



# The CBUAE Approach To Insurance Supervision

May 2026





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## I. Introduction

By virtue of the Federal Decree-Law No. (6) of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business, the Central Bank of the United Arab Emirates (the “CBUAE”) issues regulations, standards, circulars, and guidelines to ensure that Licensed Financial Activities are carried on with integrity, prudence and the appropriate level of professional competence, and in manners not detrimental to the interest of customers, Insured, and Beneficiaries. The CBUAE is the supervisory and regulatory authority of the banking and insurance sector. The CBUAE promotes financial and monetary stability, efficiency and resilience in the financial system, and the protection of customers through effective Risk-Based Supervision of the Insurance Sector that supports economic growth for the benefit of the UAE and its people.

In its continued commitment to ensuring Market Transparency, the CBUAE publishes its supervisory framework, industry statistics, regulatory reporting requirements and related supervisory expectations, while simultaneously ensuring strict that measures are taken to preserve and protect the confidentiality of individual (re)insurers’ supervisory assessments.

This document demonstrates how the Risk-Based Supervision (RBS) Framework is implemented by the CBUAE and how various supervisory activities are designed and carried out.

This document serves three main purposes:

- to explain how the CBUAE supervises (re)insurers and how the RBS Framework, the Supervisory Review Process (SRP) and the Risk Assessment Framework (RAF) operate in practice;
- to communicate to (re)insurers what they can expect from CBUAE supervision, and the key factors that drive supervisory intensity and actions; and
- to enhance transparency and accountability by providing other stakeholders and broader public with a high-level description of the CBUAE’s supervisory approach, aligned with international standards.



## II. Risk-Based Supervision (RBS) Framework

The Risk-Based Supervision (RBS) Framework enhances the existing mandate for strengthening risk-based insurance supervision in the UAE. The CBUAE benefits from the RBS Framework by reinforcing and supporting its vision and strategy, strengthening (re)insurers' resilience and the overall stability of the insurance sector. The implementation of the redesigned RBS Framework enhances financial stability, as (re)insurers will be required to accurately assess and manage their risks to avoid unexpected losses. By adopting this enhanced framework, the CBUAE aligns with global leading practices, strengthening its credibility and improving engagement with international regulators and investors.

### A. Objectives

<b>Primary objective</b>	The primary objective of Insurance Supervision is to maintain the financial resilience of (re)insurers and ensure their ability to meet obligations to policyholders on a continuous basis.
<b>Policyholders' protection</b>	The RBS Framework enhances the protection of the policyholders by ensuring that (re)insurance companies have enough capital to cover the risks they have underwritten, leading to increased policyholders' trust and customer retention.
<b>Financial stability</b>	The adoption of the RBS Framework strengthens the oversight of the financial stability of the insurance sector.
<b>Align Leading Standards &amp; Practices</b>	By adopting the RBS Framework, the CBUAE aligns with global leading practices.
<b>Promotes a Standardized Supervisory Review Process</b>	The adoption of the RBS Framework brings a structured and standardized supervisory review process, enabling the CBUAE to proactively monitor and evaluate the financial and operational stability of insurance companies.

### B. Supervisory Review Process (SRP)

The SRP is a continuous approach employed by supervisors to gain a comprehensive understanding of individual (re)insurers and the insurance sector as a whole, ensuring its stability and effectiveness.

SRP explains the CBUAE's risk-based and proportionate approach to regulation and supervision of (re)insurers. It has been developed with due consideration to the International Association of Insurance Supervisors' (IAIS) Insurance Core Principles (ICPs) and the practices of leading international supervisors.

The CBUAE supervises (re)insurers in a holistic manner. Accordingly, the CBUAE's supervisory focus areas include relevant group structures and related parties, potentially



encompassing overseas operations where these are material to the management and risk profile of the (re)insurer. The CBUAE cooperates with other regulators, as appropriate, understand the risks that affect the company. In doing so, the CBUAE applies a risk-based supervisory approach which focuses on assessing material risks and requiring companies to take timely remedial measures before deficiencies compromise the stability of the (re)insurer or the UAE insurance sector.

