



Effective Date: 1 January 2018

NOTICE FOR INSURANCE COMPANIES AND TAKAFUL OPERATORS
NOTICE NO. TIU/N-4/2017/8

NOTICE ON PUBLIC DISCLOSURE REQUIREMENTS



1. INTRODUCTION

- 1.1. This Notice is issued pursuant to Section 88 of the Insurance Order, 2006 and section 90 of the Takaful Order, 2008 [“the Orders”]. The Notice sets out requirements for both registered insurance companies and takaful operators (hereafter collectively referred to as “insurers”) to disclose to the public relevant, comprehensive and adequate information on an annual basis, in order to give a clear view of its business activities, performance and financial position.
- 1.2. This Notice requires an insurer to disclose to the public quantitative and qualitative information on its profile, governance and controls, financial position, technical performance and the risks to which it is subject. This is expected to enhance market discipline and understanding of the risks to which an insurer is exposed and the manner in which those risks are managed.
- 1.3. This Notice shall take effect from 1 January 2018, except for paragraph 2.5.6 regarding capital adequacy, which shall take effect on a date to be notified by Brunei Darussalam Central Bank (hereinafter referred to as “the Authority”).
- 1.4. The Guideline on *Financial Reporting for Takaful Operators* dated 1 February 2015 is repealed.

2. REQUIREMENTS ON PUBLIC DISCLOSURE

- 2.1. Insurers are required to prepare audited financial statements on an annual basis under the requirements of the Insurance Order, 2006 and Takaful Order, 2008 and shall make these audited financial statements, together with other disclosures required under this Notice, available to the public on its official website¹ or by other electronic means as approved by the Authority.
- 2.2. Insurers shall also make this information available for inspection by any policyholder/participant or member of the public at every branch of the insurer in Brunei Darussalam.
- 2.3. Insurers should make the disclosures required under paragraphs 2.5 within 30 days from 31st March, being the deadline for submission of Audited Financial Statements to the Authority.
- 2.4. Public Disclosures by Insurers are based on the following principles: -
 - 2.4.1. Insurers shall disclose information to the public under paragraph 2.5, which are useful, timely, comprehensive, meaningful and reliable for decision making by the person reading the information.

¹ A registered insurer may, where applicable, choose to leverage on its head office or Group’s existing website to make the requisite disclosures under this Notice so long as it is clear that these disclosures relate to the Brunei Darussalam operations rather than the Group as a whole, and shall not be required to create a separate official website for its Brunei Darussalam operations for the purposes of this Notice.



- 2.4.2. Where appropriate, insurers shall provide information, which is comparable to that provided by other insurers operating in the same market and consistent over time, to enable the person reading the information to discern relevant trends.
 - 2.4.3. An insurer should take into account the nature, scale and complexity of the information when determining the extent of information to be disclosed.
 - 2.4.4. Key accounting methodologies and assumptions used in the preparation of the information should be clearly explained. Where any changes are made to the methods and assumptions, an insurer should disclose the nature and reason for such changes, and their effects, where material.
 - 2.4.5. Where appropriate, the registered insurer should present the information to facilitate the identification of patterns of development over time, including the provision of comparative or corresponding figures from previous periods.
 - 2.5. A registered insurer shall disclose:
 - 2.5.1. Information about its company profile, including the nature of its business, a general description of its key products, the external environment in which it operates, its objectives and its general strategies in place to achieve the objectives;
 - 2.5.2. Key features of its corporate governance framework and management controls, including information on the implementation of the framework and controls; together with information required to be disclosed on corporate governance in the *Notice on Corporate Governance for Insurance Companies and Takaful Operators* (TIU/N-3/2017/7);
 - 2.5.3. Quantitative and qualitative information on all its reasonably foreseeable and relevant material insurance risk exposures, and the management of such risk exposures, including:
 - (a) Its objectives and policies, models and techniques for the management of insurance risk exposures and underwriting process controls;
 - (b) The nature, scale and complexity of risks arising from insurance contracts;
 - (c) The use of reinsurance/retakaful or other forms of risk transfer;
 - (d) An understanding of the interaction between capital adequacy and risk;
 - (e) A description of risk concentrations²; and

² This may include the following information, where relevant:

- (a) The geographical concentration of insurance risks or premiums;
- (b) The economic sectoral concentration of insurance risk; and



