

# Regulatory Trends in Insurance, DFSA's Approach to Run-off

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# Challenges for the Insurance Market

- Low rates, excess capacity
- Less opportunity to make up the underwriting losses with investment returns
- M&A activities could lead to strategic group decision not to have duplicate legal entities
- Large losses
- Natural catastrophe, emerging risks
- Stricter solvency and risk-based regulatory capital requirements
- Higher cost of compliance



# Regulator's Objectives

- Policyholder protection
- Ensure that insurers are able (with high degree of likelihood) to meet claims from policyholders
- Ensure regulatory capital requirement
- Robust run-off plan
- Clear position on how capital can be extracted (including dividends, management fee)
- Ensure efficient handling and payment of claims
- Continuous supervision

# Insurer's obligation during run-off

- Prepare and submit run-off plan
- Possibly require collateral for regulatory capital requirement
- Notify the regulator of any significant departure from the run-off plan
- No capital extraction without written consent from the regulator
- Maintain adequate of resources, systems and controls
- Risk based capital requirements
- Prudential reporting requirements

# Options during run-off

- Retention of the book and run-off to expiry
- Outsourcing run-off to third party service provider
- Commutation
- Loss portfolio transfer through reinsurance
- Portfolio transfer or merger with other insurer
- Scheme of arrangement





Thank You