In its risk-based supervisory approach, the intensity and frequency of supervisory activities depend on the risk profile of each (re)insurer, the level of its systemic importance, and the potential impact of its failure on policyholders, beneficiaries, and the market. The CBUAE regularly reviews and evaluates the reporting procedures, strategies and processes established and followed by (re)insurers to ensure ongoing compliance with the applicable laws and regulations, in a transparent manner. The supervisor considers the level of inherent risks netted against the quality of risk management and governance systems to obtain a view of the residual risk exposures. The SRP involves assessment of the quantitative and qualitative requirements associated with the governance system, evaluation of the risks that the supervised companies may face and determining the (re)insurers' capability to identify, assess, manage, monitor and mitigate those risks, with consideration to their operating environment.

Where sustained supervisory concerns arise that pose a risk to CBUAE's objectives, including financial stability or policyholder protection, the CBUAE may take targeted measures or enforcement actions against companies. Supervision staff maintain the SRP information database, which records supervisory assessments, supervisory plans, and remedial actions, thereby creating a clear audit trail of supervisory activities and assessment results. These results are then compiled in an SRP report, providing a holistic assessment of the (re)insurers' risks from a supervisory perspective.

The CBUAE staff evaluate risk using the Risk Assessment Framework (RAF). The RAF is a key component of the wider SRP and provides a structured approach for supervising (re)insurers within the UAE, by evaluating and monitoring their impact and risk profile. The RAF, which has been developed with consideration to the CAMELS methodology and data previously adopted by the CBUAE, assesses the level of inherent risks, the quality of risk management and governance systems, along with the systemic risks, translating the result into a rating. The RAF generates a risk rating for each (re)insurer, which informs the examination plan, including the scope and timing of detailed review activities, along with the supervisory actions and measures to be implemented. The risk rating of each (re)insurer acts as the primary guide to its supervisory cycle. Where CBUAE supervisors identify risks or areas of concern, the degree of intervention in the supervisory plan will be commensurate with the nature and severity of those risks.

The RAF also generates an impact rating, which takes into account the unique characteristics, size, and complexity of the (re)insurer. The impact score acts as a backstop to determine the maximum duration between detailed reviews. This approach ensures that high-impact companies are reviewed more frequently, even where their risk profile and risk rating might suggest otherwise.



The SRP is implemented by the CBUAE insurance supervision team and applies to all conventional and Takaful (re)insurance companies licensed in the UAE, to underwrite primary insurance and reinsurance, including those with group relationships and subsidiaries, affiliates, or international branches, on a solo and group-wide basis. The CBUAE applies the principle of proportionality, ensuring that supervisory practices avoid unnecessary regulatory burden on smaller and less complex companies. Insurance pools are considered within scope of the SRP.

The (re)insurers have the responsibility for complying with the underlying regulatory requirements, as set out in CBUAE's Rulebook. They are expected to implement the appropriate mechanisms for monitoring and reporting risks and metrics as required by the CBUAE, and to provide all data and information requested to the supervisor.

## 1. General Principles of the Supervisory Review Process

<b>Data-Driven Decision Making</b>	By encouraging the utilization of comprehensive dynamic data sets and analytical techniques, the SRP aims to ensure that decisions are grounded in empirical evidence, promoting greater accuracy and reliability in the supervisory review practices.
<b>Principle of Proportionality</b>	Not all entities require the same level of scrutiny. The intensity and frequency of supervisory activities are adjusted based on the size, complexity, and risk exposure of each entity. Higher-risk entities may undergo more frequent and detailed reviews, while lower-risk entities may be subject to less intensive oversight.
<b>Prioritization of risks</b>	The SRP entails assessment of the (re)insurers' impact and risk profile, to determine which entities pose the greatest threats to the financial system and policyholders, prompting more intensive supervision where it is most needed.
<b>Dynamic Assessment</b>	The risk landscape can change over time due to various factors such as market conditions, regulatory changes, or shifts in business practices. A risk-based approach involves continuous monitoring and reassessment of risks to adapt supervisory strategies accordingly, considering the latest trends and developments.
<b>Resource Efficiency</b>	By focusing on higher-risk areas, supervisors can allocate their resources to areas of greatest impact. This targeted approach enables the strategic deployment of sufficient personnel and expertise, promoting a balanced use of resources by directing more capacity to critical areas.
<b>Collaboration and Communication</b>	A risk-based approach encourages open communication between the CBUAE and the supervised entities, enabling the CBUAE to understand the operational environment and risks faced by each entity.



