to the AMLR section below.

Chapter 5: Outsourcing

If an Authorised Firm outsources any of its functions or activities directly related to Regulated Activities to a third party provider (including where the function is outsourced to another company within its group), it is not relieved of its regulatory obligations and remains responsible for compliance with the applicable requirements in the QFC.

The Authorised Firm must take steps to mitigate any operational risk associated with outsourcing. An Authorised Firm must establish a written policy for the due diligence and approval for functions to be outsourced, including risk and impact assessments for outsourcing the function, policies for entering into agreements with third party service providers, the required content of written agreements with such service providers, and procedures for monitoring the performance of the service providers.

Anti Money Laundering Rulebook (AMLR)

The AMLR applies to every Person[1] to whom the QFC Anti Money Laundering Regulations ("**the AML Regulations**") apply and to the same extent in relation to every such Person as the AML Regulations except to the extent that a provision of the AML Regulations provides for a narrower application. The AMLR outlines requirements for maintaining proper systems and controls to detect, prevent and report potential money laundering.

Areas of interest to Insurance Companies

An Authorised Firm conducting Insurance Business should familiarise itself with all sections of AMLR. In addition, the firm should read the AML Regulations, which are also available on the Regulatory Authority website.

Chapter 3: This Chapter outlines the Basic Principles and Objectives of Money Laundering Prevention and Compliance including:

Section 3.3: General Anti Money Laundering Compliance Requirements

A firm must establish and maintain anti money laundering policies, procedures, systems and controls to ensure compliance with AMLR, the AML Regulations, as well as Law No. 28 of 2002 of the State of Qatar and other relevant laws in Qatar. The Firm must be able to provide an audit trail of a transaction as well as procedures for reviewing the effectiveness of its anti money laundering systems.

Section 3.5 Appointment of Money Laundering Reporting Officer (MLRO)

An Authorised Firm must appoint an individual as the MLRO. In accordance with INDI, rule 2.2.2 that person must be ordinarily resident in the State. The duties of the MLRO are noted in the AML Regulations.

Section 3.8 Customer Identification Requirements

This section specifies, along with Appendix 1 to the AMLR, the requirements for the authorised firm to ensure that it has proper documentation of a customer's identity for the purposes of conducting 'Know Your Customer' checks.

1 See definition of Relevant Person in Article 19 of the AML Regulations.

Section 3.18 Employee Awareness and Training

An Authorised Firm must arrange for regular anti money laundering training for all employees to ensure that they are aware of the responsibilities of the MLRO, applicable AML legislation, the Firm's AML policies, procedures and controls and other matters relevant to the AML function.

Chapter 5

Further Information

For further information please visit the Regulatory Authority website at www.qfcra.com or contact the Regulatory Authority directly at:

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