- (f) The extent of derivative instruments used to manage material risks.
- 2.5.4. Quantitative and qualitative information about the determination of actuarial liabilities, including future cash flow assumptions, the rationale for the choice of discount rates, and a description of methodology used to determine actuarial liabilities [e.g. risk adjustment methodology] which shall be presented in appropriate segments;
- 2.5.5. Quantitative and qualitative information about its enterprise-wide risk management framework including its asset-liability management;
- 2.5.6. Quantitative and qualitative information about capital adequacy to enable the reader to evaluate the insurer's objectives, policies and processes for managing capital and to assess its capital adequacy. The insurer shall disclose its generic solvency requirements as imposed by legislation or otherwise directed by the Authority³, the capital available to cover regulatory capital requirements, and information on any internal model used to determine capital resources and requirements;
- 2.5.7. Quantitative and qualitative information about its financial instruments and other investments by class, including:
 - (a) Investment objectives;
 - (b) Policies and processes;
 - (c) Values, assumptions and methods used for general purpose financial reporting and solvency purposes, as well as an explanation of the differences (where applicable); and
 - (d) Information concerning the level of sensitivity to market variables associated with the disclosed amounts; and
- 2.5.8. Quantitative and qualitative information on financial performance in total and at a segmented level, including quantitative source of earnings analysis, claims statistics (including claims development), pricing adequacy, information on returns on investment assets and components of such returns.
- 2.6. Insurers shall take into account the following factors when making disclosures under paragraph 2.5:-
 - 2.6.1. Where any disclosure which relates to activities conducted at the group⁴ level or at the head office level (as the case may be) has been made at the group

[c] The risk concentration inherent in the reinsurance arrangement such as the number of reinsurers, the percentage of premiums ceded to each reinsurer and the credit risk concentration of reinsurance assets.

³ Except for solvency requirements that are specified to be confidential or that the Authority has directed to be kept confidential.

⁴ Group refers to the ultimate holding company its subsidiaries and any other company or entity treated as part of the ultimate holding company's group of companies.



level or head office level (as the case may be), an insurer may cross-refer to those group disclosures provided such disclosures are made publicly;

- 2.6.2. Where any information required for disclosure under paragraph 2.5 is deemed by an insurer to be either proprietary or confidential in nature and the disclosure of such information would seriously prejudice the interest of the insurer, the insurer need only disclose general information about the subject matter or the requirement; and
- 2.6.3. Disclosures by category or type may need not be met where the amounts are not material.

3. ADDITIONAL REQUIREMENTS FOR TAKAFUL OPERATORS

- 3.1. In addition to the requirements under paragraph 2, takaful operators shall also comply with the Financial Accounting Standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) including *AAOIFI FAS 12: General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies*, *AAOIFI FAS 13 Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies* that are not prescribed by IFRS 7. The statements for takaful operators shall include:
 - 3.1.1. Statement of Participants' Surplus (Deficit);
 - 3.1.2. Statement of Sources and the use of Zakat and charity funds;
 - 3.1.3. Takaful contract liabilities;
 - 3.1.4. Reinsurance/retakaful assets;
 - 3.1.5. Takaful receivables;
 - 3.1.6. Takaful payables;
 - 3.1.7. Gross and net earned contributions;
 - 3.1.8. Gross and net benefits and claims;
 - 3.1.9. Earnings or expenditures prohibited by Syariah and how the takaful operator intends to dispose of assets generated by prohibited earnings or acquired through prohibited expenditure;
 - 3.1.10. Basis for determining Wakalah or Mudharabah fees to the takaful operator;
 - 3.1.11. Any restrictions on distribution of participants' surplus;
 - 3.1.12. Amount of Qard provided during the year, the time period for repayment of Qard and any amount of repayments in the year;



- 3.1.13. Amount of zakat payable and method of calculation as approved by the Syariah advisory body;
 - 3.1.14. Amounts recoverable related to claims from takaful and retakaful activities; and
 - 3.1.15. Any effect of changes in policy, estimates or error correction on income statement as well as effects on participants' surplus or deficits.
- 3.2. The explanatory notes to the financial statements of takaful operators shall include the contributions made on the basis of donation by the participants relating to general takaful and family takaful on the basis of *AAOIFI FAS 19: Contributions in Islamic Insurance Companies*.
- 3.3. Takaful operators shall also disclose the Annual Report of the Syariah Advisory Body regarding the takaful operators' compliance with Syariah Rules and Principles.

**MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK**

Issue date: 26 Safar 1439H / 15 November 2017M