## C. Risk Assessment Framework (RAF)

The Risk Assessment Framework (RAF) introduces a risk-based approach for the identification, assessment, and monitoring of risks that the supervised (re)insurers may face, with the use of key metrics. It provides a consistent basis for assessing the impact and key risks of supervised (re)insurers and systematizes the assessment criteria applied by the CBUAE. The RAF methodology limits subjectivity and supports comprehensive risk identification, making it a fundamental tool for supervision. At the same time, it allows the CBUAE to review the RAF results and adjust ratings where circumstances so require. This framework allows supervisors to assess a company's ability to cope with adverse events, whilst maintaining its financial and operational stability, and adequately mitigating negative conduct risk outcomes.

The RAF recognizes both inherent and residual risks encountered by (re)insurers, taking into account company-specific and sector-wide exposures. This practice allows the CBUAE to intervene proactively and swiftly, applying any additional requirements and proportionate measures as needed.

The RAF involves the following:

- The utilization of risk metrics mapped to key risk categories, examined against predefined thresholds, along with their respective weights.
- Risk assessment, involving determination of the (re)insurer's impact and risk profile.
- Risk monitoring, with regular review of the (re)insurer risk profile.

When implementing the RAF, the CBUAE evaluates the risks posed by (re)insurers that present threats to the CBUAE's objectives. Through the risk assessment, the CBUAE takes into account the inherent risks and the wider environment in which the supervised company operates, the governance framework and controls in place, and the residual risks.

While the RAF is highly structured and metric-driven, the CBUAE recognises that metrics alone cannot fully capture a (re)insurer's risk profile. Supervisors, therefore, apply expert judgement to adjust the impact and/or risk ratings where justified by additional information, such as onsite inspection findings, ORSA results, thematic reviews, information from supervisory colleges, or emerging risks.



## 1. Approach to Risk Assessment

The risk assessment methodology involves the determination of the company’s impact rating and risk rating.

### Determination of the impact rating

The (re)insurer’s impact rating is based on the potential impact of its failure on the stability of the UAE financial market, considering the company’s size, interconnectedness with the insurance and financial market overall, substitutability of services offered, asset liquidation and global activities. When the impact assessment relates to a group, the CBUAE assesses the potential impact of failure, and obtains impact scores, for both the parent company and the consolidated group as a whole.

The assessment is performed with a forward-looking view, whilst considering the (re)insurer’s lines of business, core activities and products. The supervisor refers to historical data and previously conducted risk assessments to determine any shifts in the risk profile and RAF results.

### Determination of the risk rating

The (re)insurer’s risk rating is driven by the predefined key risk metrics, an evaluation of the (re)insurer’s governance system and Business Model Analysis (BMA), based on the data and results obtained by the CBUAE as part of the supervisory reporting process. When the assessment relates to a group, the CBUAE recognizes and assesses the risks, and obtains risk scores, for both the parent company and the consolidated group as a whole.

## 2. Combination of impact and risk rating

Following the determination of the (re)insurer’s impact and risk, the CBUAE combines the two ratings in order to determine the subsequent steps regarding the supervisory activities and their respective frequency and intensity. The combination of the two ratings leads to a colour rating, in accordance with the following heatmap:

The CBUAE determines the supervisory intensity and activities based on the heatmap colour rating, which reflects the (re)insurers’ combined impact and risk ratings. This approach ensures that there is adequate focus on companies that could have a material impact on the UAE insurance sector and present high inherent risks. For such companies, the CBUAE applies more intensive and supervision through increased engagement and attention, as it is imperative to prevent a disorderly failure.

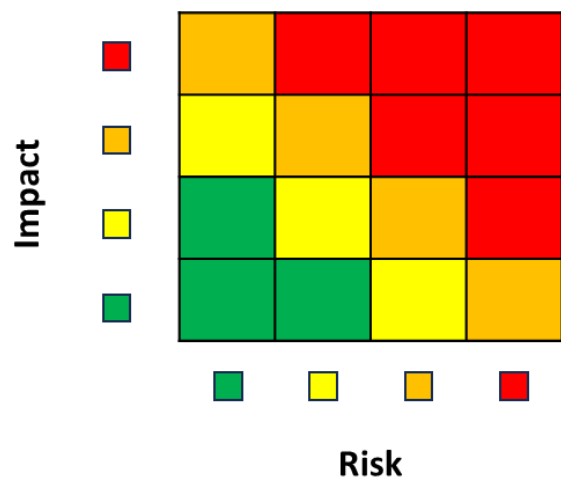


Figure 1 - Combined impact and risk heatmap



### III. Supervisory Engagement

The Supervisory Review Process (SRP) comprises the key mechanism employed by the CBUAE to monitor and evaluate the financial and operational stability of (re)insurance companies, and their compliance with applicable legal and regulatory framework, in alignment with the CBUAE's Rulebook.

The Onsite and Offsite Examination Framework is a fundamental component of the Supervisory Review Process (SRP). Its primary purpose is to protect policyholders' interests, maintain the stability of the insurance market and uphold regulatory compliance. Through these detailed reviews, the CBUAE identifies potential risks, safeguards policyholders' rights, and takes appropriate actions to mitigate emerging threats.

The intensity and frequency of supervisory engagement are calibrated according to the risk profile of the company, as determined using the RAF tool. Supervisory engagement includes, but is not limited to, offsite reviews and onsite examinations (full scope review, thematic review, limited review, special reviews (ESG), ad-hoc examination), all determined on the basis of a comprehensive supervisory planning. Furthermore, the CBUAE applies a structured escalation framework to address emerging risks:

- Early supervisory engagement and corrective guidance;
- Risk mitigation expectations;
- Enhanced supervisory monitoring;
- Formal regulatory measures where necessary; and
- Focused supervision with (re)insurers in Run-Off and (re)insurers with deficient solvency and capital.

This structured approach supports timely supervisory responses and contributes to maintaining financial stability.



## IV. Other Supervisory Interactions

In addition to its supervisory activities, the CBUAE actively fosters engagement with the insurance sector through regular industry workshops. These flagship events serve as a platform for the CBUAE to:

- Provide comprehensive updates on key regulatory developments, ensuring all stakeholders are informed of the latest changes and strategic directions;
- Highlight emerging requirements, implementation timelines, and evolving regulatory expectations, equipping market participants with the foresight needed for effective compliance and strategic planning;
- Promote excellence in data quality and consistency of reporting, reinforcing the importance of robust, accurate, and harmonized information across the sector.
- Demonstrate its commitment to transparency, collaboration, and the continuous enhancement of supervisory standards within the UAE insurance market.

## V. Supervisory Resources

The Risk-Based Supervision framework operates alongside key prudential, capital, risk management, and internal controls elements, as adopted by (re)insurers, and as required by the CBUAE Rulebook, including:

- Risk-based capital requirements;
- Solvency monitoring;
- Stress testing and scenario analysis;
- Forward-looking Own Risk and Solvency Assessments (ORSA);
- Enterprise risk management frameworks;
- Corporate governance; and
- Effective internal controls on financial reporting (ICFR).